

**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.....Nikhil Ahsvani Advani.....

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

Date.....30.....Month.....May.....Year....2022.....

Information for the Year.....2021.....

## 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 AIA<sup>1</sup>. With more than 50,000 agents nationwide, we service over 5.11 million customers with over 8.39 million in-force policies. Leading the life insurance industry, AIA pioneers iPOS+, AIA iService and AIA iSign applications & service for sales and customer support to ensure prompt and first-rate service standards. Besides, AIA achieves the highest number of unit linked sales<sup>1</sup> and IC-licensed agents<sup>2</sup>

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 2021

2. Statistics of active investment analysts, from website of The Securities and Exchange Commission, last updated as of 2021

## 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

 <a href="#">Protection</a>	<ul style="list-style-type: none"><li>• AIA Pay Life Plus 10/ 15/ 20 (Non Par)</li><li>• AIA 20Pay Life (Non Par)</li><li>• Term 5 / 10 / 15 / 20</li><li>• AIA CI SuperCare 10/99 (Non Par)</li><li>• AIA CI SuperCare 20/99 (Non Par)</li><li>• AIA Life Protector 70 (Non Par)</li><li>• AIA Life Protector 80 (Non Par)</li><li>• AIA 10&amp;15 Pay Life (Non Par)</li><li>• 50 Up</li><li>• Senior Happy</li><li>• Senior OK</li></ul>
 <a href="#">Unit Linked</a>	<ul style="list-style-type: none"><li>• AIA Issara Plus (Unit Linked)</li><li>• AIA Infinite Wealth Prestige (Unit Linked)</li><li>• AIA Issara Prestige Plus (Unit Linked)</li><li>• AIA Smart Select (Unit Linked)</li><li>• AIA Smart Wealth (Unit Linked)</li><li>• AIA Smart Wealth Prestige (Unit Linked)</li><li>• AIA Infinite Gift Prestige (Unit Linked)</li><li>• AIA 20 Pay Link (Unit Linked)</li></ul>




## For Individuals (Cont'd)

 <p><u>High Net Worth</u></p>	<ul style="list-style-type: none"> <li>• AIA Infinite Gift Prestige (Unit Linked)</li> <li>• AIA Infinite Wealth Prestige (Unit Linked)</li> <li>• AIA Legacy Prestige Plus (Non Par)</li> <li>• AIA Legacy Prestige (Non Par)</li> <li>• AIA CI SuperCare Prestige</li> <li>• AIA Issara Prestige Plus (Unit Linked)</li> <li>• AIA Smart Wealth Prestige (Unit Linked)</li> <li>• AIA Smart Select Prestige (Unit Linked)</li> </ul>
 <p><u>Critical Illnesses</u></p>	<ul style="list-style-type: none"> <li>• AIA CI SuperCare 10/99 (Non Par)</li> <li>• AIA CI Care</li> <li>• AIA Health Cancer</li> <li>• AIA CI Plus</li> <li>• AIA CI Plus UDR</li> <li>• AIA Health Cancer UDR</li> <li>• AIA CI UDR</li> <li>• Lady Care</li> <li>• AIA CI Top Up</li> <li>• Lady Care Plus</li> <li>• AIA CI Care UDR</li> <li>• AIA TPF</li> <li>• AIA WPCI</li> </ul>
 <p><u>Medical</u></p>	<ul style="list-style-type: none"> <li>• AIA Infinite Care</li> <li>• AIA Health Happy</li> <li>• AIA H&amp;S Extra</li> <li>• AIA H&amp;S</li> <li>• AIA HB Extra</li> <li>• AIA Health Plus</li> <li>• HB</li> <li>• AIA H&amp;S Extra UDR</li> <li>• AUA H&amp;S UDR</li> <li>• AIA Health Happy UDR</li> <li>• AIA HB Extra UDR</li> </ul>



## For Individuals (Cont'd)

 <p><a href="#">Accident</a></p>	<ul style="list-style-type: none"> <li>• AIA PA 2500</li> <li>• AIA PA 4900</li> <li>• AIA PA 4000</li> <li>• AIA PA 2500</li> <li>• Micro 1000</li> <li>• Micro 500</li> <li>• Micro 200</li> <li>• Micro 300</li> <li>• Micro 222</li> <li>• Micro 100</li> <li>• AI/RCC</li> <li>• ADB/RCC</li> <li>• ADD/RCC</li> </ul>
 <p><a href="#">Annuity</a></p>	<ul style="list-style-type: none"> <li>• AIA Annuity FIX</li> </ul>
 <p><a href="#">Savings</a></p>	<ul style="list-style-type: none"> <li>• AIA Excellent (Non Par)</li> <li>• AIA Endowment 15/25 (Non Par)</li> </ul>
 <p><a href="#">AIA Vitality Protection</a></p>	<ul style="list-style-type: none"> <li>• AIA Vitality Protection</li> </ul>



## For Individuals (Cont'd)

 <p><a href="#">Bank Assurance</a></p>	<p>BBL</p> <ul style="list-style-type: none"> <li>• Be Together Smart Retirement</li> <li>• Be Together Unit Linked</li> <li>• Be Together Save+</li> <li>• Be Together Legacy+</li> <li>• Be Together Beloved+</li> <li>• Be together Care</li> <li>• Be Together Health &amp; Save</li> <li>• Be Together Health</li> <li>• Be Together Infinite Health</li> <li>• Riders</li> </ul> <p>BAY</p> <ul style="list-style-type: none"> <li>• Krungsri Unit Linked</li> <li>• Krungsri Unit Linked Super Smart</li> </ul> <p>TISCO</p> <ul style="list-style-type: none"> <li>• TISCO Health Insurance Plan (HIP)</li> <li>• TISCO Auto Loan Protection (ALP)</li> <li>• TISCO My Gift Prestige</li> </ul>
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## For Business

 <p><a href="#">Provident Fund</a></p>	<ul style="list-style-type: none"> <li>• Provident Fund Management Services</li> </ul>
 <p><a href="#">Group Insurance</a></p>	<ul style="list-style-type: none"> <li>• 20UP/20UP+</li> <li>• 50UP/5UP+</li> <li>• GPA Continental</li> </ul>

## For Business (Cont'd)

 <u>Credit Life</u>	<ul style="list-style-type: none"><li>• Auto Insurance Plan</li><li>• Mortgage Reducing Term Assurance (MRTA)</li></ul>
 <u>SME/GPF</u>	<p><b>For SME</b></p> <ul style="list-style-type: none"><li>• AIA 20 Pay Life (Par)</li><li>• AIA Annuity FIX</li></ul> <p><b>For Government Pension Fund (GPF)</b></p> <ul style="list-style-type: none"><li>• AIA 20 Pay Life (Par)</li></ul>

## 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 under according to medical standards 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.



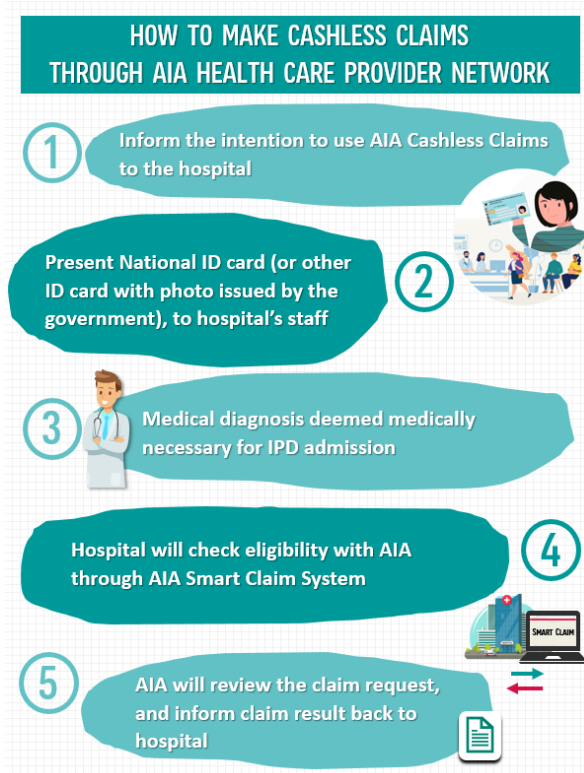
Service time

Monday – Friday

8.00 AM – 7.00 PM

Weekends and Holidays

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 as per normal process.

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#### List of AIA Health Care Provider Network (Individual)

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

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#### Service Conditions

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

For Health claim, rider must be effective at least 90 days from the rider contracted date or reinstated date.

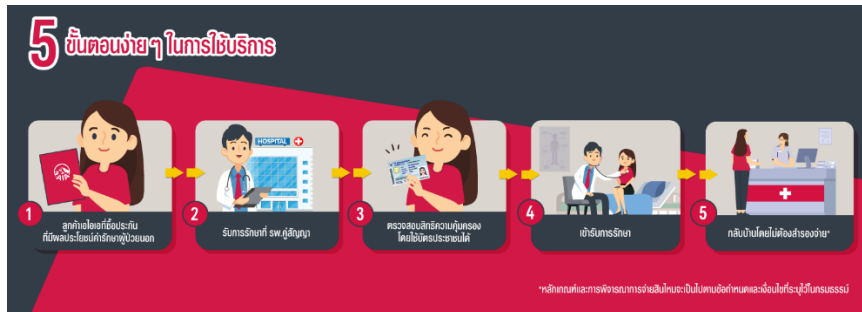
For Accident claim, service is available from the rider contracted date.

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

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

## • OPD 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 at the effective of last reinstatement. OPD cashless claims can be used at any AIA Health Care Provider Network.



### 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;

บริการเรียกรถส่งกลับบ้านผู้ป่วยนอกผ่านโรงพยาบาลคู่สัญญา (OPD Cashless)												
ผลประโยชน์ผู้ป่วยนอกที่มีบริการ OPD Cashless ได้	H&S	H&S Plus Gold	H&S Extra	H&S Junior	AIA Infinite Care	AIA Health Happy	AIA Med Care	AIA Health Plus	AIA H&S (New Standard)	AIA H&S Extra (New Standard)	AIA Infinite Care (New Standard)	AIA Infinite Care (New Standard)
การรักษาผู้ป่วยนอกสำหรับการเจ็บป่วยทั่วไป (OPD General)			✓		✓	✓ แผน 4	✓			✓	✓	
การรักษาผู้ป่วยนอกกรณีฉุกเฉินภายใน 24 ชั่วโมง (E&O)	✓	✓	✓	✓	✓ เฉพาะกรณีฉุกเฉิน	✓	✓	✓	✓	✓	✓	✓ เฉพาะกรณีฉุกเฉิน
การรักษาผู้ป่วยนอกภายใน 30 วันหลังการเข้ารับการรักษาเป็นผู้ป่วยใน (OPD follow up)		✓			✓	✓		✓				✓
การตรวจวินิจฉัยผู้ป่วยนอกที่เกี่ยวข้องโดยตรงและเกิดขึ้นภายใน 30 วันหลังการเข้ารับรักษาตัวเป็นผู้ป่วยใน (Diag-Lab after admit)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
การรักษาผู้ป่วยนอกกรณีการนำโลหิตโรคไตมาตรวจหรือการล้างไตผ่านทางเส้นเลือด (OPD Hemodialysis)		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓
การรักษาผู้ป่วยนอกกรณีการนำชิ้นเนื้อไปตรวจ (OPD Biopsy)		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓
การรักษาผู้ป่วยนอกกรณีการนำชิ้นเนื้อไปตรวจ (OPD Chemotherapy)		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓
การรักษาผู้ป่วยนอกกรณีการนำชิ้นเนื้อไปตรวจ (OPD PT)					✓							✓
ค่าตรวจสุขภาพทั่วไปหลังการเข้ารับรักษาตัวเป็นผู้ป่วยใน (OPD PT after admit)						✓ 2ครั้ง/ปี		✓ 2ครั้ง/ปี				
การตรวจสุขภาพทั่วไป (Check up)					✓ แผน120วัน							✓ แผน120วัน
ทันตกรรม (Dental)					✓ แผน120วัน							✓ แผน120วัน
วัคซีน (Vaccine)					✓ แผน120วัน							✓ แผน120วัน

สัญลักษณ์ในตารางแสดงการให้บริการตามมาตรฐาน AIA New Health Standard

H&S\_29122021



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 be applied, if;

1. The coverage period of Critical Illness are not applicable 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.

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**List of hospitals and clinics in AIA Care Card network**

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

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

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- 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 (AIPAY) 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](#)

### **How to make claim at Non-AIA Provider Network?**

For IPD, OPD for both health and accident claims, insured must submitted claim request to AIA within 30 days after treatment date or Hospital discharge date.

