

Disclosure Form (Attached to the OIC Commissioner Order No.48/2561)

Information Disclosure of Non-Life Insurance Companies B.E. 2561

Part 1: To certify correctness of disclosure

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

Signature.....

Name.....Kris Chantanotoke

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

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

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

1.1 COMPANY PROFILE

1.2 COMPANY POLICIES, OBJECTIVES AND STRATEGIES

1.3 NATURE OF BUSINESS

AIA Company Limited (Non-Life Insurance)

AIA Non-Life was established in year 2000 by AIA Group (100% shareholder). Since AIA Non-Life start the business, we offer the best Accident and Health (A&H) products to our customer both Individual and Group policyholder. We aim to serve customer's need with innovative product and services. We are offering our product through Agency Force and Telemarketing Representative

1.4 PRODUCTS AND SERVICES AND PROPORTION OF PREMIUM WRITTEN BY INSURANCE CATEGORY

AIA Company Limited (Non-life Insurance)

There are 2 types of Product.

- Accident
 - Individual Accident
 - Group Accident
 - Travel Accident
- Health
 - Individual Cancer
 - Group Cancer

Issuer

- Issue age 1 month to 60 years (depending on product specifications)
- Healthy (depending on product specifications)

Supporting Documents

- Application Form (depending on product specifications)
- Certified Copy of ID Card (depending on product specifications)
- Health Declaration Form (depending on product specifications)

For more information, please contact our Agency Force or Hotline services Number 0 2783 4884

Table: Proportion of premium written by insurance category for the year-ended 2020

Unit: Million Baht

Description	Fire	Marine & Transportation		Automobile		Miscellaneous						Total
		Hull	Cargo	Compulsory	Voluntary	Industrial All Risk	Public Liability	Engineering	Personal Accident	Health	Others	
Direct premium written	-	-	-	-	-	-	-	-	4	2	-	6
Proportion of Premium (%)	-	-	-	-	-	-	-	-	67	33	-	100

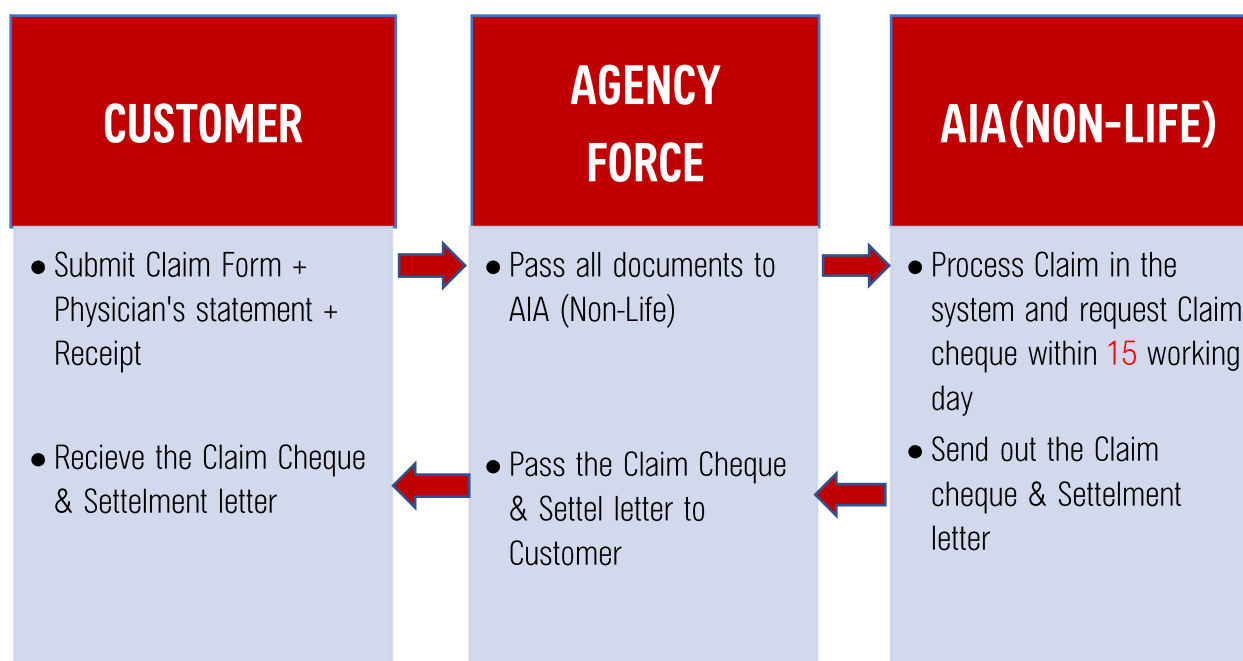
Remarks: Source of information from annual report

1.5.1 CLAIM PROCESS

Supporting Documents

1. Claim Form ([Click to download](#) from company's website)
2. Physician's statement ([Click to download](#) from company's website)
3. Receipt and Detail
4. Other supporting documents as per requirement

Process



1.5.2 CONTACT US FOR QUERY AND COMPLAINT

For more information **AIA Company Limited, (Non-Life Insurance)**

- Telephone Number **0 2783 4888** or Hotline **0 2783 4884**
- FAX Number **0 2783 4889**
- Company's address

AIA Company Limited, (Non-Life Insurance)

181 AIA Tower 1, 8th Floor, Surawong Rd. Bangrak Bangkok 10500

or POST BOX ปณ.5 ปณศ.บางรัก กรุงเทพฯ 10500

Corporate Governance Framework

Incorporating

AIA COMPANY LIMITED (NON-LIFE INSURANCE) THAILAND BRANCH



Document Details

Document Name	Corporate Governance Framework
Document Version	3.0
Originating Business Function	AIA Thailand, Risk Function.
Framework Owner	Chief Risk Officer (“CRO”)
Primary Framework Contact Person	Head of Regulatory Compliance and External Affairs
Secondary Framework Contact Person	Regulatory Compliance and External Affairs Department
Date of First Issuance	19 September 2019
Date of Last Approval	20 April 2021
Version Effective Date	20 April 2021
Notified to	Executive Committee (“EXCO”)
Approved by	Executive Committee (“EXCO”)
Review Frequency	Minimum once a year or when needed
Next Review Date	1 March 2022
Document Type <i>Per Corporate Policy Governance Standard</i>	Policy
Information Classification <i>Per Group Data Protection Standard</i>	Restricted
Related Policies and Standards	Code of Conduct AIA Group Anti-Corruption Policy AIA Group Anti-Fraud Policy AIA Group Whistle blower Protection Policy

VERSION CONTROL

Version	Amendments	Approval Date	Approved by
1.0	First release	19 September 2019	EXCO
2.0	Second release	1 April 2020	CRO
3.0	Third release	20 April 2021	EXCO

DISTRIBUTION LIST

TITLES
All members of EXCO

Contents

1. INTRODUCTION	5
1.1. PURPOSE AND BACKGROUND	5
2. SCOPE.....	6
2.1. SCOPE.....	6
2.2. INTERPRETATION AND APPLICATION.....	6
2.3. CONSULTATION	6
3. MAIN PROVISIONS	7
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
4. APPROVALS	18
5. APPENDIX – RELEVANT POLICIES AND REGULATION.....	18

1. Introduction

1.1. Purpose and Background

According to the Notification of the Insurance Commission Re: Non-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 (Non-Life Insurance) Thailand Branch ("AIA Thailand" or the "Company") believe that strong corporate governance is essential for delivering sustainable value, enhancing a culture of business integrity and maintaining stakeholder confidence. As such, the CEO and the EXCO are committed to high standards of corporate governance and the implementation of good practices across all functions in the Company.

2. Scope

2.1. Scope

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

2.2. Interpretation and Application

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

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

2.3. Consultation

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

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

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

3. Main Provisions

3.1. Mandatory and Minimum Requirements

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

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

3.2. Roles and Responsibilities

3.2.1 The EXCO of AIA Thailand

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

3.2.2 Responsibilities of the EXCO

The key responsibilities of the EXCO are:

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

The EXCO shall carry out the following:

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

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

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

3.2.3 The EXCO's Conduct of Meeting

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

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

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

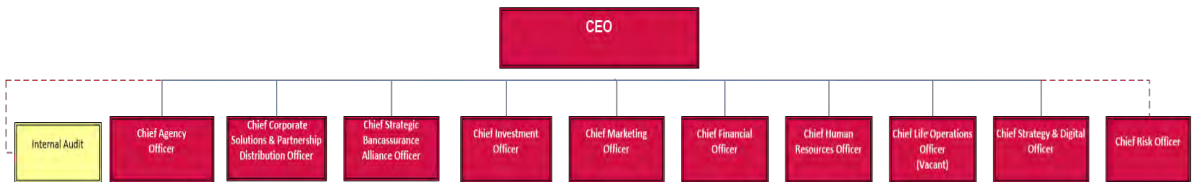
Full minutes of the EXCO's meetings shall be kept by the secretariat, and such minutes shall be available for inspection at any reasonable time on reasonable notice by the EXCO or the Board.

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

3.2.4 Performance Evaluation of Members of the EXCO

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

3.2.5 AIA Thailand Structure



- a) Chief Executive Officer
Responsible for the successful leadership and management of the AIA Thailand.

- b) Chief Financial Officer
Responsible for overseeing financial strategies as well as strategic business plans and projects of the company for future business growth. This includes financial reporting, business analysis, and budgeting.

- c) Chief Investment Officer

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

d) Chief Risk Officer

Responsible for the development of relevant risk and compliance framework, policies and procedures and overseeing the implementation of an effective risk assessment and compliance program.

e) Chief Agency Officer

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

f) Chief Marketing Officer

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

g) Chief Human Resources Officer

Responsible for driving the development and execution of AIA Thailand's people strategy to support the company's business growth, focusing on talent and leadership development, succession planning, as well as organizational and performance management.

h) Chief Strategic Bancassurance Alliance Officer

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

i) Chief Strategy and Digital Officer

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

j) Chief Corporate Solutions and Partnership Distribution

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

k) Chief Life Operations Officer²

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

3.2.6 Management Committees

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

The main management committees are:

a) Investment Committee ("IC")

The IC provides oversight on the management, performance and governance of AIA Thailand's investment portfolios. The members of IC are:

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

b) Asset Liability Committee ("ALCO")

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

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

c) 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

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

are in place and are appropriately and consistently followed. The members of ORC are:

1. Chief Financial Officer
2. Chief Risk Officer
3. Chief Agency Officer
4. Chief Human Resource Officer
5. Chief Strategy and Digital Officer
6. Director of Compliance
7. Director of Legal
8. Head of Information Technology
9. Acting Head of Life Operations 2

d) 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

e) Serious Complaint Committee ("SCC")

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

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

f) Claims Committee (“CC”)

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

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

g) Anti-Money Laundering Committee (“AMLC”)

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

1. Chief Risk Officer
2. Acting Head of Life Operations 2
3. Director of Legal

h) Intermediary Disciplinary Committee (“DC”)

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

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

i) 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

j) 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 additional, AIA Thailand has the following policies in place.

Conflict of Interest Policy

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

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

Whistle Blower Protection Policy

AIA Thailand maintains a comprehensive Whistle-blower Program, which is designed to handle reports of misconduct and inappropriate behaviour. Employees who are aware of possible wrongdoing within AIA Thailand have a responsibility to disclose that information to management. Reports are taken seriously and investigated confidentially. Employees or other individuals will not suffer retaliation for reporting any suspected wrongdoing in good faith.

Anti-Corruption Policy

During the course of doing business, employees and other persons representing AIA Thailand are prohibited from offering, paying, promising or authorizing (directly or indirectly) any bribe, kickback or other payment or benefit with corrupt intent or in violation of relevant anti-corruption laws.

Anti-Fraud Policy

AIA Thailand adopts a zero-tolerance approach towards fraud and expects all employees, insurance intermediaries, business partners and vendor to act with honesty and integrity. All suspected cases of fraud will be investigated, and disciplinary procedures enforced, including prosecution and termination.

Remuneration Policy

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

Code of Conduct and Business Ethics

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

3.3. Exemptions

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

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

3.4. Breach Management and Escalation

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

3.5. Monitoring, Review and Amendments

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

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

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

4. Approvals

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

5. Appendix – Relevant Policies and Regulation

Code of Conduct

AIA Group Anti-Corruption Policy

AIA Group Anti-Fraud Policy

AIA Group Whistle blower Protection Policy

AIA COMPANY LIMITED (NON-LIFE INSURANCE) THAILAND BRANCH
Corporate Governance Framework

Version 2.0

2.2 COMPANY STRUCTURE

AIA Co., Ltd. (Non-Life Insurance) Thailand Branch (“the Branch”) is a branch of AIA Company Limited (“AIA”) whose ultimate holding company is AIA Group Limited (“AIA Group”). The Branch has the same key management personnel as AIA Co., Ltd. Thailand Branch (“AIA Thailand”). Moreover, the Branch is supported on business operations in Thailand under the same framework and standard as AIA Thailand.



2.3 BOARD AND MANAGEMENT STRUCTURE

Board and Management



Kris Chantanotoke
Chief Executive Officer

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.



Hiew Tet Chian
Chief Financial Officer

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.



Alisa Simaroj
Chief Strategic Bancassurance
Alliance Officer

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



Sarunya Tienthavorn
Chief Human Resources
Officer

Responsible for driving the development and execution of AIA Thailand's People Strategy to support the company's business growth, focusing on talent and leadership development, succession planning, as well as organizational and performance management. Managing overall HR activities to ensure that all AIA policies / procedures properly adopted and executed efficiently and effectively.



Johann Detoit
Chief Investment Officer

Responsible for formulating and directing the overall investment plan and asset allocation strategy and implementation of the asset allocation and yield enhancement strategies to maximize investment portfolio with proper risk management to support insurance products & asset liability management.



Loo Boon Teik
Chief Risk Officer

Responsible for the development of relevant risk and compliance framework, policies and procedures and overseeing the implementation of an effective risk assessment and compliance program. Engaging with key business stakeholders to ensure key regulatory, ethical, financial and operation risks (including emerging risks) are identified and properly managed, and ensure compliance with all regulatory requirements.