### **Claim Documents Preparation**

- Complete claim form and the insured must sign the PDPA consent
- Original medical receipt and expense details (only claim for medical expenses)
- Other documents according to claim type
- Complete submission claim form

[Click here](#) for download claim document

### **Claim Document Submission**

- Submit via agent or broker
- Submit at AIA Head Office
- Submit via mail to AIA Head Office as address below:  
**Health Services Department** (Please specify individual health insurance or group insurance.)  
AIA Company Limited, AIA Tower 2, 181 Surawongse Road, Bangrak, Bangkok 10500

### AIA Claim process

AIA will process the claim within 5 days after receiving all complete relating documents unless the company is required to investigate and collect additional information. After receiving all additional documents, AIA will proceed your claim as soon as possible.

Claim process status will be updated to you via SMS and AIA iService application since receiving documents to completing the claims.

**Remark:** For group insurance, SMS notification for claim status is depend on the conditions with your companies.

### Claim reimbursement

Claim reimbursement will be proceed throught the channel you selected

- For who selected Bank account (AIA PAY), you will receive the payment within 3 days after approving claim.
- For those who choose a cheque, the cheque will be sent to the address specified in the policy within 5-7 days after approving claim.
- For group insurance, the payment will be paid through the channel of your company's condition. You can apply for AIA PAY to receive a benefit payment [Click here](#)

**Remark:**

- Criteria and Claims processes have complied with all of the terms and conditions required by the policy agreement
- Submitting complete claims documents will allow for quick claims processing and reimbursement
- Incomplete of claim document submission within said period will not cause any failure Claims if shows an necessary that the insured is unable to submit the claim within the period specified, but it has been proceeding at best possible

## 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.

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**List of AIA Health Care Provider Network (Group)**

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

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

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### How to make claim at Non-AIA Provider Network?

For IPD, OPD for both health and accident claims, insured must submitted claim request to AIA within 30 days after treatment date or Hospital discharge date.

#### **Claim Documents Preparation**

- Complete claim form and noted that signature must be aligned with PDPA consent
- Original medical receipt and expense details (only claim for medical expenses)
- Other documents according to claim type
- Complete submission claim form

[Click here](#) for download claim document

#### **Claim Document Submission**

- Submit via agent or broker
- Submit at AIA Head Office
- Submit via mail to AIA Head Office as address below:  
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AIA Company Limited, AIA Tower 2, 181 Surawongse Road, Bangrak, Bangkok 10500

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- Incomplete of claim document submission within said period will not cause any failure Claims if shows an necessary that the insured is unable to submit the claim within the period specified, but it has been proceeding at best possible

## 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.	Claim form signed by all beneficiary (1 form for 1 beneficiary)	✓	✓	In case the beneficiary is juvenile, parent, guardian or close relatives is required to co-sign as well. In case the beneficiary is Corporate or Employer, authorized person with corporate stamp and Certificate of the Ministry of Commerce are required.
2.	Photography of Beneficiary together with ID Card (1 photo for 1 beneficiary)	✓	✓	
3.	Copy of house registration and Identity card of all beneficiary	✓	✓	In case that the beneficiary is Estate, do submit all document related to Administrator
4.	Copy of death certificate of the deceased	✓	✓	
5.	Copy of house registration of the deceased with stamp "DEATH"	✓	✓	
6.	Copy of Identity card of the deceased	✓	✓	
7.	KYC form for Agent	✓	✓	
8.	Agent's report	✓	✓	
9.	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
10.	Copy of police report	–	✓	For unnatural death
11.	Copy of autopsy report or postmortem	–	✓	For unnatural death
12.	Student's certificate with institute's stamp	–	✓	For Group accident claim
13.	Physician's statement	✓	*	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 Birth Certificate of Juvenile insured or Juvenile beneficiary	*	*	
16.	Copy of Marriage certificate of the Insured / Payor or beneficiary	*	*	
17.	Copy of court order for juvenile's guardian appointment	*	*	
18.	Copy of court order for administrator appointment 18.1 Copy of court order for Insured's administrator appointment  18.2 Copy of court order for Beneficiary's administrator appointment	*	*	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.  In case the beneficiary passed away after the insured.
19.	Copy of court order to be missing person	*	*	In case the insured or the beneficiary is missing without knowing that if he/she is still alive.
20.	Copy of Passbook of Beneficiary (Bankbook)	*	*	In case the beneficiary requires a media clearing (AIA PAY)
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 3-6

- 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



#### Customer Service

	<b>AIA Company</b> AIA Tower, 181 Surawong Road., Suriyawong, Bang Rak, Bangkok 10500 Hotline : +662 783 8888 Fax : +662 783 4818 Service Hours : Mon - Fri (8:00 am – 5.00 pm)
	<b>AIA Call Center 1581</b> 24-hour Call Center Service
	<b>Customer Service Centre</b> 2nd Floor AIA Tower, 181 Surawong Road., Suriyawong, Bang Rak, Bangkok 10500 Service Hours : Mon - Fri (8:00 am – 5.00 pm)
	<b>Advance appointment at Customer Service Center</b> <ul style="list-style-type: none"><li>• <a href="#">Select date and time of appointment</a></li><li>• <a href="#">Download manual</a></li></ul>
	<b>Inquire information for AIA Link</b> AIA Call Center : 1581 E-mail : <a href="mailto:TH.CUSTOMER@AIA.COM">TH.CUSTOMER@AIA.COM</a>



## 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

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AIA THAILAND



# Document Details

<b>Document Name</b>	Corporate Governance Framework
<b>Document Version</b>	5.0
<b>Originating Business Function</b>	AIA Thailand, Risk Function.
<b>Framework Owner</b>	Chief Risk Officer ("CRO")
<b>Primary Framework Contact Person</b>	Head of Compliance
<b>Secondary Framework Contact Person</b>	Compliance Department
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<b>Notified to</b>	Executive Committee ("EXCO")
<b>Approved by</b>	Chief Risk Officer ("CRO")
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<b>Next Review Date</b>	1 May 2023
<b>Document Type</b> <i>Per Corporate Policy Governance Standard</i>	Policy
<b>Information Classification</b> <i>Per Group Data Protection Standard</i>	Restricted
<b>Related Policies and Standards</b>	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
4.0	Forth release <ul style="list-style-type: none"><li>- Minor revise on department name</li><li>- Add Legal and External Affairs Department in AIA Thailand Structure</li></ul>	24 March 2022	CRO
5.0	Fifth release <ul style="list-style-type: none"><li>- Minor revise on senior management according to revised TORs</li></ul>	23 May 2022	CRO

## DISTRIBUTION LIST

TITLES
All members of EXCO

# Contents

<b>1. INTRODUCTION .....</b>	<b>5</b>
1.1. PURPOSE AND BACKGROUND .....	5
<b>2. SCOPE.....</b>	<b>6</b>
2.1. SCOPE.....	6
2.2. INTERPRETATION AND APPLICATION.....	6
2.3. CONSULTATION .....	6
<b>3. MAIN PROVISIONS .....</b>	<b>7</b>
3.1. MANDATORY AND MINIMUM REQUIREMENTS.....	7
3.2. ROLES AND RESPONSIBILITIES .....	7
3.2.1 THE EXCO OF AIA THAILAND.....	7
3.2.2 RESPONSIBILITIES OF THE EXCO.....	7
3.2.3 THE EXCO'S CONDUCT OF MEETING .....	8
3.2.4 PERFORMANCE EVALUATION OF MEMBERS OF THE EXCO .....	9
3.2.5 AIA THAILAND STRUCTURE .....	9
3.2.6 MANAGEMENT COMMITTEES .....	11
3.2.7 THE AUDIT COMMITTEE .....	14
3.2.8 RISK MANAGEMENT AND INTERNAL CONTROL .....	15
3.3. EXEMPTIONS .....	17
3.4. BREACH MANAGEMENT AND ESCALATION .....	18
3.5. MONITORING, REVIEW AND AMENDMENTS .....	18
3.6. DELEGATION OF AUTHORITY (IF APPLICABLE) AND OTHER ADMINISTRATIVE MATTERS .....	18
<b>4. APPROVALS .....</b>	<b>18</b>
<b>5. APPENDIX – RELEVANT POLICIES AND REGULATION.....</b>	<b>18</b>



## 1. Introduction

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### 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

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### 2.1. Scope

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

### 2.2. Interpretation and Application

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

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

### 2.3. Consultation

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

- General Counsel<sup>1</sup>
- Chief Risk Officer
- Director of Compliance
- Director of Enterprise Risk Management

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<sup>1</sup> The General Counsel responsibilities currently is conducted by Director of Legal.

### 3. Main Provisions

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#### 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.

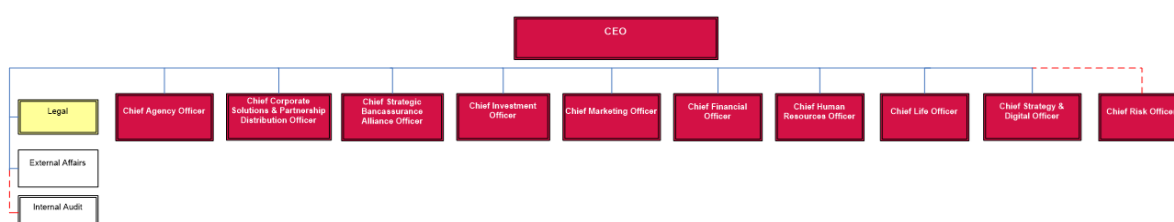
Full minutes of the EXCO's meetings shall be kept by the secretariat, and such minutes shall be available for inspection at any reasonable time on reasonable notice by the EXCO or the Board.

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 Officer

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”)

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. Chief Life Officer
7. Director of Compliance
8. Director of Legal
9. Head of Information Technology

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. Chief Life Officer
4. Director of Legal
5. Chief Agency Officer
6. Chief Risk Officer
7. Director 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 Life Officer
2. Chief Financial Officer
3. Chief Risk Officer
4. Chief Actuary
5. Senior Advisor (taking care of Life Operations 1)

h) Anti-Money Laundering Committee ("AMLC")

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

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

i) Intermediary Disciplinary Committee ("DC")

The Objective of the DC is to provide oversight of the effectiveness of the investigation, including identifications of root cause and control weakness, portfolio

analysis and execution of penalty and remedial actions relating to intermediaries' misconduct within AIA Thailand. This is to ensure the investigation and disciplinary action relating to intermediaries' misconduct are properly executed and handled to avoid non-compliance with laws / company's policies and procedures and to avoid any adverse impact on company's reputation. The members of DC are:

1. Senior Advisor (taking care 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**

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

Compliance Department 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

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

## 4. Approvals

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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

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Code of Conduct

AIA Group Anti-Corruption Policy

AIA Group Anti-Fraud Policy

AIA Group Whistle blower Protection Policy

AIA Thailand

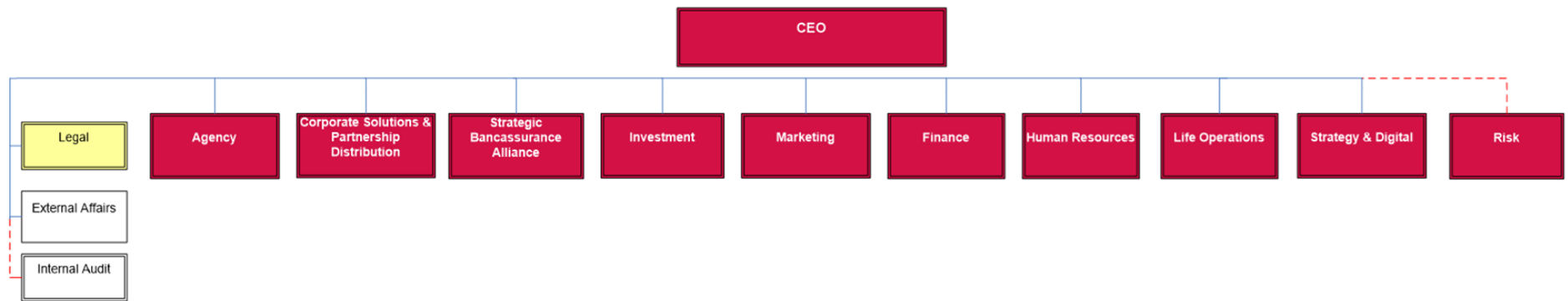
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## **Corporate Governance Framework**

Version 5.0



## 2.2 COMPANY STRUCTURE



## 2.3 BOARD AND MANAGEMENT STRUCTURE

### Board and Management

 <p><b>Nikhil Advani</b> Chief Executive Officer</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><b>Hiew Tet Chian</b> Chief Financial Officer</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.