Chiraporn Kanistarath
Chief Corporate Solutions & Partnership Distribution

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



Dr. Christian Roland
Chief Strategy & Digital Officer

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

2.4 SUB-COMMITTEE MEMBERS

a) **Investment Committee** (“IC”)

The members of IC are:

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

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

The members of Pension IC are:

1. Johann Dutoit (Chief Investment Officer)
2. Sineenart Porkaew (Fund Manager from Life Fund)
3. Vatcharapong Ratanamangkarnont (Fund Manager from Life Fund)
4. Vilasinee Limprana (Head of Pension Business)
5. Dudpong Wongsasitorn (Fund Manager from Pension Business)
6. Titti Tungpanitansook (Director of Enterprise Risk Management)

c) **Operational Risk Committee** (“ORC”)

The members of ORC are:

1. Hiew Tet Chian (Chief Financial Officer)
2. Loo Boon Teik (Chief Risk Officer)
3. Knattapisit Krutkrongchai (Chief Agency Officer)
4. Dr.Christian Roland (Chief Strategy and Digital Officer)
5. Sarunya Tienthavorn (Chief Human Resources Officer)
6. Supirut Pothavorn (Director of Compliance)
7. Jutamas Suttisirikul (Director of Legal)
8. Amaraporn Runsewa (Head of Information Technology)
9. Krittanon Phoowapattarakul (Acting Head of Life Operations 2)

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

The members of FRC are:

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

The Audit Committee

The members of Group Audit Committee are:

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

Financial Oversight Committee

The members of FOC are:

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

2.5 APPOINTMENT OF MANAGEMENT

The appointment process Managements generally covers:

- Candidates' CV screening should cover personal information, education background and work experience.
- Interviews must be conducted by at least the Chief Executive Officer and Chief Human Resource Officer. Specific feedback and comments on candidates must be systematically captured in all interviews for future reference
- Management appointment must undergo employment screening per the Company employment screening procedures.
- The employment screening must be complied with the background check policy which should be covered Professional Qualification/ Membership Check, Civil Litigation Check, Credit Check, Financial Regulator Check and Conflict of Interest/ Company Directorship Check

2.6 REMUNERATION POLICY FOR MANAGEMENT

AIA Guidelines:

A Compensation proposal should take into consideration of external competitiveness and internal equity.

A compensation proposal should be prepared and approved, following the approval governance, for all compensation and benefits items. The following information is required in preparing the proposed package a) Candidates' current package, b) Package of peers within AIA, and c) Market reference data.

The compensation proposal should be approved per the Company procedures before any verbal or written offer can be made.

3.2 ASSET-LIABILITY MANAGEMENT

Asset-Liability Management (ALM) is a vital component of the Company's Enterprise Risk Management (ERM) framework that focuses on risks arising from interdependencies between the Company's assets and liabilities. Through the management of investment strategies, product design, product development and product pricing, the ALM framework aims to achieve the Company's goals whilst operating under applicable constraints and within acceptable risk boundaries. The Asset-Liability Management Committee (ALCO) is a management committee to which the local Executive Committee (EXCO) has delegated the authority to provide oversight and governance of 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 in compliance with the established guidelines and policies from AIA Group and AIA Thailand.

The risk arising from interest rate sensitivity between assets and liabilities is mitigated by holding a capital to cover the Interest Rate Risk Charge in the regulatory reporting, where the rules are as prescribed in the OIC's Risk-Based Capital Framework and Regulations.

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

Unit: Million Baht

Items	2020		2019	
	Book Value	Fair Value	Book Value	Fair Value
Total Investment Assets	468	468	453	453
Total Liquid Assets	468	468	453	453
Total Liabilities	20	14	16	12
Policy Liabilities	1	1	1	1

Remarks:

Book Value refers to assets and liabilities valued according to the accounting standards.

Fair Value refers to assets and liabilities valued according to the OIC Notification on the Valuation of Assets and Liabilities of Non-Life Insurance Companies which the main objective is to ensure the company's financial security and ability to pay policy benefit to policyholders.

4. INSURANCE RISK, CONCENTRATION RISK AND REINSURANCE

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 and Reinsurance

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.

Unit: Million Baht

Items	2020
1. Reserve for the part recoverable from reinsurers	0.1
2. Due from reinsurer	-
3. Deposit on reinsurance treaties	-

5. VALUE, PROCEDURES, AND ASSUMPTIONS FOR INSURANCE RESERVE

The Non-Life products are all short-term insurance contracts. The policy reserves consist of premium liabilities and claims liabilities. Premium liabilities are Unearned Premium Reserves and are calculated on a pro-rata basis. Claims liabilities are comprised of outstanding claims and Incurred But Not Reported (IBNR) reserves.

Unit: Million Baht

Items	2020		2019	
	Book Value	Book Value	Book Value	Fair Value
Policy Liabilities - Long-term Insurance Contract	-	-	-	-
Policy Liabilities - Short-term Insurance Contract				
- Premium Liabilities	1.0	0.8	1.2	1.0
- Claim Liabilities	0.2	0.2	0.3	0.3

Remarks: - Book Value refers to Insurance liabilities valued according to the Thai Generally Accepted Accounting Principles (THGAAP). The main objective is to support the investors' understanding of the economic value of policy liabilities according to THGAAP. The policy liabilities are audited and certified by an external auditor.

Fair Value refers to insurance liabilities valued according to the OIC's notification on the Valuation of Assets and Liabilities for Non-Life Insurance Companies to ensure that the Company has the ability to pay policy benefits 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 as well as in full compliance with both applicable regulations and internal policies. The Company's investment is only Fixed Income. The investment process is 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 and credit risk management.

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 Non-Life Insurance Company B.E.2554.

Investment assets Table

Unit: Million Baht

Investment assets	As of December 31,			
	2020		2019	
	Book value	Appraisal value	Book value	Appraisal value
Deposits with financial institutions and Certificate of Deposit	8	8	10	10
Debt Securities (Bonds, debentures, promissory notes, bill of exchange)	460	460	443	443
Equity securities excluding investments in subsidiaries and associates	-	-	-	-
Mutual Fund	-	-	-	-
Loans, car leasing, and other leasing	-	-	-	-
Warrants	-	-	-	-
Derivative assets	-	-	-	-
Others	-	-	-	-
Total Investment Assets	468	468	453	453

Remarks:

- Book Value refers to assets and liabilities valued according to accounting standards.
- Fair Value refers to assets and liabilities valued according to the OIC Notification on the Valuation of Assets and Liabilities of Non-Life Insurance Companies for CAR calculation under RBC Framework

7. FINANCIAL RESULTS, ANALYSIS AND RATIOS

Operating Results

Unit: Million Baht

Description	As at December 31,	
	2020	2019
Gross written premiums	6	9
Net earned premiums	6	8
Net investment income and other income	9	8
Net Profit	5	6

The 2020 operating results of AIA Co., Ltd., (Non-Life Insurance) Thailand Branch (the Company) compared with the 2019 operating results are as follows:

- Net profit decreased by THB 1 million as a result of the first-time adoption of Accounting Guidance relating to financial instrument caused to increase in expected credit loss recognized in the current period.
- Liquidity ratio of year 2020 raised from 2019 and it is still higher than standard level.

Significant Financial Ratio (%)

Ratios	2020	2019
Loss Ratio	33%	44%
Expense Ratio	61%	59%
Combined Ratio	93%	103%
Liquidity Ratio	198332%	145381%
Return on equity	1%	1%

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

Unit: Million Baht

Capital Items	As at December 31	
	2020	2019
Total Assets	471	455
Total Liabilities	14	12
- Policy Liabilities	1	1
- Other Liabilities	13	11
Shareholder's Equity	458	442
Common Equity Tier 1 Ratio (%)	1,384	1,475
Tier 1 Ratio (%)	1,384	1,475
Capital Adequacy Ratio (%)	1,384	1,475
Total Capital Available	458	442
Total Capital Required	33	30

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

-The above items use a Fair Value approach according to the OIC's Notification on the Valuation of Assets and Liabilities of Non-Life Insurance Companies and the RBC capital is valued according to the OIC's Notification on the Valuation of Assets and Liabilities of Non-Life Insurance Companies

AIA COMPANY LIMITED (NON-LIFE INSURANCE) THAILAND BRANCH

FINANCIAL STATEMENTS

31 DECEMBER 2020



Independent Auditor's Report

To the Board of Directors of AIA Company Limited

My opinion

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

What I have audited

The Branch's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in Head Office's equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

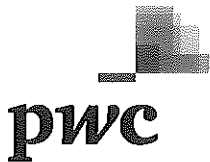
I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Branch in accordance with the Federation of Accounting Professions under the Royal Patronage of his Majesty the King's Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with TFRS, and for such internal control as the directors determine 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 directors are 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 directors either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

The audit committee assists the directors 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Branch to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the Branch audit. I remain solely responsible for my audit opinion.



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", with a horizontal line underneath.

Paiboon Tunkoon
Certified Public Accountant (Thailand) No. 4298
Bangkok
9 March 2021

AIA Company Limited (Non-Life Insurance) Thailand Branch
Statement of Financial Position
As at 31 December 2020

	Notes	2020 Baht	2019 Baht
Assets			
Cash and cash equivalents	6	7,854,848	10,106,695
Accrued income on investments		1,629,553	1,605,258
Reinsurance assets	7,13	57,602	72,523
Amounts due from reinsurance	8	-	17,618
Invested assets			
Investments in securities	9	460,102,212	442,709,218
Amount due from related parties	24	118,558	229,307
Furniture, fixtures and equipment	10	230	5,048
Intangible assets	11	32	32
Other assets	12,24	1,670,725	24,764
Total assets		471,433,760	454,770,463

Authorised signature _____

Date _____

The accompanying notes are an integral of the financial statements.

AIA Company Limited (Non-Life Insurance) Thailand Branch
Statement of Financial Position (Cont'd)
As at 31 December 2020

	Notes	2020 Baht	2019 Baht
Liabilities and Head Office's Equity			
Liabilities			
Insurance liabilities	13	1,155,248	1,453,622
Amount due to reinsurance	14	60,044	79,917
Amount due to related parties	24	176,903	44,967
Income tax payable		972,953	1,173,255
Employee benefit liabilities	15	5,101,016	4,628,579
Deferred tax liabilities	16	5,817,141	3,869,931
Other liabilities	17,24	6,469,268	5,016,710
Total liabilities		19,752,573	16,266,981
Head Office's Equity			
Funds from Head Office	18	140,307,753	140,307,753
Remeasurements of investments measured at fair value through other comprehensive income, net of tax		23,268,565	15,479,724
Remeasurements of post-employment benefit obligations, net of tax		(2,615,592)	(2,585,555)
Branch's retained earnings Unappropriated		290,720,461	285,301,560
Total Head Office's Equity		451,681,187	438,503,482
Total liabilities and Head Office's Equity		471,433,760	454,770,463

The accompanying notes are an integral of the financial statements.

AIA Company Limited (Non-Life Insurance) Thailand Branch
Statement of Comprehensive Income
For the year ended 31 December 2020

		2020	2019
	Notes	Baht	Baht
Revenues			
Gross written premiums		5,857,369	8,517,283
<u>Less</u> Premiums ceded to reinsurers		<u>(295,407)</u>	<u>(410,592)</u>
Net written premiums		5,561,962	8,106,691
<u>Add</u> Net change in unearned premium reserve		<u>194,667</u>	<u>117,675</u>
Net earned premiums		5,756,629	8,224,366
Fee and commission income		127,122	177,118
Net investment income		7,593,942	8,471,214
Gains on investment		<u>1,417,708</u>	<u>-</u>
Total revenues		<u>14,895,401</u>	<u>16,872,698</u>
Expenses			
Gross claim paid		1,914,195	3,692,334
<u>Less</u> Claim paid recovered from reinsurers		<u>(20,988)</u>	<u>(60,884)</u>
Commission and brokerage		673,158	1,053,854
Other underwriting expenses		494,388	986,961
Operating expenses	19,24	2,478,060	3,021,180
Finance cost		32,915	-
Expected credit loss	21	<u>1,985,073</u>	<u>-</u>
Total expenses		<u>7,556,801</u>	<u>8,693,445</u>
Profit before income tax		7,338,600	8,179,253
Income tax expenses	22	<u>1,881,632</u>	<u>1,764,358</u>
Net profit		<u>5,456,968</u>	<u>6,414,895</u>

The accompanying notes are an integral of the financial statements.

AIA Company Limited (Non-Life Insurance) Thailand Branch
Statement of Comprehensive Income (Cont'd)
For the year ended 31 December 2020

	Notes	2020 Baht	2019 Baht
Other comprehensive income (loss)			
<u>Items that will not be reclassified subsequently to profit or loss</u>			
Remeasurements of post-employment benefit obligations	15	(30,037)	(515,035)
Total items that will not be reclassified subsequently to profit or loss		(30,037)	(515,035)
<u>Items that will be reclassified subsequently to profit or loss</u>			
Gains on remeasuring investments measured at fair value through other comprehensive income		10,267,330	19,570,461
Items in other comprehensive income transferred to profit or loss		(567,365)	-
Income tax on items that will be reclassified subsequently to profit or loss	16,23	(1,939,993)	(3,869,931)
Total items that will be reclassified subsequently to profit or loss		7,759,972	15,700,530
Other comprehensive income for the year, net of tax		7,729,935	15,185,495
Total comprehensive income for the year		13,186,903	21,600,390

The accompanying notes are an integral of the financial statements.