**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.



**Jane Tay**  
**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 Dutoit**  
**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.



**Alisa Simaroj**  
**Chief Life Officer**

Responsible for ensuring AIA's products, services and internal operations / business processes meet the required quality standards.



**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  
Officer**

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. Nikhil Ashvani Advani (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. Vilasinee Limprana (Head of Pension Business)
4. Dudpong Wongsasitorn (Fund Manager from Pension Business)
5. Pongthep Somprasong (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. Alisa Simaroj (Chief Life Officer)
7. Supirut Pothavorn (Director of Compliance)
8. Jutamas Suttisirikul (Director of Legal)
9. Amaraporn Runsewa (Head of Information Technology)

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

The members of FRC are:

1. Nikhil Ashvani Advani (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 AIA Group’s 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 (Group Chief Financial Officer)

## **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 Ramachandran (Group Senior Regional Counsel)

## 2.5 APPOINTMENT OF MANAGEMENT

**The appointment process for 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 Guideline:

- 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
  - c) Market reference data.
- The Compensation proposal should be approved per the Company procedures before any verbal or written offer can be made.

## 3.2 ASSET-LIABILITY MANAGEMENT

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

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

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

## 4. INSURANCE RISK

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

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

### **Insurance Risk**

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

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

The Company manages product design risk through its Product Approval Process, where products are reviewed against pricing, design and 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,			
	2021		2020	
	Book value	Appraisal value	Book value	Appraisal value
Long-term technical reserves	563,981	667,568	574,292	739,994
Short-term technical reserves	20,414	17,712	19,541	17,027
Unpaid policy benefits	546	546	452	452
Due to insured	159,227	89,173	123,594	77,569

**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,			
	2021		2020	
	Book value	Appraisal value	Book value	Appraisal value
Deposits with financial institutions and Certificate of Deposit	3,224	3,224	3,831	3,831
Bonds, debentures, promissory notes bill of exchange	725,965	735,755	771,518	771,816
Equity securities excluded investments in subsidiaries and associates	86,744	86,744	88,304	88,304
Mutual fund	497	497	3,057	3,057
Policy Loans	31,746	38,217	31,663	39,114
Loans	1,427	1,416	1,442	1,426
Warrants	28	28	23	23
Investment property	22,206	22,206	17,405	17,405
Derivative assets	3,473	3,473	10,959	10,959
Others	-	-	-	-
<b>Total Investment Assets</b>	<b>875,310</b>	<b>891,560</b>	<b>928,202</b>	<b>935,935</b>

## 7. FINANCIAL RESULTS ANALYSIS AND RATIOS

### Performance

Unit: Million Baht

Items	As of December 31,	
	2021	2020
Gross written premiums	133,943	134,456
Net earned premiums	123,383	126,335
Net investment income	26,856	29,644
Change in long-term technical reserve	(10,311)	(825)
Net benefits and claim paid	108,735	99,404
Net Profit	19,472	13,567

Compared with year 2020, Gross written premiums in 2021 declined by Baht 513 million or 0.4% mainly from Ordinary Life insurance products generating from Agency channel and Credit Life insurance products from Bancassurance channel. Net earned premiums also reduced by Baht 2,952 million or 2.3% as higher amount of premium ceded to reinsurer for health products. Net investment income decreased by Baht 2,788 million or 9.4% mainly from interest income and dividend income. While Net profit increased Baht 5,905 million or 44% due to gain on selling equity and debt securities. Decrease in long-term technical reserve was in line with increase of Net benefits and claim paid.

## Financial Ratio

Ratios	2021	2020
First year underwriting expense per net premium	68.2%	85.3%
Renewal underwriting expense per net premium	14.3%	13.6%
Return on equity	8.3%	5.1%
Return on asset		
Return on asset	1.9%	1.3%
Return on asset excluded Unit linked and Universal life	1.9%	1.2%
Return on investment ratio		
Return on investment ratio	2.9%	3.1%
Return on investment ratio excluded Unit linked and Universal life	3.0%	3.2%
Investment asset per liability reserve	137.6%	127.1%

**Table: Proportion of premium written from each insurance category for 2021**

Unit: Million Baht

Description	Ordinary					Industrial	Personal Accident	Group	Total
	Whole Life	Endowment	Term	Others	Total				
Direct premium written	26,539	47,376	170	47,608	121,693	-	3,126	9,124	133,943
Proportion of premium written	19.81	35.37	0.13	35.54	90.85	-	2.34	6.81	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,	
	2021	2020
Total Asset	998,395	998,749
Total Liabilities	826,487	879,253
- Insurance Liabilities	774,999	835,043
- Other Liabilities	51,488	44,210
Total Head Office's Equity	161,908	119,497
Common Equity Tier 1 Ratio (%)	410	301
Tier 1 Ratio (%)	410	301
Capital Adequacy Ratio (%)	410	301
Total Capital Available	161,139	118,529
Total Capital Required	39,310	39,420

- 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 2021**



## **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 2021, 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 2021;
- 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 directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

PricewaterhouseCoopers ABAS Ltd.

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

**Paiboon Tunkoon**

Certified Public Accountant (Thailand) No. 4298

Bangkok

9 March 2022



**AIA Company Limited**  
**Statement of Financial Position**  
**As at 31 December 2021**

		<b>31 December 2021 Baht</b>	<b>31 December 2020 Baht</b>
	<b>Notes</b>		
<b>Assets</b>			
Cash and cash equivalents	6	8,894,740,239	7,403,134,110
Premium receivables	7	8,006,129,402	10,311,620,533
Accrued income on investments		3,363,031,080	3,552,947,398
Reinsurance assets	8, 20, 33	269,898,332	271,677,295
Amount due from reinsurance	9, 33	15,054,822	2,147,768
Deferred acquisition costs	10	72,634,249,539	70,014,182,862
Derivative assets	11	3,501,254,434	10,981,408,363
Invested assets			
Investment in securities	12	807,598,141,504	859,605,477,773
Loans and accrued interest receivables	14	33,173,260,708	33,104,294,722
Investment property	15	22,205,592,406	17,405,400,000
Investment in associates	13, 33	171,500,000	171,500,000
Assets held to cover linked liabilities	16	59,961,552,414	35,766,023,674
Property, plant and equipment	17	1,835,898,348	2,018,220,571
Intangible assets	18	2,613,096,986	1,671,721,091
Other assets	19, 33	15,642,718,985	5,624,444,025
<b>Total assets</b>		<b>1,039,886,119,199</b>	<b>1,057,904,200,185</b>

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

Date \_\_\_\_\_

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

**AIA Company Limited**  
**Statement of Financial Position (Cont'd)**  
**As at 31 December 2021**

		<b>31 December 2021 Baht</b>	<b>31 December 2020 Baht</b>
	<b>Notes</b>		
<b>Liabilities and Head Office's Equity</b>			
<b>Liabilities</b>			
Insurance liabilities	20	741,636,080,630	715,546,586,539
Investment liabilities	21	-	-
Amount due to reinsurance	22, 33	565,397,059	582,689,728
Derivative liabilities	11	13,470,199,370	9,205,267,525
Income tax payable		1,910,566,593	1,934,565,718
Employee benefit liabilities	23	4,140,470,016	4,056,272,220
Deferred tax liabilities	24	30,410,117,967	43,288,664,388
Other liabilities	25, 33	31,850,967,598	28,433,591,510
<b>Total liabilities</b>		<b>823,983,799,233</b>	<b>803,047,637,628</b>
<b>Head Office's Equity</b>			
Remeasurements of investments measured at fair value through other comprehensive income, net of tax		62,558,064,495	118,096,487,007
Remeasurements of derivative instruments used in cash flow hedge, net of tax		(4,202,882,203)	(3,922,469,937)
Remeasurements of deferred cost of hedge, net of tax		(303,519,737)	(930,109,142)
Remeasurements of post-employment benefit obligations, net of tax		(1,367,710,190)	(1,520,867,820)
Gains on land and building revaluation, net of tax		1,373,930,729	1,321,289,762
Other reserve		128,311,298	136,126,302
Branch's retained earnings Unappropriated		157,716,125,574	141,676,106,385
<b>Total Head Office's Equity</b>		<b>215,902,319,966</b>	<b>254,856,562,557</b>
<b>Total liabilities and Head Office's Equity</b>		<b>1,039,886,119,199</b>	<b>1,057,904,200,185</b>

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

**AIA Company Limited**  
**Statement of Comprehensive Income**  
**For the year ended 31 December 2021**

	<b>Notes</b>	<b>2021 Baht</b>	<b>2020 Baht</b>
<b>Revenues</b>			
Gross written premiums		133,943,180,244	134,455,798,608
<u>Less</u> premiums ceded to insurers	33	(9,852,654,092)	(7,059,820,940)
Net written premiums		124,090,526,152	127,395,977,668
<u>Less</u> net change in unearned premium reserve		(707,077,181)	(1,060,652,347)
Net earned premiums		123,383,448,971	126,335,325,321
Fee and commission income	33	626,642,015	503,488,965
Net investment income	33	26,856,493,103	29,644,181,174
Gains (losses) on investment		10,376,267,254	(235,423,040)
Fair value losses		(1,184,568,952)	(2,903,731,042)
Fair value gains (losses) on investment property		279,403,327	(200,143,415)
Other income	33	199,533,631	179,295,103
Total revenues		160,537,219,349	153,322,993,066
<b>Expenses</b>			
Change in long-term technical reserve		(10,310,591,624)	(825,041,850)
Gross benefits and claim paid	26	114,733,123,591	103,742,544,944
<u>Less</u> benefits and claim paid recovered from reinsurers	33	(5,998,608,192)	(4,338,240,569)
Net benefits and claim paid		108,734,515,399	99,404,304,375
Commissions and brokerages		11,946,250,930	13,716,648,013
Other underwriting expenses	33	16,274,421,902	16,642,643,638
Operating expenses	28, 33	9,297,649,111	7,536,971,869
Finance cost	25, 33	44,689,809	48,079,235
Expected credit loss	30	70,138,502	(167,993,237)
Total expenses		136,057,074,029	136,355,612,043
<b>Profit before income tax</b>		24,480,145,320	16,967,381,023
Income tax expenses	31	5,008,013,735	3,400,768,840
<b>Net profit</b>		19,472,131,585	13,566,612,183

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 2021

	Notes	2021 Baht	2020 Baht
<b>Other comprehensive income (loss)</b>			
<u>Items that will not be reclassified subsequently to profit or loss</u>			
Remeasurements of post-employment benefit obligations	23.1	191,447,037	(96,167,236)
Gains on land and building revaluation		65,801,209	541,606,946
Income tax on items that will not be reclassified subsequently to profit or loss		<u>(51,449,649)</u>	<u>(89,087,942)</u>
Total items that will not be reclassified subsequently to profit or loss		<u>205,798,597</u>	<u>356,351,768</u>
<u>Items that will be reclassified subsequently to profit or loss</u>			
Losses on remeasuring investments measured at fair value through other comprehensive income		(58,473,808,314)	(26,922,097,411)
Losses on remeasuring derivative instruments used in cash flow hedge		(350,515,332)	(4,903,087,421)
Gains (losses) on remeasuring deferred cost of hedge		783,236,756	(1,162,636,427)
Items in other comprehensive income transferred to profit or loss		(10,949,219,826)	510,986,690
Income tax relating to items that will be reclassified subsequently to profit or loss		<u>13,798,061,343</u>	<u>6,495,366,914</u>
Total items that will be reclassified subsequently to profit or loss		<u>(55,192,245,373)</u>	<u>(25,981,467,655)</u>
<b>Other comprehensive loss for the year, net of tax</b>		<u>(54,986,446,776)</u>	<u>(25,625,115,887)</u>
<b>Total comprehensive loss for the year</b>		<u><u>(35,514,315,191)</u></u>	<u><u>(12,058,503,704)</u></u>

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

AIA Company Limited  
Statement of Changes in Head Office's Equity  
For the year ended 31 December 2021

	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
<b>Beginning balance as at 1 January 2021</b>	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
Profit remittances to Head Office	-	-	-	-	-	-	(3,432,112,396)	(3,432,112,396)
Employee benefits on share-based payment	-	-	-	-	-	(7,815,004)	-	(7,815,004)
Net profit	-	-	-	-	-	-	19,472,131,585	19,472,131,585
Remeasurement of post-employment benefits	-	-	-	153,157,630	-	-	-	153,157,630
Gains on land and building revaluation	-	-	-	-	52,640,967	-	-	52,640,967
Losses on remeasuring investments measured at fair value through other comprehensive income	(46,779,046,651)	-	-	-	-	-	-	(46,779,046,651)
Losses on remeasuring derivative instruments used in cash flow hedge	-	(280,412,266)	-	-	-	-	-	(280,412,266)
Gains on remeasuring deferred cost of hedge	-	-	626,589,405	-	-	-	-	626,589,405
Items in other comprehensive income transferred to profit or loss	(8,759,375,861)	-	-	-	-	-	-	(8,759,375,861)
<b>Ending balance as at 31 December 2021</b>	<b>62,558,064,495</b>	<b>(4,202,882,203)</b>	<b>(303,519,737)</b>	<b>(1,367,710,190)</b>	<b>1,373,930,729</b>	<b>128,311,298</b>	<b>157,716,125,574</b>	<b>215,902,319,966</b>
<b>Beginning balance as at 1 January 2020 after adjustment</b>	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
<b>Ending balance as at 31 December 2020</b>	<b>118,096,487,007</b>	<b>(3,922,469,937)</b>	<b>(930,109,142)</b>	<b>(1,520,867,820)</b>	<b>1,321,289,762</b>	<b>136,126,302</b>	<b>141,676,106,385</b>	<b>254,856,562,557</b>

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

**AIA Company Limited**  
**Statement of Cash Flows**  
**For the year ended 31 December 2021**

	<b>Notes</b>	<b>2021 Baht</b>	<b>2020 Baht</b>
<b>Cash flows provided by (used in) operating activities</b>			
Written premium received from direct insurance		151,882,846,741	138,315,044,884
Fee income		283,300,151	418,523,291
Cash paid for reinsurance		(3,680,002,726)	(2,580,710,993)
Interest income		27,300,781,855	28,673,812,402
Dividend income		2,032,689,728	3,062,239,675
Investment expenses		(2,871,343,646)	(2,185,426,264)
Cash received (paid) for settlement of derivatives		(5,717,062)	1,598,355,167
Rental income		998,518,818	1,025,126,008
Other income		185,261,958	132,911,093
Gross benefits and claim paid from direct insurance		(95,103,581,742)	(92,123,725,383)
Commissions and brokerages from direct insurance		(13,370,202,030)	(13,802,908,512)
Other underwriting expenses		(17,338,125,713)	(16,665,566,864)
Operating expenses		(7,454,441,089)	(7,157,752,743)
Income tax expenses		(4,163,947,586)	(1,630,972,796)
Cash received from investment in securities		215,766,547,007	147,118,017,202
Cash paid for investment in securities		(223,626,504,160)	(162,463,436,017)
Cash paid for investments property	15	(4,521,342,883)	(755,900,176)
Cash received from loan repayment		5,805,236,235	7,149,335,870
Cash paid for loan drawdown		(6,054,584,835)	(5,864,470,335)
Cash received from assets held to cover linked liabilities		26,892,890,855	34,467,887,171
Cash paid for assets held to cover linked liabilities		(46,544,664,890)	(43,676,134,434)
<b>Net cash provided by operating activities</b>		<b>6,413,614,986</b>	<b>13,054,248,246</b>
<b>Cash flows provided by (used in) investing activities</b>			
<u>Cash flows provided by:</u>			
Properties and equipment		723,900	1,774,144
<b>Net cash provided by investing activities</b>		<b>723,900</b>	<b>1,774,144</b>
<u>Cash flows used in:</u>			
Properties and equipment	17	(47,641,825)	(68,192,314)
Intangible assets	18	(1,099,063,422)	(779,281,274)
<b>Net cash used in investing activities</b>		<b>(1,146,705,247)</b>	<b>(847,473,588)</b>
<b>Net cash used in investing activities</b>		<b>(1,145,981,347)</b>	<b>(845,699,444)</b>

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 2021

	2021 Baht	2020 Baht
<b>Cash flows used in financing activities</b>		
<u>Cash flows used in:</u>		
Lease liabilities	(343,398,402)	(344,544,556)
Remittances to Head Office	(3,432,112,396)	(10,000,000,000)
Finance cost	(516,712)	(14,435,178)
Net cash used in financing activities	(3,776,027,510)	(10,358,979,734)
Net cash used in financing activities	(3,776,027,510)	(10,358,979,734)
<b>Net increase in cash and cash equivalents</b>	1,491,606,129	1,849,569,068
Cash and cash equivalents at beginning of year	7,403,134,110	5,553,565,042
<b>Cash and cash equivalents at end of year</b>	8,894,740,239	7,403,134,110

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 2022.

**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) Financial reporting standards that are effective for the year ended 31 December 2021, but the Branch has elected to apply the temporary exemption described further below:

- **The 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 financial reporting standards and TFAC Accounting Guidance related to financial instruments address the classification and measurement requirements for financial instruments as well as provide derecognition guidance on financial assets and financial liabilities. The 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 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 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 guidance requires assessment of impairment of financial assets as well as contract assets and recognition of expected credit loss from initial recognition.

The Branch performed an initial eligibility assessment and passed the 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') 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) Financial reporting standards that are effective for the year ended 31 December 2021, but the Branch has elected to apply the temporary exemption described further below: (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 2021			Change in fair value for the year ended 31 December 2021		
	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	668,857,511	-	668,857,511	(59,409,321)	-	(59,409,321)
Other financial assets	78,448,917	137,233,238	215,682,155	4,643	2,948,580	2,953,223
Total	747,306,428	137,233,238	884,539,666	(59,404,678)	2,948,580	(56,456,098)

	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:

- 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 31,811 million (31 December 2020: 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)

- b) New and amended financial reporting standards that are effective for accounting period beginning on or after 1 January 2021 and have significant impacts to the Branch.

- **Revised Conceptual Framework for Financial Reporting** added the following key principals and guidance:

- Measurement basis, including factors in considering difference measurement basis
- Presentation and disclosure, including classification of income and expenses in other comprehensive income
- Definition of a reporting entity, which maybe a legal entity, or a portion of an entity
- Derecognition of assets and liabilities

The amendment also includes the revision to the definition of an asset and liability in the financial statements, and clarification to the prominence of stewardship in the objective of financial reporting.

- **Amendment to the financial instruments and disclosure for insurance companies accounting guidance (The Accounting Guidance)** amended to provide relief from applying specific hedge accounting requirements to the uncertainty arising from interest rate benchmark reform such as IBOR. The amendment also requires disclosure of hedging relationships directly affected by the uncertainty.
- **Amendment to TAS 1, Presentation of financial statements and TAS 8, Accounting policies, changes in accounting estimates and errors** amended to definition of materiality. The amendment allows for a consistent definition of materiality throughout the Thai Financial Reporting Standards and the Conceptual Framework for Financial Reporting. It also clarified when information is material and incorporates some of the guidance in TAS 1 about immaterial information.
- **Amendment to TFRS 16, Leases** amended to provide a practical expedient where lessees are exempted from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications. It applies to rent concessions that reduce the lease payments due by 30 June 2022.

## 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)

- c) Amended financial reporting standards that are effective for accounting period beginning or after 1 January 2022 and have significant impacts by the Branch

Certain amended TFRSs have been issued that are not mandatory for the current reporting period and have not been early adopted by the Branch.

- **Interest rate benchmark (IBOR) reform - phase 2, amendments to TFRS 9, TFRS 7, TFRS 16 and TFRS 4, and accounting guidance for insurance business** provide relief measures addressing issues that might affect financial reporting during the reform, including the effects of changes to contractual cash flows or hedging relationship arising from the replacement of one benchmark with an alternative benchmark.

Key relief measures of the phase 2 amendments are as follows:

- When changing the basis for determining contractual cash flows for financial assets and financial liabilities (including lease liabilities), changes that are necessary as a direct result of the IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement. The Branch applying the temporary exemption from TFRS 9 by using the Accounting Guidance for insurance business are also required to apply the same practical expedient. TFRS 16 has also been amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of the IBOR reform.
- Hedge accounting relief measures allows most hedge relationships that are directly affected by the IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

The Accounting Guidance requires additional disclosure about:

- the nature and extent of risks arising from the IBOR reform to which the entity is exposed to
- how the entity manages those risks
- the entity's progress in transitioning from the IBOR to alternative benchmark rates and how the entity is managing this transition.

## **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 receivables**

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**

#### **a) Classification**

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, acquires 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)

#### 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), except 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 gains (losses) on investment 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 through 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)

#### 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 FVO 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*

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)**

#### **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.

### **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

#### 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.

## 2. Significant Accounting Policies (Cont'd)

### 2.15 Leases (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.

### 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.

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. Significant Accounting Policies (Cont'd)**

**2.16 Insurance and investment contract (Cont'd)**

**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.

#### 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.

**2. Significant Accounting Policies (Cont'd)**

**2.21 Revenues and expenses recognition (Cont'd)**

**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.

**2.22 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. Significant Accounting Policies (Cont'd)

### 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.

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.

**2. Significant Accounting Policies (Cont'd)**

**2.23 Derivatives and hedging activities (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.

**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:

	2021 Thousand Baht	2020 Thousand Baht
Debt securities		
AAA	61,344,262	51,843,765
AA	6,703,135	10,033,350
A	25,662,020	27,089,100
BBB	614,380,925	654,772,509
Below investment grade	21,749,220	24,505,919
Total	729,839,562	768,244,643
Equities securities		
Listed	84,966,013	86,482,254
Unlisted	1,777,722	1,821,624
Total	86,743,735	88,303,878

The reported rating is mapped as follows:

External		Internal ratings	Reported as
Standard and Poor's and Fitch	Moody's		
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		Total Thousand Baht	Interest rate (% p.a)
	Within 1 year Thousand Baht	1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Within 1 year Thousand Baht	1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Thousand Baht			
As at 31 December 2021										
<u>Financial assets</u>										
Cash and cash equivalents	6,177,087	-	-	1,500,292	-	-	1,217,361	8,894,740	0.05%-0.90%	
Accrued income on investments	-	-	-	-	-	-	3,363,031	3,363,031	-	
Derivative assets	-	-	-	-	-	-	3,501,254	3,501,254	0.20%-7.75%	
Investment in securities	-	-	3,901,588	6,758,569	62,443,622	647,253,732	87,240,631	807,598,142	0.61%-9.75%	
Loans and accrued interest receivables	1,395,037	-	-	-	15,563	30,897,929	864,732	33,173,261	3.81%-11.5%	
Assets held to cover linked liabilities	-	-	-	-	-	-	59,961,552	59,961,552	-	
Other assets (partial)	10,373,452	-	-	-	-	-	-	10,373,452	0.40%-0.50%	
<b>Total financial assets</b>	<b>17,945,576</b>	<b>-</b>	<b>3,901,588</b>	<b>8,258,861</b>	<b>62,459,185</b>	<b>678,151,661</b>	<b>156,148,561</b>	<b>926,865,432</b>		
<u>Financial liabilities</u>										
Derivative liabilities	-	-	-	-	-	-	13,470,199	13,470,199	0.31%-9.75%	
Other liabilities (partial)	122,700	-	-	-	-	-	-	122,700	0.40%-0.50%	
<b>Total financial liabilities</b>	<b>122,700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,470,199</b>	<b>13,592,899</b>		



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				Fixed interest rate				Non-interest bearing		Interest rate (% p.a)
	Within 1 year		Over 5 years		1 - 5 years		Over 5 years		Thousand Baht	Thousand Baht	
	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	652,906,498	859,605,478	91,360,835	859,605,478	0.18%-9.75%
Loans and accrued interest receivables	45,464	1,379,875	-	-	-	8,374	30,772,393	33,104,295	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	683,678,891	952,423,587	146,837,926		
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	

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 2021, 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 38,447 million and increase by Baht 43,871 million, respectively (31 December 2020: 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 2021 and 2020, 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.