AIA Company Limited (Non-Life Insurance) Thailand Branch
Statement of Changes in Head Office's Equity
For the year ended 31 December 2020

	Remeasurements of investments measured at fair value through other comprehensive income, net of tax		Remeasurement of post-employment benefit obligations, net of tax		Branch's retained earnings	Total Head Office's Equity
	Funds from Head Office	Baht	Baht	Baht	Baht	Baht
Beginning balance as at 1 January 2020	140,307,753		15,479,724	(2,585,555)	285,301,560	438,503,482
Retrospective adjustment from adoption of new financial reporting standards (Note 2.1)	-		28,869	-	(38,067)	(9,198)
Beginning balance after adjustment	140,307,753		15,508,593	(2,585,555)	285,263,493	438,494,284
Net profit	-		-	(30,037)	5,456,968	5,456,968
Remeasurement of post-employment benefit obligations	-		-	-	-	(30,037)
Gains on remeasuring investments measured at fair value through other comprehensive income	-		8,213,864	-	-	8,213,864
Items in other comprehensive income transferred to profit or loss	-		(453,892)	-	-	(453,892)
Ending balance as at 31 December 2020	140,307,753		23,268,565	(2,615,592)	290,720,461	451,681,187
Beginning balance as at 1 January 2019	140,307,753		(220,806)	(2,070,520)	278,886,665	416,903,092
Net profit	-		-	-	6,414,895	6,414,895
Remeasurement of post-employment benefit obligations	-		-	(515,035)	-	(515,035)
Changes in value of available-for-sale investments, net of tax	-		15,700,530	-	-	15,700,530
Ending balance as at 31 December 2019	140,307,753		15,479,724	(2,585,555)	285,301,560	438,503,482

The accompanying notes are an integral of the financial statements.

AIA Company Limited (Non-Life Insurance) Thailand Branch
Statement of Cash Flows
For the year ended 31 December 2020

	2020	2019
	Baht	Baht
Cash flows provided by (used in) operating activities		
Written premium received from direct insurance	5,832,696	8,630,285
Cash paid for reinsurance	(144,877)	(196,317)
Net investment income	9,819,250	11,294,162
Claim paid from direct insurance	(512,188)	(2,203,850)
Commission and brokerage paid to direct insurance	(699,983)	(1,133,145)
Other underwriting expenses	(235,504)	(641,726)
Operating expenses	(3,403,623)	(4,859,708)
Income tax	(2,074,717)	(1,067,763)
Cash received from investment in securities	166,160,100	87,991,871
Cash paid for investment in securities	(176,670,097)	(96,609,672)
Net cash provided by (used in) operating activities	(1,928,943)	1,204,137
Cash flows used in financing activities		
Lease Liabilities	(322,904)	-
Net cash used in financing activities	(322,904)	-
Net increase(decrease) in cash and cash equivalents	(2,251,847)	1,204,137
Cash and cash equivalents at beginning of year	10,106,695	8,902,558
Cash and cash equivalents at end of year	7,854,848	10,106,695

The accompanying notes are an integral of the financial statements.

1. General information

AIA Company Limited (Non-Life Insurance) Thailand Branch ("the Branch") is a branch 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 address of the Branch's registered office is AIA Tower 1, 8th Floor, 181 Surawongse Road, Suriyawongse District, Bangrak, Bangkok 10500.

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

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

2. Significant Accounting Policies

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Thai Financial Reporting Standards ("TFRS"). In addition, the financial statements presentation are based on the formats of non-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 non-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 statement has been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

2. Significant Accounting Policies (Cont'd)

2.1 Basis of Preparation (Cont'd)

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

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

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

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

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

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

On 1 January 2020, the Branch passes criteria of temporarily exemption from TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures under TFRS 4 (revised 2018) Insurance Contracts. The Branch is eligible to apply the 'financial instruments and disclosure for insurance companies' accounting guidance' ('The Accounting Guidance') as the Branch has not previously applied any version of TFRS 9 Financial Instrument and the Branch's activities are predominantly connected with insurance business, based on the eligibility assessment the total carrying amount of liabilities connected with insurance of Baht 12 million as at 1 January 2018 is greater than 90% of the total carrying amount of all its liabilities. Liabilities connected with insurance included liabilities within the scope of TFRS 4 and certain deferred tax liabilities of Baht 0.02 million.

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

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

2. Significant Accounting Policies (Cont'd)

2.1 Basis of Preparation (Cont'd)

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

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

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

	Fair value as at 31 December 2020		Change in fair value for the year ended 31 December 2020	
	Financial assets that met SPPI criteria and not held for trading or managed on fair value basis Baht	Total Baht	Financial assets that met SPPI criteria and not held for trading or managed on fair value basis Baht	Total Baht
Debt securities	460,102,212	460,102,212	12,516,934	12,516,934
Other financial assets	9,612,959	9,612,959	-	-
Total	469,715,171	469,715,171	12,516,934	12,516,934

Notes:

- As of 31 December 2019, significant balance of other financial assets qualifying as SPPI includes accrued investment income and cash and cash equivalents.
- There is no financial assets excluded from above table that will be accounted for under TFRS 17 when its adoption is in parallel with TFRS 9.

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

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

- TFRS 16, Leases** clarified where the Branch is a lessee, TFRS 16, Leases will result in almost all leases being recognised on the balance sheet as the distinction between operating and finance leases is removed. A right-of-use asset and a lease liability will be recognised, with exception on short-term and low-value leases. On 1 January 2020, the Branch has adopted the new lease standard in its financial statements.
- Amendment to TAS 12, Income Tax** clarified that the income tax consequences of dividends of financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

2. Significant Accounting Policies (Cont'd)

2.1 Basis of Preparation (Cont'd)

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

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

- **Amendment to TAS 19, Employee benefits (plan amendment, curtailment or settlement)** clarified accounting for defined benefit plan amendments, curtailments and settlements that the updated assumptions on the date of change are applied to determine current service cost and net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement.
- **Amendment to TAS 23, Borrowing costs** clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.
- **TFRIC 23, Uncertainty over income tax treatments** explained how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:
 - that the Branch should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored.
 - that the Branch should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment.
 - that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.
- **The significant impact of the first-time adoption of new or amended financial Report standards to the Branch** are Accounting Guidance and leases standard (TFRS 16) that applying the modified retrospective which the comparative figures have not been restated. The reclassifications and the adjustments arising from the changes in accounting policies were therefore recognised in the statement of financial position as of 1 January 2020. The impact of first-time adoption of Accounting Guidance are mention in the follows.

2. Significant Accounting Policies (Cont'd)

2.1 Basis of Preparation (Cont'd)

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

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

	Notes	As at 31 December 2019 Previously reported Baht	Accounting Guidance and TFRS 16 Reclassifications and adjustments Baht	As at 1 January 2020 Restated Baht
Assets				
Investment in securities	A	442,709,218	-	442,709,218
Other assets	B	24,764	1,105,499	1,130,263
Total assets		442,733,982	1,105,499	443,839,481
Liabilities and Head Office's equity				
Liabilities				
Other liabilities	B	5,016,710	1,114,697	6,131,407
Total liabilities		5,016,710	1,114,697	6,131,407
Head Office's Equity				
Remeasurements of investments measured at fair value through other comprehensive income, net of tax	C	15,479,724	28,869	15,508,593
Branch's retained earnings	C	285,301,560	(38,067)	285,263,493
Total Head Office's Equity		300,781,284	(9,198)	300,772,086
Total liabilities and Head Office's Equity		305,797,994	1,105,499	306,903,493