	2021		2020	
	Impact on post tax profit Thousand Baht	Impact to other components of equity Thousand Baht	Impact on post tax profit Thousand Baht	Impact to other components of equity Thousand Baht
Equity price - Increase by 10%*	-	8,674,373	-	8,830,388
Equity price - Decrease by 10%*	-	(8,674,373)	-	(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:

	2021		2020	
	U.S. Dollar Thousand Baht	Euro Thousand Baht	U.S. Dollar Thousand Baht	Euro Thousand Baht
Cash and cash equivalent	39	1	44,741	-
Investment in debt securities	104,747,822	2,739,141	106,788,755	2,813,655

#### Effects of hedge accounting on the financial position and performance

As of 31 December 2021 and 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.

	2021		2020	
	Impact to net profit Thousand Baht	Impact to other components of equity Thousand Baht	Impact to net profit Thousand Baht	Impact to other components of equity Thousand Baht
<i>Foreign exchange - Increase by 5%*</i>				
U.S. Dollar	5,237,249	-	5,339,545	-
Euro	136,956	-	140,679	-
<i>Foreign exchange - Decrease by 5%*</i>				
U.S. Dollar	(5,237,249)	-	(5,339,545)	-
Euro	(136,956)	-	(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 2021						
Other liabilities (partial)	29,257,917	16,102	36,176	127,103	6,707	29,444,005
Total financial liabilities	<u>29,257,917</u>	<u>16,102</u>	<u>36,176</u>	<u>127,103</u>	<u>6,707</u>	<u>29,444,005</u>
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	<u>25,784,076</u>	<u>4,923</u>	<u>38,400</u>	<u>41,424</u>	<u>7,178</u>	<u>25,876,001</u>

#### 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.

#### 4. Fair value

##### 4.1 Fair value estimation

The following table shows fair values and carrying amounts of financial assets and liabilities by category as at 31 December 2021 and 2020.

	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 2021						
<b>Assets</b>						
<i>Financial assets measured at fair value</i>						
Derivative assets	3,501,254	-	-	-	3,501,254	3,501,254
Investment in securities						
Investments measured at fair value through profit or loss	646	-	-	-	646	646
Investments measured at fair value through other comprehensive income	-	691,533,184	-	-	691,533,184	668,857,511
Debt securities	-	64,068,062	-	-	64,068,062	86,743,735
Equity securities						
Investments designated at fair value through profit or loss	-	-	-	496,250	496,250	496,250
Investment property	22,205,592	-	-	-	22,205,592	22,205,592
Assets held to cover linked liabilities	59,961,552	-	-	-	59,961,552	59,961,552
Land and building	-	1,195,000	-	-	1,195,000	1,195,000
<i>Financial assets not measured at fair value</i>						
Cash and cash equivalents	-	-	8,894,740	-	8,894,740	8,894,740
Investment measured at amortised cost	-	-	51,500,000	-	51,500,000	60,982,051
Mortgage loans, net	-	-	1,426,842	-	1,426,842	1,426,842
<b>Total assets</b>	<b>85,669,044</b>	<b>756,796,246</b>	<b>61,821,582</b>	<b>496,250</b>	<b>904,783,122</b>	<b>914,265,173</b>
<b>Liabilities</b>						
<i>Financial liabilities measured at fair value</i>						
Derivative liabilities	13,470,199	-	-	-	13,470,199	13,470,199
<i>Financial liabilities not measured at fair value</i>						
Lease liabilities	-	-	1,515,809	-	1,515,809	1,515,809
<b>Total liabilities</b>	<b>13,470,199</b>	<b>-</b>	<b>1,515,809</b>	<b>-</b>	<b>14,986,008</b>	<b>14,986,008</b>

**AIA Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2021**

**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 as at 31 December 2021 and 2020. (Cont'd)

As at 31 December 2020	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
<b>Assets</b>						
<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	1,061	-	-	-	1,061	1,061
Investments measured at fair value through other comprehensive income	-	733,267,052	-	-	733,267,052	716,744,643
Debt securities	-	71,781,469	-	-	71,781,469	88,303,878
Equity securities						
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
<b>Total assets</b>	<b>64,153,893</b>	<b>806,244,521</b>	<b>60,344,056</b>	<b>3,055,896</b>	<b>933,798,366</b>	<b>933,798,366</b>
<b>Liabilities</b>						
<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
<b>Total liabilities</b>	<b>9,205,268</b>	<b>-</b>	<b>1,396,338</b>	<b>-</b>	<b>10,601,606</b>	<b>10,601,606</b>

**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 2021 and 2020.

	<b>Level 1 Thousand Baht</b>	<b>Level 2 Thousand Baht</b>	<b>Level 3 Thousand Baht</b>	<b>Total Thousand Baht</b>
<b>As at 31 December 2021</b>				
<b>Assets</b>				
Derivative assets	28,393	3,472,861	-	3,501,254
Investment in securities				
Investments measured at fair value through profit or loss	646	-	-	646
Investments measured at fair value through other comprehensive income				
Debt securities	-	665,500,449	3,357,062	668,857,511
Equity securities	84,966,013	-	1,777,722	86,743,735
Investments designated at fair value through profit or loss	496,250	-	-	496,250
Investment property	-	-	22,205,592	22,205,592
Assets held to cover linked liabilities	59,961,552	-	-	59,961,552
Land and building	-	-	1,195,000	1,195,000
<b>Total assets</b>	<b>145,452,854</b>	<b>668,973,310</b>	<b>28,535,376</b>	<b>842,961,540</b>
<b>Liabilities</b>				
Derivative liabilities	-	13,470,199	-	13,470,199
<b>Total liabilities</b>	<b>-</b>	<b>13,470,199</b>	<b>-</b>	<b>13,470,199</b>
<b>As at 31 December 2020</b>				
<b>Assets</b>				
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
<b>Total assets</b>	<b>125,173,262</b>	<b>727,858,024</b>	<b>20,423,024</b>	<b>873,454,310</b>
<b>Liabilities</b>				
Derivative liabilities	-	9,205,268	-	9,205,268
<b>Total liabilities</b>	<b>-</b>	<b>9,205,268</b>	<b>-</b>	<b>9,205,268</b>

The Branch has transferred fair value level of financial instruments from level 2 into level 3 during the period. The change in Level 3 financial instruments is disclosed in Note 4.4.

**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 2021 Thousand Baht	Investments measured at fair value through other comprehensive income 2020 Thousand Baht
Beginning balance as at 1 January	1,821,624	1,700,558
Transfer into Level 3		
Book value	3,436,459	-
Unrealised losses recognised in other comprehensive income	(19,308)	-
Net Carrying value at transfer date	5,238,775	1,700,558
Gain (Losses) on remeasuring investments measured at fair value through other comprehensive income	(103,991)	121,066
Closing balance as at 31 December	5,134,784	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 1.10% and increasing 1.23%, respectively (31 December 2020: decreasing 1.13% and increasing 1.26%, respectively).

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

There were no changes in valuation techniques during the year.

Valuation process

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

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

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

4. Fair value (Cont'd)

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 2021				
Assets for which the fair value is disclosed				
Financial assets				
Investment in securities				
Investment measured at amortised cost	-	-	60,982,051	60,982,051
Mortgage loans, net	-	1,426,842	-	1,426,842
Total asset for which the fair value is disclosed	-	1,426,842	60,982,051	62,408,893
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

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

**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.

**5.3 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. Critical accounting estimates and judgements (Cont'd)**

**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**

	<b>2021</b>	<b>2020</b>
	<b>Thousand</b>	<b>Thousand</b>
	<b>Baht</b>	<b>Baht</b>
Cash on hand	62,351	35,626
Deposits held at call with banks and financial institutions	3,224,420	4,094,109
Short-term investments	5,607,969	3,273,399
Cash and cash equivalents	<u>8,894,740</u>	<u>7,403,134</u>

**7. Premium receivables**

The balances of premium receivables were aged as follows:

	From direct insurance	
	2021 Thousand Baht	2020 Thousand Baht
Current	6,846,061	6,633,074
Overdue		
Not over 30 days	1,140,608	2,458,363
31 - 60 days	8,085	1,147,367
61 - 90 days	4,761	66,774
Over 90 days	6,614	6,043
Total premium receivables	8,006,129	10,311,621

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

**8. Reinsurance assets**

The details of reinsurance assets are as follows:

	2021 Thousand Baht	2020 Thousand Baht
Claim incurred but not reported	187,503	183,299
Unearned premium reserve	77,162	84,173
Others (Note 33 (b))	5,233	4,205
Total reinsurance assets	269,898	271,677

**9. Amount due from reinsurance**

The details of amount due from reinsurance are as follows:

	<b>2021</b> <b>Thousand</b> <b>Baht</b>	<b>2020</b> <b>Thousand</b> <b>Baht</b>
Due from reinsurance (Note 33 (b))	15,055	2,148
Total amount due from reinsurance	<u>15,055</u>	<u>2,148</u>

The amount due from reinsurance was aged as follows:

	<b>2021</b> <b>Thousand</b> <b>Baht</b>	<b>2020</b> <b>Thousand</b> <b>Baht</b>
Current	15,055	2,148
Overdue		
Not over 12 months	-	-
1-2 years	-	-
Over 2 years	-	-
Total amount due from reinsurance	<u>15,055</u>	<u>2,148</u>

**10. Deferred acquisition costs**

The movements details are below:

	<b>2021</b> <b>Thousand</b> <b>Baht</b>	<b>2020</b> <b>Thousand</b> <b>Baht</b>
At beginning of financial year	70,014,183	69,097,879
Deferral of acquisition costs	16,853,416	14,662,366
Amortisation of acquisition costs	<u>(14,233,349)</u>	<u>(13,746,062)</u>
Closing balance at the end of year	<u>72,634,250</u>	<u>70,014,183</u>

11. Derivative assets and liabilities

		2021	
		Fair value	
		Assets	Liabilities
		Thousand	Thousand
		Baht	Baht
Held for hedge derivatives			
- Applied hedge accounting		3,111,197	12,383,408
- Not applied hedge accounting		390,057	1,086,791
Total derivatives		3,501,254	13,470,199
		2020	
		Fair value	
		Assets	Liabilities
		Thousand	Thousand
		Baht	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:

2021							
Type of contract	Purpose	Number of contracts	Face value		Fair value		Fair value losses on derivatives Thousand Baht
			Assets Thousand Baht	Liabilities Thousand Baht	Assets Thousand Baht	Liabilities Thousand Baht	
Cross currency swap and forward contracts	Closing financial position of investment in foreign currency	217	2,221,126	80,635,478	26,652	6,258,375	(9,717,097)
Interest rate swap contracts	Closing position of floating interest rate	305	-	-	3,084,545	6,125,033	(716,190)
Total		522	2,221,126	80,635,478	3,111,197	12,383,408	(10,433,287)
2020							
Type of contract	Purpose	Number of contracts	Face value		Fair value		Fair value losses on derivatives Thousand Baht
			Assets Thousand Baht	Liabilities Thousand Baht	Assets Thousand Baht	Liabilities Thousand Baht	
Cross currency swap and forward contracts	Closing financial position of investment in foreign currency	223	72,520,644	13,863,291	4,355,550	870,176	(3,655,992)
Interest rate swap contracts	Closing position of floating interest rate	335	-	-	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)



11. Derivative assets and liabilities (Cont'd)

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

2021									
Type of contract	Purpose	Number of contracts	Face value		Fair value		Fair value gains (losses) on derivatives Thousand Baht		
			Assets Thousand Baht	Liabilities Thousand Baht	Assets Thousand Baht	Liabilities Thousand Baht			
Cross currency swap and forward contracts	Closing financial position of investment in foreign currency	29	263,357	6,756,662	10,637	454,271	(1,186,780)		
Interest rate swap contracts	Closing position of floating interest rate	24	-	-	351,027	632,520	(130,816)		
Warrants		-	-	-	28,393	-	5,798		
Subscription rights		-	-	-	-	-	8,182		
Total		53	263,357	6,756,662	390,057	1,086,791	(1,303,616)		
2020									
Type of contract	Purpose	Number of contracts	Face value		Fair value		Fair value gains (losses) on derivatives Thousand Baht		
			Assets Thousand Baht	Liabilities Thousand Baht	Assets Thousand Baht	Liabilities Thousand Baht			
Cross currency swap and forward contracts	Closing financial position of investment in foreign currency	34	13,260,728	395,150	770,639	27,493	(1,768,699)		
Interest rate swap contracts	Closing position of floating interest rate	24	-	-	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 2021 and 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:

	2021	2020
	Cross-currency swaps and interest rate swaps with basis spread Thousand Baht	Cross-currency swaps and interest rate swaps with basis spread Thousand Baht
<b>Assets</b>		
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	(6,672,715)	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	-	-
<b>Liabilities</b>		
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	(3,760,571)	(8,194,425)
Hedge ineffectiveness recognised in profit or loss	-	-
Reclassification adjustment from cash flow hedge reserve into profit or loss	(9,666,991)	(757,974)
Reclassification adjustment from deferred cost of hedge into profit or loss	(361,051)	(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 2021 and 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:

	<b>2021</b>	<b>2020</b>
	<b>Investment in debt securities Thousand Baht</b>	<b>Investment in debt securities Thousand Baht</b>
Change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period	13,181,512	19,980,313
Remaining cash flow hedge reserve and deferred cost of hedge for continuing hedges	11,110,575	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	2,070,937	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:

	<b>2021</b>	<b>2020</b>
	<b>Time-period related hedged items Thousand Baht</b>	<b>Time-period related hedged items Thousand Baht</b>
<i>Cash flow hedge reserve</i>		
Beginning balance	4,903,087	-
Hedging gains or losses recognised in other comprehensive income during the year	10,017,507	5,661,061
Reclassification adjustment to profit or loss during the year	(9,666,991)	(757,974)
Closing balance	<u>5,253,603</u>	<u>4,903,087</u>
<i>Deferred Cost of hedge</i>		
Beginning balance	1,162,636	-
Hedging gains or losses recognised in other comprehensive income during the year	(422,185)	1,456,786
Reclassification adjustment to profit or loss during the year	(361,051)	(294,150)
Closing balance	<u>379,400</u>	<u>1,162,636</u>

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

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

As of 31 December 2021 and 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)

- 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: (Cont'd)

*Note:*

*As of 31 December 2021 and 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.*

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

	<b>Within 1 year</b>	<b>1 - 5 years</b>	<b>Over 5 years</b>
	<b>Thousand</b>	<b>Thousand</b>	<b>Thousand</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
As at 31 December 2021			
Face value	(1,009,189)	(6,026,269)	(20,381,463)
Average foreign exchange rate (U.S. Dollar)	34.85	32.08	32.23
Average foreign exchange rate (Euro)	35.24	36.79	35.01
Notional interest rate (range)	0.20% - 9.75%	0.61% - 9.75%	0.58% - 9.75%
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%

## 12. Investment in securities

The details of investment in securities are as follows:

	2021		2020	
	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	630	646	1,046	1,061
Total	630	646	1,046	1,061
Add Unrealised gains	16	-	15	-
Total investments measured at fair value through profit or loss	646	646	1,061	1,061
<u>Investments measured at fair value through other comprehensive income</u>				
Government and state enterprise securities	463,804,532	502,363,772	432,631,007	536,917,863
Private enterprise debt securities	66,600,040	69,495,767	76,157,491	81,889,998
Foreign debt securities	89,034,361	96,997,972	85,112,150	97,936,782
Equity securities	64,344,596	86,743,735	72,086,757	88,303,878
Total	683,783,529	755,601,246	665,987,405	805,048,521
Add Unrealised gains	72,094,251	-	139,366,404	-
Less Provision for impairment on equity securities	(276,534)	-	(305,288)	-
Total investments measured at fair value through other comprehensive income	755,601,246	755,601,246	805,048,521	805,048,521
<u>Investment measured at amortised cost</u>				
Government and state enterprise securities	51,500,000	60,982,051	51,500,000	51,500,000
Total investment measured at amortised cost	51,500,000	60,982,051	51,500,000	51,500,000
<u>Investment designated at fair value through profit or loss</u>				
Equity securities - mutual funds	565,547	496,250	3,442,175	3,055,896
Total	565,547	496,250	3,442,175	3,055,896
Less Unrealised losses	(69,297)	-	(386,279)	-
Total investment designated at fair value through profit or loss	496,250	496,250	3,055,896	3,055,896
Total investment in securities	807,598,142	817,080,193	859,605,478	859,605,478

**12. Investments in securities (Cont'd)**

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

	<b>2021</b>	<b>2020</b>
	<b>Thousand</b>	<b>Thousand</b>
	<b>Baht</b>	<b>Baht</b>
Interest income and dividend income from investments	26,675,007	28,676,030
Consideration received from selling investments	204,777,449	157,915,118
Gains (losses) from selling investments	10,376,267	(235,423)

As at 31 December 2021, 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 192,764 million (As at 31 December 2020: Baht 199,672 million).

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 and debt securities measured at amortised cost are aged as follows:

	2021				2020			
	Maturing within		Total	Thousand Baht	Maturing within		Total	Thousand Baht
	1 year Thousand Baht	1 - 5 years Thousand Baht			1 year Thousand Baht	1 - 5 years Thousand Baht		
Debt securities measured at fair value through other comprehensive income								
<u>Government and state enterprise securities</u>								
Government bonds	3,884,975	14,512,704	411,909,283	430,306,962	32,623,350	28,785,256	339,454,836	400,863,442
State enterprise bonds	-	3,151,148	30,346,422	33,497,570	3,761,063	4,605,022	23,401,480	31,767,565
Total	3,884,975	17,663,852	442,255,705	463,804,532	36,384,413	33,390,278	362,856,316	432,631,007
Add(less) Unrealised gains (losses)	331	980,872	37,578,037	38,559,240	(783,490)	2,626,724	102,443,622	104,286,856
Total government and state enterprise securities	3,885,306	18,644,724	479,833,742	502,363,772	35,600,923	36,017,002	465,299,938	536,917,863
<u>Private enterprise securities</u>								
Debentures	1,217,221	20,563,592	44,819,227	66,600,040	520,101	22,501,038	53,136,352	76,157,491
Total	1,217,221	20,563,592	44,819,227	66,600,040	520,101	22,501,038	53,136,352	76,157,491
Add(less) Unrealised gains (losses)	(55,538)	545,504	2,505,761	2,995,727	10,417	1,169,591	4,652,499	5,832,507
Less Allowance for impairment	(100,000)	-	-	(100,000)	(100,000)	-	-	(100,000)
Total private enterprise securities	1,061,683	21,109,096	47,324,988	69,495,767	430,518	23,670,629	57,788,851	81,889,998
<u>Foreign securities</u>								
Bonds	-	779,685	16,620,398	17,400,083	59,876	694,638	17,018,088	17,772,602
State enterprise bonds	1,805,523	3,852,057	14,791,659	20,449,239	749,142	5,077,023	17,871,096	23,697,261
Debentures	-	17,404,234	33,780,805	51,185,039	1,055,000	10,960,605	31,626,682	43,642,287
Total	1,805,523	22,035,976	65,192,862	89,034,361	1,864,018	16,732,266	66,515,866	85,112,150
Add(less) Unrealised gains (losses)	(93,943)	653,824	7,403,730	7,963,611	(31,996)	954,784	11,901,844	12,824,632
Total foreign securities	1,711,580	22,689,800	72,596,592	96,997,972	1,832,022	17,687,050	78,417,710	97,936,782
Total debt securities measured at fair value through other comprehensive income	6,658,569	62,443,620	599,755,322	668,857,511	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 and debt securities measured at amortised cost are aged as follows: (Cont'd)

	2021				2020			
	Maturing within			Total Thousand Baht	Maturing within			Total Thousand Baht
	1 year Thousand Baht	1 - 5 years Thousand Baht	Over 5 years Thousand Baht		1 year Thousand Baht	1 - 5 years Thousand Baht	Over 5 years Thousand Baht	
Debt securities measured at amortised cost								
Government and state enterprise securities								
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 debt securities measured at amortised cost	-	-	51,500,000	51,500,000	-	-	51,500,000	51,500,000
Total investment in debt securities	6,658,569	62,443,620	651,255,322	720,357,511	37,863,463	77,374,681	653,006,499	768,244,643



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

	2021	
	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)	668,644,731	466,313
Investment in debt securities which credit risk has significantly increased (Stage 2)	212,780	12,115
Credit-impaired investments in debt securities (Stage 3)	-	100,000
Total	668,857,511	578,428
	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

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 (Cont'd)

*Expected credit loss*

The reconciliations of expected credit loss for debt securities that are measured at fair value through other comprehensive income for the years ended 31 December 2021 and 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 1 January 2021	367,410	37,448	100,000	504,858
Movement from stage change	-	-	-	-
Increase in loss allowance recognised in profit or loss during the year	126,689	(1,956)	-	124,733
Disposed and matured during the year	(27,786)	(23,377)	-	(51,163)
As of 31 December 2021	466,313	12,115	100,000	578,428
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 of 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

	2021		
	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
Total	51,500,000	-	51,500,000

	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
Total	51,500,000	-	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. Investments in securities (Cont'd)**

**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:

	2021 Thousand Baht	2020 Thousand Baht
Losses recognised in other comprehensive income	(58,473,808)	(26,922,097)
Gains (losses) reclassified from other comprehensive income to profit or loss on the sale of investments measured at FVOCI	10,846,896	(544,549)
Interests from debt securities measured at FVOCI recognised in profit or loss	22,374,080	23,320,503
Dividends from equity securities measured at FVOCI recognised in profit or loss		
- Related to investments derecognised during the period	348,785	74,565
- Related to investments held at the end of the reporting period	1,588,233	2,611,891
Expected credit losses for debt securities measured at fair value through other comprehensive income recognised in profit or loss	73,570	(166,502)
<b>Total</b>	<b>(23,242,244)</b>	<b>(1,626,189)</b>

**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	
		2021 %	2020 %	2021 Thousand Baht	2020 Thousand Baht
AIA Wellness Company Limited	Real estate	49	49	171,500	171,500
<b>Total</b>				<b>171,500</b>	<b>171,500</b>

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:

	2021		2020	
	Principal Thousand Baht	Accrued Interest Thousand Baht	Principal Thousand Baht	Accrued Interest Thousand Baht
<u>Policy loans</u>				
Outstanding period				
Current	30,869,125	876,781	30,750,345	912,349
Overdue				
Less than 3 months	-	-	-	-
3 - 6 months	-	-	-	-
6 - 12 months	-	-	-	-
More than 12 months	-	-	-	-
Policy loans, net	30,869,125	876,781	30,750,345	912,349
<u>Mortgage loans</u>				
Loans which credit risk has not significantly increased (Stage 1)	1,410,865	455	1,422,622	503
Loans which credit risk has significantly increased (Stage 2)	2,018	25	897	11
Credit-impaired loans (Stage 3)	26,521	-	32,242	-
Total	1,439,404	480	1,455,761	514
<u>Less</u> Expected credit loss	(12,562)	-	(14,839)	-
Mortgage loans, net	1,426,842	480	1,440,922	514
<u>Loans to employees</u>				
Loans which credit risk has not significantly increased (Stage 1)	33	-	165	-
Total	33	-	165	-
<u>Less</u> Expected credit loss	-	-	-	-
Loans to employees, net	33	-	165	-
Loans and accrued interest receivable	32,296,000	877,261	32,191,432	912,863

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

*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 2021 and 2020 are as follows:

	<b>Thousand Baht</b>
As at 1 January 2021	14,839
Increase in loss allowance recognised in profit or loss during the year	(2,205)
Unused amount reversed	(72)
As at 31 December 2021	<u>12,562</u>
As at 31 December 2019 - calculated under TAS 101	8,647
Amount restated through opening retained earnings	<u>6,397</u>
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	<u>14,839</u>

15. Investment property

	2021					
	Cost/Fair value					
	For the year					
	Beginning balance 1 January 2021 Thousand Baht	Additions from acquisition and capitalised subsequent expenditures Thousand Baht	Write-off Thousand Baht	Transfer Thousand Baht	Fair value Gains (losses) Thousand Baht	Ending balance 31 December 2021 Thousand Baht
Land	9,505,320	-	-	3,297,212	448,161	13,250,693
Buildings and improvements	7,900,080	4,521,343	(554)	(3,297,212)	(168,758)	8,954,899
Total	17,405,400	4,521,343	(554)	-	279,403	22,205,592
	2020					
	Cost/Fair value					
	For the year					
	Beginning balance 1 January 2020 Thousand Baht	Additions from acquisition and capitalised subsequent expenditures Thousand Baht	Write-off Thousand Baht	Transfer 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

In 2021, 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 2021, the investment property generated rental income amounting to Baht 1,003 million (31 December 2020: Baht 1,113 million) and its direct operating expenses (including repair and maintenance) arise from investment property that generated rental income amounting to Baht 207 million (31 December 2020: Baht 158 million).