2. Significant Accounting Policies (Cont'd)

2.1 Basis of Preparation (Cont'd)

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

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

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

	Notes	Available-for-sale securities Baht	FVOCI Baht
Financial assets			
Balance as at 31 December 2019 (Previously reported)		442,709,218	-
Adjustment in relation to expected credit loss	a	-	-
Reclassify debt investments from available-for-sale to FVOCI	b	(442,709,218)	442,709,218
Opening balance 1 January 2020 – the Accounting Guidance adoption		<u>-</u>	<u>442,709,218</u>

Notes:

- a) Impairment of financial assets: the new requirements on the impairment losses will lead to expected credit losses having to be considered and recognised at the initial recognition and subsequent period. The Branch accounts for expected credit losses which involves a three-stage expected credit loss impairment model. The stage dictates how the entity measures impairment losses and applies the effective interest rate method. As of 1 January 2020, the Branch recognised impairment losses for investment in securities of Baht 28,869, net of tax. The transition adjustment will be recognised as an adjustment to the opening balance of other comprehensive income to retained earnings.
- b) AFS classified as FVOCI: as of 1 January 2020, the Branch elected to present in OCI changes in the fair value of all its debt instruments previously classified as AFS, because these investments are held as long-term strategic investments / as short to medium term investments. As a result, the Branch's assets with a fair value of Baht 443 million were reclassified from AFS to financial assets at FVOCI and fair value gains of Baht 19 million were reclassified from unrealised gains (losses) on changes in fair value of investments to the remeasurements of investments measured at fair value through other comprehensive income.

2. Significant Accounting Policies (Cont'd)

2.1 Basis of Preparation (Cont'd)

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

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

Note B leases: On adoption of TFRS 16, the Branch recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of TAS 17 Leases for leases of properties with lease terms more than 12 months. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2020. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2020 was 2.14%. In addition the right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepayment. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The recognised right-of-use assets relate to the following types of assets:

	<u>Baht</u>
Buildings and improvements	1,105,499
Total right-of-use assets	<u>1,105,499</u>

The reconciliation of lease liability shown as below:

	<u>Baht</u>
Operating lease commitments disclosed as at 31 December 2019	286,768
<u>Less</u> Discounted using the lessee's incremental borrowing rate at the date of initial application	(42,362)
<u>Add</u> Adjustments as a result of a different treatment of extension and termination options	952,405
<u>Less</u> Other adjustments	(82,114)
Lease liability recognised as at 1 January 2020	<u>1,114,697</u>

Practical expedients applied

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

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

2. Significant Accounting Policies (Cont'd)

2.1 Basis of Preparation (Cont'd)

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

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

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

	Unrealised gains (losses) on changes in fair value of investments, net of tax Baht	Remeasurements of investments measured at fair value through other comprehensive income (FVOCI), net of tax Baht	Effect on retained earnings, net of tax Baht
Balance as of 31 December 2019 (Previously reported)	15,479,724	-	285,301,560
Reclassification of debt securities from AFS to FVOCI	(15,479,724)	15,479,724	-
Adjustments in relation to expected credit loss	-	28,869	(28,869)
TFRS 16 adjustments	-	-	(9,198)
Total impact	(15,479,724)	15,508,593	(38,067)
Opening balance as of 1 January 2020 - Accounting Guidance and TFRS 16 adoption	-	15,508,593	285,263,493

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

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

2. Significant Accounting Policies (Cont'd)

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements is 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 currency and the Branch's 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.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit and loss, any exchange component of that gain or loss is recognised in profit and loss.

2.3 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less counted from acquisition date.

2.4 Premium receivable

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

2.5 Reinsurance assets

Reinsurance assets are stated at the outstanding of balance insurance reserve refundable from reinsurers.

Insurance reserve refundable from reinsurers is estimated based on the related reinsurance contract of premium reserve and loss reserve and outstanding claims in accordance with the law regarding insurance reserve calculation.

2. Significant Accounting Policies (Cont'd)

2.6 Amount due from reinsurance and amount due to reinsurance

- (a) Amount due from reinsurance is stated at the outstanding balance of amount due from reinsurers and amount of deposit on reinsurance.

Amount due from reinsurers consist of reinsurance commission receivables, reinsurance outstanding claim and other items receivable from reinsurers. The Branch recognises an allowance for doubtful accounts which may incur from uncollection being based on consideration of historical collection experience and current status of due from reinsurers at the end of reporting period.

- (b) Amounts due to reinsurance is stated at the outstanding balance of amount due to reinsurers and amounts withheld on reinsurance.

Amounts due to reinsurers consist of reinsurance premiums and other items payable to reinsurers, excluding claims.

The Branch presents as net balance of reinsurance to the same entity (amounts due from reinsurers or amounts due to reinsurers) when the following criteria for offsetting are met.

- (1) The entity has a legal right to offset amounts presented in the statements of financial position, and
- (2) The entity intends to receive or pay the net amount recognised in the statements of financial position, or to realise the asset at the same time as it pays the liability.

2.7 Investment in securities

For the year ended 31 December 2020

a) Classification

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

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

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

b) Recognition and derecognition

Regular way purchases, 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.

2. Significant Accounting Policies (Cont'd)

2.7 Investment in securities (Cont'd)

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

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 that are measured at Fair Value through Profit or Loss (FVPL), the Branch recognised the related transaction costs as expenses in profit or loss.

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 or 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 or losses on investment. Interest income is included in net investment income. Impairment expenses are presented separately in the statement of comprehensive income.
- **AMC:** Financial assets with fixed maturity that the management has the intention and ability to hold to maturity. Interest income from these financial assets is included in net investment income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in fair value gains or losses together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of comprehensive income.
- **FVO:** Financial assets irrevocably designated at fair value 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 or losses in the period in which it arises.

The classification is dependent on the purpose for which the investments were acquired. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

2. Significant Accounting Policies (Cont'd)

2.7 Investment in securities (Cont'd)

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

e) Impairment

Debt instruments

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

The Branch always accounts for expected credit losses which involves a three-stage expected credit loss impairment model. The stage dictates how the entity measures impairment losses and applies the effective interest rate method. In which, the three-stage expected credit loss impairment will be as the following stages:

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

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

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

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

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

For the year ended 31 December 2019

Investments are classified into Available-for-sale investment. The classification is dependent on the purpose for which the investments were acquired. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Available-for-sale is investment intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in interest rates.

The investments are initially recognised at cost, which is equal to the fair value of consideration paid plus transaction cost.

Purchase and disposal of investments are recognised on the trade date, which is the date that the Branch commits to purchase or sell the investments.

Available-for-sale investments are subsequently carried at fair value.

2. Significant Accounting Policies (Cont'd)

2.7 Investment in securities (Cont'd)

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

Unrealised gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognised in other comprehensive income.

The fair value of investments are based on quoted last bid price quoted at the close of business on the statement of financial position date by reference to the Stock Exchange of Thailand and the Thai Bond Market Association. When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are recognised in profit or loss as gains or losses on investment.

For disposal of an investment, the difference between the net disposal considerations and the carrying amount of that securities are recorded to profit or loss. When disposing of part of the Branch's holding of a particular investment in debt and equity securities, the carry amount of the disposed part is determined by the weighted average carrying amount of the total holding of the investment.

Impairment of investment

A test of impairment is carried out quarterly or when there is a factor indicating that an investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, impairment loss is charged to profit or loss.