**15. Investment property (Cont'd)**

**15.1 Lease revenue arising from operating lease contracts**

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

	<b>2021</b> <b>Thousand</b> <b>Baht</b>	<b>2020</b> <b>Thousand</b> <b>Baht</b>
<b>Maturing</b>		
Within 1 year	730,796	735,611
Between 1 to 2 years	562,387	326,304
Between 2 to 3 years	292,796	169,759
Between 3 to 4 years	36,243	37,627
Between 4 to 5 years	35,709	34,256
Later than 5 years	260,316	283,977
<b>Total</b>	<b>1,918,247</b>	<b>1,587,534</b>

**16. Assets held to cover linked liabilities**

	<b>2021</b> <b>Thousand</b> <b>Baht</b>	<b>2020</b> <b>Thousand</b> <b>Baht</b>
Investment in mutual funds that are measured at fair value through profit or loss	59,961,552	35,766,024
<b>Total</b>	<b>59,961,552</b>	<b>35,766,024</b>



AIA Company Limited  
Notes to the Financial Statements  
For the year ended 31 December 2021

17. Property, plant and equipment

	2021													
	Cost/Revaluation						Accumulated depreciation							
	For the period						For the period							
	Beginning balance 1 January 2021 Thousand Baht	Addition Thousand Baht	Write-off Thousand Baht	Disposal Thousand Baht	Transfer Thousand Baht	loss on revaluation Thousand Baht	Ending balance 31 December 2021 Thousand Baht	Beginning balance 1 January 2021 Thousand Baht	Depreciation charge Thousand Baht	Write-off Thousand Baht	Disposal Thousand Baht	Revaluation adjustment Thousand Baht	Ending balance 31 December 2021 Thousand Baht	Property plant and equipment Thousand Baht
Land	462,000	-	-	-	-	-	462,000	-	-	-	-	-	-	462,000
Buildings and improvements	734,000	-	-	-	-	(1,000)	733,000	-	54,152	-	-	(54,152)	-	733,000
Furniture, fixtures and equipment	2,429,902	14,947	(134,859)	-	-	-	2,309,990	1,731,845	155,366	(134,585)	-	-	1,752,626	557,364
Computer hardware	1,031,923	14,015	(827)	(21,011)	-	-	1,024,100	920,348	66,932	(827)	(21,009)	-	965,444	58,656
Motor vehicles	34,917	8,135	-	-	-	-	43,052	22,328	6,391	-	-	-	28,719	14,333
Construction in progress	-	10,545	-	-	-	-	10,545	-	-	-	-	-	-	10,545
Total	4,692,742	47,642	(135,686)	(21,011)	-	(1,000)	4,582,687	2,674,521	282,841	(135,412)	(21,009)	(54,152)	2,746,789	1,835,898

AIA Company Limited  
Notes to the Financial Statements  
For the year ended 31 December 2021

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

	2020													
	Cost/Revaluation						Accumulated depreciation							
	For the year						For the year						Ending balance	
	Beginning balance 1 January 2020 Thousand Baht	Addition Thousand Baht	Write-off Thousand Baht	Disposal Thousand Baht	Transfer Thousand Baht	Loss on revaluation Thousand Baht	Ending balance 31 December 2020 Thousand Baht	Beginning balance 1 January 2020 Thousand Baht	Depreciation charge Thousand Baht	Write-off Thousand Baht	Disposal Thousand Baht	Revaluation adjustment Thousand Baht	31 December 2020 Thousand Baht	Property plant and equipment 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)	(48,555)	2,674,521	2,018,221

In 2021, 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 2021, the carrying value would be Baht 53 million and Baht 59 million, respectively (31 December 2020: Baht 53 million and Baht 66 million, respectively).

## 18. Intangible assets

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

	2021						2020													
	Cost			Accumulated amortisation				Cost			Accumulated amortisation									
	For the year			For the year				For the year			For the year									
	Beginning balance 1 January Thousand Baht	Addition Thousand Baht	Write-off Thousand Baht	Transfer Thousand Baht	Ending balance 31 December Thousand Baht	Beginning balance 1 January Thousand Baht		Beginning balance 1 January Thousand Baht	Addition Thousand Baht	Write-off Thousand Baht	Ending balance 31 December Thousand Baht		Beginning balance 1 January Thousand Baht	Addition Thousand Baht	Write-off Thousand Baht	Ending balance 31 December Thousand Baht				
Computer software	1,813,977	39,653	(13,050)	58,415	1,898,995	1,228,412		1,089,404	139,405	(397)	1,228,412		1,089,404	139,405	(397)	1,228,412				
Other	55,671	-	-	313,293	368,964	25,671		82,671	10,000	(67,000)	25,671		82,671	10,000	(67,000)	25,671				
Work in progress	1,056,156	1,059,410	-	(371,708)	1,743,858	-		-	-	-	-		-	-	-	-				
Total	2,925,804	1,099,063	(13,050)	-	4,011,817	1,254,083		1,172,075	149,405	(67,397)	1,254,083		1,172,075	149,405	(67,397)	1,254,083				
	Cost			Accumulated amortisation				Cost			Accumulated amortisation									
	For the year			For the year				For the year			For the year									
	Beginning balance 1 January Thousand Baht	Addition Thousand Baht	Write-off Thousand Baht	Transfer Thousand Baht	Ending balance 31 December Thousand Baht	Beginning balance 1 January Thousand Baht		Beginning balance 1 January Thousand Baht	Addition Thousand Baht	Write-off Thousand Baht	Ending balance 31 December Thousand Baht		Beginning balance 1 January Thousand Baht	Addition Thousand Baht	Write-off Thousand Baht	Ending balance 31 December Thousand Baht				
Computer software	1,560,860	48,358	(397)	205,156	1,813,977	1,089,404		1,089,404	139,405	(397)	1,228,412		1,089,404	139,405	(397)	1,228,412				
Other	122,671	-	(67,000)	-	55,671	82,671		82,671	10,000	(67,000)	25,671		82,671	10,000	(67,000)	25,671				
Work in progress	530,389	730,923	-	(205,156)	1,056,156	-		-	-	-	-		-	-	-	-				
Total	2,213,920	779,281	(67,397)	-	2,925,804	1,172,075		1,172,075	149,405	(67,397)	1,254,083		1,172,075	149,405	(67,397)	1,254,083				
							</													

**19. Other assets**

	<b>2021</b> <b>Thousand</b> <b>Baht</b>	<b>2020</b> <b>Thousand</b> <b>Baht</b>
Deposits (Note 33 (b))	119,968	162,583
Amounts due from a related party (Note 33 (b))	19,350	25,566
Receivables from sale of investments	2,629,634	1,035,607
Cash collateral from derivative contract	10,373,452	2,010,301
Right-of-use assets (Note 33 (b))	2,242,741	2,163,605
Others	257,574	226,782
<b>Total</b>	<b>15,642,719</b>	<b>5,624,444</b>

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

19. Other assets (Cont'd)

19.1 Right-of-use assets

	2021											
	Cost				Accumulated amortisation							
	For the period				For the period				For the period			
	Beginning balance 1 January 2021 Thousand Baht	Addition Thousand Baht	Change in contract Thousand Baht	loss on revaluation Thousand Baht	Ending balance 31 December 2021 Thousand Baht	Beginning balance 1 January 2021 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 2021 Thousand Baht	Right-of-use assets Thousand Baht
Land	740,000	-	-	(6,000)	734,000	-	18,649	-	(18,649)	-	-	734,000
Buildings and improvements	1,762,662	441,245	(30,031)	-	2,173,876	340,966	333,361	(10,231)	-	1,039	665,135	1,508,741
Others	2,803	-	(2,803)	-	-	894	408	(1,302)	-	-	-	-
Total	2,505,465	441,245	(32,834)	(6,000)	2,907,876	341,860	352,418	(11,533)	(18,649)	1,039	665,135	2,242,741

19. Other assets (Cont'd)

19.1 Right-of-use assets (Cont'd)

	2020											
	Cost				Accumulated amortisation							
	For the year				For the year							
	Beginning balance 1 January 2020 Thousand Baht	Addition Thousand Baht	Change in contract Thousand Baht	Gain on revaluation Thousand Baht	Ending balance 31 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 2021, 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 1 January 2021 onwards by reducing lease liabilities in the proportion of the reduction to the lease payments due by 30 June 2022 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 1.0 million and Baht 0.2 million, respectively (31 December 2020: 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 0.1 million (31 December 2020: Baht 0.2 million) are recognised in profit or loss.

**AIA Company Limited**

## Notes to the Financial Statements

## For the year ended 31 December 2021

## 20. Insurance liabilities

	2021		2020			
	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	563,981,057	-	563,981,057	574,291,648	-	574,291,648
Claim liability						
- Reported claim	1,339,810	(5,233)	1,334,577	975,956	(4,205)	971,751
- Claim incurred but not reported	579,741	(187,503)	392,238	778,238	(183,299)	594,939
Premium liability						
- Unearned premium reserve	18,493,978	(77,162)	18,416,816	17,786,901	(84,173)	17,702,728
Unpaid policy benefits	545,682	-	545,682	452,290	-	452,290
Due to insured	156,695,813	-	156,695,813	121,261,554	-	121,261,554
Total	741,636,081	(269,898)	741,366,183	715,546,587	(271,677)	715,274,910

20. Insurance liabilities (Cont'd)

20.1 Long-term technical reserves

The movement details are below:

	2021 Thousand Baht	2020 Thousand Baht
Beginning balance for the year	574,291,648	575,116,690
Policy reserve movement for new policies and inforce policies during the year	70,034,424	71,428,248
Net movement in benefits payable to life policyholders for death, maturity, surrenders, other policyholders benefits and claims	(77,483,731)	(69,173,192)
Others	(2,861,284)	(3,080,098)
Closing balance at the end of year	<u>563,981,057</u>	<u>574,291,648</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:

	2021 Thousand Baht	2020 Thousand Baht
Repayment within 1 year	80,802,739	88,535,000
Repayment between 1-5 years	207,718,570	238,054,226
Repayment over 5 years	<u>1,388,829,908</u>	<u>1,375,745,230</u>
Total	<u>1,677,351,217</u>	<u>1,702,334,456</u>



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

**20.2 Short-term technical reserves**

**20.2.1 Claim liability**

The movement details are below:

	<b>2021 Thousand Baht</b>	<b>2020 Thousand Baht</b>
Beginning balance for the year	1,754,194	2,038,308
Insurance claims and loss adjustment expenses incurred during the year	20,070,246	18,743,671
Changes in claim reserve from change in assumption during the year	(198,497)	70,577
Insurance claims and loss adjustment expenses paid during the year	(19,706,392)	(19,098,362)
Closing balance at the end of year	<u>1,919,551</u>	<u>1,754,194</u>

**20.2.2 Unearned premium reserve**

	<b>2021 Thousand Baht</b>	<b>2020 Thousand Baht</b>
Beginning balance for the year	17,786,901	16,726,248
Premium written for the year	42,872,120	39,949,210
Premium earned in the year	(42,165,043)	(38,888,557)
Closing balance at the end of year	<u>18,493,978</u>	<u>17,786,901</u>

20. Insurance liabilities (Cont'd)

20.3 Claim Development Table

20.3.1 Claim development table before reinsurance

	2021					
	Incident Year					Total Thousand Baht
	2017 Thousand Baht	2018 Thousand Baht	2019 Thousand Baht	2020 Thousand Baht	2021 Thousand Baht	
<b>Reported Year</b>						
Estimated claim:						
- At the end of the year	13,523,742	16,785,582	19,304,260	16,987,820	19,198,171	85,799,575
- After 1 year	14,035,475	17,245,755	19,830,048	17,547,495	-	68,658,773
- After 2 year	14,044,696	17,269,657	19,856,037	-	-	51,170,390
- After 3 year	14,061,234	17,275,760	-	-	-	31,336,994
- After 4 year	14,064,812	-	-	-	-	14,064,812
Absolute estimated claim	14,064,812	17,275,760	19,856,037	17,549,059	19,689,374	88,435,042
Cumulative claim paid	14,064,812	17,275,760	19,856,037	17,547,495	17,858,361	86,602,465
Total claim reserve	-	-	-	1,564	1,831,013	1,832,577
Claim liability under other IBNR methodology	-	-	-	-	86,974	86,974
Total claim liability	-	-	-	1,564	1,917,987	1,919,551