2.8 Furniture, fixtures and equipment

Furniture, fixtures and equipment are stated at historical cost less accumulated depreciation. Cost is measured by the cash or other consideration plus expenses obtaining the asset and bringing it to the location or condition necessary for its intended use.

Depreciation is calculated on the straight-line basis to write off the cost of each asset to its residual value over the estimated useful life as follows:

Furniture, fixtures and equipment	5 years
Computer hardware	3 years

The Branch reviews and adjusts furnitures, fixtures and equipments's residual values and useful lives 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 furnitures, fixtures and equipments 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 the statements of comprehensive income. Gains or losses on disposals furnitures, fixtures and equipments are determined by comparing the proceeds from disposal with the carrying amount of the asset.

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. Significant Accounting Policies (Cont'd)

2.9 Intangible assets

Computer software

Acquired specific computer software licenses 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 an expense 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 recognised as assets are amortised using the straight-line over their estimated useful lives, not exceeding a period of 15 years.

2.10 Impairment of non-financial assets

Furnitures, fixtures, equipments and other non-financial assets, including intangible assets are reviewed for impairment loss annually or whenever changes in circumstances indicate that the carrying amount may not be recoverable significantly. An impairment loss is recognised for the amount by which the carrying amount of non-financial assets exceeds its recoverable amount which is the higher of an asset's fair value less cost to sale and value in use. For the purposes of assessing impairment as at financial position's date, non-financial assets are grouped at the lowest level for which there is separately identifiable cash flows.

2.11 Leases

For the year ended 31 December 2020

Accounting for leases - where the Branch is the lessee

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

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees

2. Significant Accounting Policies (Cont'd)

2.11 Leases (Cont'd)

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

Accounting for leases - where the Branch is the lessee (Cont'd)

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: (Cont'd)

- 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.

For the year ended 31 December 2019

Accounting for leases - where the Branch is the lessee

Lease contracts not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Lease where the lessee has substantially all the risks and rewards of ownership are classified as finance leases.

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

2. Significant Accounting Policies (Cont'd)

2.12 Insurance liabilities

a) Loss reserve and outstanding claims

Outstanding claims are recorded at the amount to be actually paid. Loss reserve is fully made for the estimated cost of all losses notified (less reinsurance recoveries) but not settled at the statement of financial position date.

The Branch estimates claims incurred but not yet reported by the insured (IBNR) based on the Branch's experience and historical data.

b) Unearned premium reserve

Unearned premium reserve is the proportion of the net premium written during the year that relates to the unexpired periods of risk from the statement of financial position date to the subsequent expiry dates of the policies. It is calculated on the following basis:

Type of Insurance	Method
- Personal accident and health	- monthly pro-rata basis (1/24th) basis for yearly policies. - fifty percent of net premium written of the last 30 days for monthly policies.

Unexpired risks reserve and premium deficiency reserve

Unexpired risks reserve is the reserve for the claims and related expenses that may be incurred in respect of in-force policies. Unexpired risks reserve is set aside using an actuarial method, at the best estimate of the claims that are expected be incurred during the remaining period of coverage, based on historical claims data.

As at the end of reporting period, the Branch compares the amounts of unexpired risks reserve with unearned premium reserve, and if unexpired risks reserve is higher than unearned premium reserve, the different is recognised as premium deficiency reserve in the financial statements.

2.13 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, the assets of which 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 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.

2. Significant Accounting Policies (Cont'd)

2.13 Employee benefits (Cont'd)

The management assesses the appropriate estimated of such provision on a regular basis.

2.14 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 recognized as interest expense.

2.15 Current and deferred income taxes

The income tax expense for the period comprises current and deferred income tax. Income 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 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 income tax assets against current income 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.

2.16 Revenues and expenses recognition

Premium income is recognised on the basis of the effective dates of insurance policies after deducting premium ceded and cancelled.

Reinsurance premium income is recognised as income when the reinsurer places the reinsurance application or the statement of accounts with the Branch. Ceded premium is recognised as expenses when the insurance risk is transferred to another reinsurer.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue.

Other income is recognised on an accrual basis.

Losses are recorded upon receipt of claims advice from the insured.

2. Significant Accounting Policies (Cont'd)

2.16 Revenues and expenses recognition (Cont'd)

Policy acquisition costs, such as commissions, are charged as expenses when incurred.

All other expenses are recognised on an accrual basis.

2.17 Financial instruments

Financial assets carried on the statement of financial position include cash and cash equivalents, accrued income on investments, investments in securities, amount due from related parties and certain balances included in other assets. Financial liabilities carried on the statement of financial position include amount due to related parties and certain balances included in other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3. Risk management

The Branch financial risk management framework is consistent with the Head office that to effectively manage, rather than to eliminate the risks the Branch faces.

As an insurer, the Branch is exposed to a range of insurance and financial risks. The Branch applies a consistent risk management policy that is embedded in management processes and controls such that both existing and emerging risks are considered and addressed. In addition, the Branch has established the enterprise risk management function for managing and monitoring the enterprise wide risks and also has established sub-committee among the Branch to manage specific risks which are Financial Risk Committee (FRC), Product Development Committee (PDC) and Operational Risk Committee (ORC) which directly report to the Branch's key management.

The following section summarises the Branch's insurance and financial risk 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.

Concentration risk

The management considers the concentration risk of insurance products from various perspectives to avoid underwriting of a concentration of risk when the events of loss occurs. Those include, but not limited to, the range of product offered, target group of customers, and geographical areas covered in Thailand. The Branch has maintained a broad range of insurance product which is Personal Accident & Health. Also, this insurance product is offered to all areas across Thailand.

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.

3. Risk management (Cont'd)

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.

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.

3. Risk management (Cont'd)

Credit risk (Cont'd)

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

	2020 Baht	2019 Baht
Debt securities		
A	-	40,285,852
BBB	422,012,812	386,279,905
Below investment grade	38,089,400	16,143,461
Total	<u>460,102,212</u>	<u>442,709,218</u>

The reported rating is mapped as follow:

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

Interest rate risk

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

AIA Company Limited (Non-Life Insurance) Thailand Branch
Notes to the Financial Statements
For the year ended 31 December 2020

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 summarized in the table below:

	Variable interest rate			Fixed interest rate			Non-interest bearing Baht	Total Baht	Interest rate (% p.a)
	Within 1 year Baht	1 - 5 years Baht	Over 5 years Baht	Within 1 year Baht	1 - 5 years Baht	Over 5 years Baht			
As at 31 December 2020									
Financial assets									
Cash and cash equivalents	7,816,112	-	-	-	-	-	38,736	7,854,848	0.10%
Accrued income on investments	-	-	-	-	-	-	1,629,553	1,629,553	-
Investment in securities	-	-	-	40,089,305	213,032,949	206,979,958	-	460,102,212	2.13% - 4.08%
Amount due from related parties	-	-	-	-	-	-	118,558	118,558	-
Other assets (partial)	-	-	-	-	-	-	10,000	10,000	-
Total financial assets	7,816,112	-	-	40,089,305	213,032,949	206,979,958	1,796,847	469,715,171	-
Financial liabilities									
Amount due to related parties	-	-	-	-	-	-	176,903	176,903	-
Other liabilities (partial)	-	-	-	-	-	-	200,928	200,928	-
Total financial liabilities	-	-	-	-	-	-	377,831	377,831	-