20. Insurance liabilities (Cont'd)

20.3 Claim Development Table (Cont'd)

20.3.2 Claim development table after reinsurance

	2021					
	Incident Year					
	2017	2018	2019	2020	2021	Total
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
<b>Reported Year</b>						
Estimated claim:						
- At the end of the year	10,587,985	13,447,958	15,600,283	13,664,498	15,480,369	68,781,093
- After 1 year	10,938,591	13,786,049	15,944,403	14,010,821	-	54,679,864
- After 2 year	10,945,106	13,800,275	15,958,443	-	-	40,703,824
- After 3 year	10,950,969	13,803,370	-	-	-	24,754,339
- After 4 year	10,952,273	-	-	-	-	10,952,273
Absolute estimated claim	10,952,273	13,803,370	15,958,443	14,011,814	15,788,727	70,514,627
Cumulative claim paid	10,952,273	13,803,370	15,958,443	14,010,821	14,145,791	68,870,698
Total claim reserve	-	-	-	993	1,642,936	1,643,929
Claim liability under other IBNR methodology	-	-	-	-	82,886	82,886
Total claim liability	-	-	-	993	1,725,822	1,726,815

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

**20.4 Unpaid policy benefits**

The details are as below:

	2021 Thousand Baht	2020 Thousand Baht
Death benefits	545,682	452,290
Total	545,682	452,290

**20.5 Due to insured**

The details of due to insured are presented below:

	2021 Thousand Baht	2020 Thousand Baht
Deposits from insurance contracts	86,641,772	75,236,468
Account value of universal life insurance contracts	10,092,489	10,259,061
Account value of unit linked insurance contracts	59,961,552	35,766,025
Total	156,695,813	121,261,554

**21. Investment liabilities**

	2021 Thousand Baht	2020 Thousand Baht
Beginning balance for the year	-	716,019
Investment contract benefits	-	(725,534)
Change in investment contract liabilities	-	9,515
Closing balance at the end of year	-	-

**22. Amount due to reinsurance**

	2021 Thousand Baht	2020 Thousand Baht
Fund reserve	17,714	11,298
Outward premium payables (Note 33 (b))	547,683	571,392
Total amount due to reinsurance	565,397	582,690

**23. Employee benefit liabilities**

	<b>2021</b> <b>Thousand</b> <b>Baht</b>	<b>2020</b> <b>Thousand</b> <b>Baht</b>
Short-term employee benefits	706,923	458,215
Long-term employee benefits	3,433,547	3,598,057
	<u>4,140,470</u>	<u>4,056,272</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:

	<b>2021</b> <b>Thousand</b> <b>Baht</b>	<b>2020</b> <b>Thousand</b> <b>Baht</b>
Present value of employee benefits obligations	3,433,547	3,598,057
	<u>3,433,547</u>	<u>3,598,057</u>

The amounts recognised in profit or loss are as follows:

	<b>2021</b> <b>Thousand</b> <b>Baht</b>	<b>2020</b> <b>Thousand</b> <b>Baht</b>
Current service cost	121,362	121,248
Interest cost	61,248	60,501
Others	90,958	(44,370)
	<u>273,568</u>	<u>137,379</u>

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

	<b>2021</b> <b>Thousand</b> <b>Baht</b>	<b>2020</b> <b>Thousand</b> <b>Baht</b>
Beginning of the year	3,598,057	3,458,608
Current service cost	121,362	121,248
Interest cost	61,248	60,501
Remeasurements of long-term employee benefits	(191,447)	96,167
Others	90,958	(44,370)
<u>Less Benefits paid</u>	<u>(246,631)</u>	<u>(94,097)</u>
Ending of the year	<u>3,433,547</u>	<u>3,598,057</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:

	2021	2020
Discount rate	1.00% - 3.00%	1.00% - 2.25%
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 2021				
Long-term employee benefits	139,594	501,885	5,140,305	5,781,784
Total	139,594	501,885	5,140,305	5,781,784
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

### 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 2021, Baht 212 million (31 December 2020: Baht 209 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 2021 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 2021 Thousand Baht
<b>For the year ended</b>				
Revaluation of investment	(28,282,202)	114,531	13,798,061	(14,369,610)
Deferred acquisition costs	(11,204,504)	2,392,767	-	(8,811,737)
Insurance and investment liabilities	(1,138,012)	(3,678,588)	-	(4,816,600)
Provision of expenses	882,292	(11,482)	(38,289)	832,521
Other	(3,546,238)	314,706	(13,160)	(3,244,692)
<b>Total</b>	<b>(43,288,664)</b>	<b>(868,066)</b>	<b>13,746,612</b>	<b>(30,410,118)</b>
	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
<b>For the year ended</b>				
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)
<b>Total</b>	<b>(48,596,137)</b>	<b>(1,098,806)</b>	<b>6,406,279</b>	<b>(43,288,664)</b>

**25. Other liabilities**

	2021 Thousand Baht	2020 Thousand Baht
Accrued commissions and expenses	8,821,283	7,964,654
Payable for purchase of investments	2,255,967	978,126
Unpresented cheques payable	5,731,665	2,415,994
Expired cheques payable	2,556,371	2,360,312
Due commissions and expenses	891,154	1,161,253
Payable to related parties (Note 33 (b))	890,213	1,041,890
Agents payable	5,214,874	5,324,707
Cash collateral from derivative contract	122,700	2,811,765
Other accounts payable	1,115,341	456,327
Lease liabilities (Note 33 (b))	1,515,809	1,396,338
Others	2,735,591	2,522,226
<b>Total</b>	<b>31,850,968</b>	<b>28,433,592</b>

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:

	2021 Thousand Baht	2020 Thousand Baht
<b>Maturing</b>		
Within 1 year	301,928	311,356
Between 1 to 5 years	1,096,402	927,789
Later than 5 years	117,479	157,193
<b>Total</b>	<b>1,515,809</b>	<b>1,396,338</b>
Including: - Principal Interest	1,700,420 (184,611)	1,561,871 (165,533)

For the period ended 31 December 2021, interest expense on lease liabilities amounted to Baht 44.2 million (31 December 2020: Baht 33.6 million), is recorded as "Finance cost" in the statement of comprehensive income.

**26. Gross benefits and claim paid**

	2021 Thousand Baht	2020 Thousand Baht
Insurance contract benefits	114,733,124	103,733,030
Change in investment contract liabilities	-	9,515
<b>Total</b>	<b>114,733,124</b>	<b>103,742,545</b>

**27. Share-based compensation**

As at 31 December 2021, 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 2021, 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.



27. Share-based compensation (Cont'd)

Restricted Share Unit Scheme (RSU) (Cont'd)

	2021 Number of shares	2020 Number of shares
As at 1 January	1,957,183	2,431,181
Granted	571,733	810,836
Vested	(375,361)	(884,137)
Transferred out	(20,516)	(263,740)
Forfeited	(412,222)	(136,957)
As at 31 December	1,720,817	1,957,183

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.

	2021		2020	
	Number of options	Weighted - average exercise price per share (HK\$)	Number of options	Weighted - average exercise price per share (HK\$)
As at 1 January	42,385	70.44	49,455	52.04
Granted	10,163	97.33	33,020	68.10
Exercised	-	-	(40,090)	45.81
Transferred out	(42,385)	70.44	-	-
Forfeited	-	-	-	-
As at 31 December	10,163	97.33	42,385	70.44

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 2021, the eligible employees paid Baht 103 million to purchase 267,440 ordinary shares of the AIA Group (2020: paid Baht 90 million to purchase 279,227 ordinary shares of the AIA Group).

27. Share-based compensation (Cont'd)

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 2021, the eligible agents paid Baht 200 million to purchase 519,097 ordinary shares of the AIA Group (2020: paid Baht 220 million to purchase 704,125 ordinary shares of the AIA Group).

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 2021 amount of Baht 158 million (2020: Baht 250 million) and the other reserve in Head Office's equity as at 31 December 2021 amount of Baht 128 million (2020: Baht 136 million).

**2021**

Assumptions	Share option scheme	Restricted share unit scheme	Employee share purchase plan	Agent share purchase plan
Risk-free interest rate (%)	1.24	0.27	0.14 - 0.83	0.37
Volatility (%)	26.00	26.00	-	-
Dividend yield (%)	1.60	1.60	1.60	1.60
Weighted average fair value per option/unit at measurement date (HK\$)	22.26	64.44	72.19	71.41

**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

**28. Operating expenses**

	2021 Thousand Baht	2020 Thousand Baht
Employee expenses not relating to underwriting expenses, and loss adjusting expenses	4,237,885	3,544,593
Property and equipment expenses not relating to underwriting expenses, and loss adjusting expenses	2,682,893	2,271,801
Tax expenses	10,805	8,545
Other operating expenses	2,366,066	1,712,033
Total	<u>9,297,649</u>	<u>7,536,972</u>

**29. Employee benefit expenses**

	2021 Thousand Baht	2020 Thousand Baht
Salary, overtime and bonus	3,719,831	3,283,841
Provident fund	211,698	209,471
Provision for long-term employee benefits	273,568	137,379
Share-based payment	99,009	175,127
Other employee benefit expenses	335,097	212,318
Total employee benefit expenses	<u>4,639,203</u>	<u>4,018,136</u>

**30. Expected credit loss**

	2021 Thousand Baht	2020 Thousand Baht
Investment in securities	73,570	(166,502)
Loans and accrued interest receivables	(3,431)	(1,491)
Total	<u>70,139</u>	<u>(167,993)</u>

**31. Income tax expense**

	2021 Thousand Baht	2020 Thousand Baht
Current income tax on taxable profits for the year	4,139,948	2,301,963
Deferred income tax on temporary differences (Note 24)	868,066	1,098,806
Total income tax expense	<u>5,008,014</u>	<u>3,400,769</u>

Income tax rate used for 2021 is 20% (2020: 20%).

The effective tax rate for 2021 is 20% (2020: 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**

	2021			2020		
	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 losses from investment measured at fair value through comprehensive income	(68,990,306)	13,798,061	(55,192,245)	(32,476,835)	6,495,367	(25,981,468)
Remeasurements of post- employment benefit obligations	191,447	(38,289)	153,158	(96,167)	19,233	(76,934)
Gains on revaluation of land and building	65,801	(13,160)	52,641	541,607	(108,321)	433,286
Total	(68,733,058)	13,746,612	(54,986,446)	(32,031,395)	6,406,279	(25,625,116)

**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**

	2021 Thousand Baht	2020 Thousand Baht
<b><u>Head office</u></b>		
Operating expenses	965,983	932,497
<b><u>Affiliated companies</u></b>		
Premiums ceded to reinsurers	7,729,461	5,322,678
Fee and commission income	241,646	84,408
Net investment income (expenses)	(1,722,111)	(821,848)
Other income	17,035	8,707
Benefit and claim paid recovered from reinsurers	4,619,465	3,269,010
Other underwriting expenses	3,629	15,714
Operating expenses	1,513,717	1,069,229
Capitalised expenses	242,831	86,620
Finance cost	15,274	10,590

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

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

**(b) Statement of financial positions**

	<b>2021</b>	<b>2020</b>
	<b>Thousand</b>	<b>Thousand</b>
	<b>Baht</b>	<b>Baht</b>
<b><u>Head office</u></b>		
Other assets	-	299
Profit remittances to Head Office	3,432,112	10,000,000
Other liabilities	502,142	654,892
<b><u>Affiliated companies</u></b>		
Reinsurance assets	2,460	2,768
Amount due from reinsurance	-	2,148
Investment in associates	171,500	171,500
Other assets	1,373,805	1,230,976
Amount due to reinsurance	206,956	183,331
Other liabilities	935,064	732,919

**(c) Key management compensations**

Key management compensations are as follows:

	<b>2021</b>	<b>2020</b>
	<b>Thousand</b>	<b>Thousand</b>
	<b>Baht</b>	<b>Baht</b>
Salary and other short-term employee benefits	150,461	164,723
Post-employment benefits	18,168	10,566
Share-based payment	37,893	37,224
Total	<u>206,522</u>	<u>212,513</u>

**34. Contingent liabilities and commitments**

As at 31 December 2021, the Branch had contractual commitment from contracts for investment property projects with the amount at the maximum of Baht 2,407 million (As at 31 December 2020: at the maximum of Baht 3,633 million). Commitments arising from short-term leases and low-value leases are not material to the financial statements.

**35. Events occurring after the reporting date**

In 2021, 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.