3. Risk management (Cont'd)

Interest rate risk (Cont'd)

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

	Variable interest rate Baht	Fixed interest rate Baht	Non-interest bearing Baht	Total Baht
As at 31 December 2019				
<u>Financial assets</u>				
Cash and cash equivalents	9,934,311	-	172,384	10,106,695
Accrued income on investments	-	-	1,605,258	1,605,258
Investment in securities	-	442,709,218	-	442,709,218
Amount due from related parties	-	-	229,307	229,307
Other assets (partial)	-	-	10,000	10,000
Total financial assets	9,934,311	442,709,218	2,016,949	454,660,478
<u>Financial liabilities</u>				
Amount due to related parties	-	-	44,967	44,967
Other liabilities (partial)	-	-	143,147	143,147
Total financial liabilities	-	-	188,114	188,114

Sensitivity

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

As at 31 December 2020, when the interest rate increases or decreases 50 basis point shift in yield curve given that all other variable remains constant, the impact to other components of equity decrease by Baht 9,634,026 and increase by Baht 9,289,149, respectively. (No impact towards net profit and loss).

3. Risk management (Cont'd)

Liquidity risk

Liquidity risk is financing risk or the risk of difficulty in raising funds sufficiently and in time to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell financial asset quickly at close to its fair value.

Most part of the Branch financial assets is including cash, deposit at bank and investment in securities which are highly liquid and able to be sold quickly at close to their fair value when the Branch wishes to raise fund. The Branch also maintains the investment ratio of high liquidity assets.

The tables below analyse 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 9.2.

	Within 1 month Baht	1 - 3 months Baht	3 - 12 months Baht	1 - 5 years Baht	Over 5 years Baht	Total Baht
As at 31 December 2020						
Other liabilities (partial)	4,783,849	-	-	-	-	4,783,849
Total financial liabilities	4,783,849	-	-	-	-	4,783,849

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 Non 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.

	Fair value through profit or loss (FVPL)	Fair value through other comprehensive income (FVOCI)	Amortised cost	Total carrying amount	Fair value
As at 31 December 2020					
Assets					
<i>Financial assets measured at fair value</i>					
Investments measured at fair value through other comprehensive income					
Debt securities	-	460,102,212	-	460,102,212	460,102,212
<i>Financial assets not measured at fair value</i>					
Cash and cash equivalents	-	-	7,854,848	7,854,848	7,854,848
Total assets	-	460,102,212	7,854,848	467,957,060	467,957,060
Liabilities					
<i>Financial liabilities not measured at fair value</i>					
Lease liabilities	-	-	1,669,659	1,669,659	1,669,659
Total liabilities	-	-	1,669,659	1,669,659	1,669,659

The details below present financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

4. Fair value (Cont'd)

4.1 Fair value estimation (Cont'd)

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

	Level 1 Baht	Level 2 Baht	Level 3 Baht	Total Baht
As at 31 December 2020				
Asset				
Investment in securities				
Investments measured at fair value through other comprehensive income				
Debt securities	-	460,102,212	-	460,102,212
Total asset	-	460,102,212	-	460,102,212
As at 31 December 2019				
Asset				
Investment in securities				
Available-for-sale securities				
Debt securities	-	442,709,218	-	442,709,218
Total asset	-	442,709,218	-	442,709,218

Other financial instruments not carried at fair value are typically short-term in nature and reprice to current market rate frequently. Accordingly, their carrying amount is a reasonable approximation of fair value. This includes cash and cash equivalents, accrued investment income, amount due from related parties, other assets, amount due to related parties, and other liabilities.

The Branch had no transfers between levels during the year.

4.2 Valuation techniques used to derive Level 2 fair values

Level 2 marketable debt securities are fair valued based on quoted by reference to the yield curve of the Thai Bond Market Association at the close of business on the statements of financial position date.

5. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Branch makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

5.1 Reinsurance assets

Reinsurance assets are calculated by using the same method of estimated reserve of claim incurred but not reported (Note 5.4) and unearned premium reserve. Reinsurance assets are assessed at the end of reporting period to reflect the refundable amount which is established from creditability of reinsurer and condition of reinsurance.

5.2 Furniture, fixtures and equipment and computer software

The Branch determines the estimated useful lives and residual values for the Branch's furniture, fixtures and equipment and computer software. Management will revise the depreciation charge where useful lives are different to previously estimated, or it will write off or write down technically obsolete or assets that have been abandoned or sold.

5.3 Impairment of investments

The loss allowances for financial assets are based on assumptions about default risk 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, as well as forward-looking estimates at the end of each reporting period.

5.4 Loss reserve

The Branch determines the estimated reserve of claims incurred but not reported ("IBNR") at the statement of financial positions date using actuarial method by simplified approach, as a percentage of premium. The Branch uses the services of an actuary who has expertise, experience and an understanding of the insurance business and products to perform calculation.

5.5 Unexpired risks reserve

Unexpired risks reserve is calculated using an actuarial method, based on a best estimate of the claims expected to incur over the remaining term of the insurance. Estimating the reserve requires the management to exercise judgment, with reference to historical data and the best estimates available at the time.

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

5.6 Liabilities adequacy testing

The adequacy of insurance contract 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 contract liabilities are compared to the gross premium valuation calculated on a best estimate basis, as of the valuation date. If there is a deficiency, the liabilities are increased by the amount of the deficiency and recognized directly in profit or loss.

5.7 Employee benefits

The Branch has a legal and constructive commitment to pay post-retirement benefits to employees when they reach retirement age. The present value of employee benefit liabilities recognised in the statement of financial position is determined on an actuarial basis utilising various demographical and economic assumptions, for example, discount rate, salary increment rate, employee turnover rate and probability of each employee working with the Branch until termination.

6. Cash and cash equivalents

	2020 Baht	2019 Baht
Deposits held at call with banks	7,854,848	10,106,695
Total cash and cash equivalents	<u>7,854,848</u>	<u>10,106,695</u>

7. Reinsurance assets

	2020 Baht	2019 Baht
<u>Reserve of recovery from reinsurers</u>		
Short term insurance contract reserve		
Loss reserve (IBNR)	9,677	14,352
Premium reserve		
- Unearned premium reserve (UPR)	47,925	58,171
Total reinsurance assets	<u>57,602</u>	<u>72,523</u>

7.1 Loss reserve recovery from reinsurers

	2020 Baht	2019 Baht
Beginning balance for the year	14,352	17,535
Changes in assumptions for claim reserve recovery	(4,675)	(3,183)
Closing balance at the end of year	<u>9,677</u>	<u>14,352</u>

7. Reinsurance assets (Cont'd)

7.2 Premium reserve recovery from reinsurers

	2020 Baht	2019 Baht
Beginning balance for the year	58,171	64,365
Premium ceded for the year	295,407	410,592
Premium ceded recognised as expense for the year	(305,653)	(416,786)
Closing balance at the end of year	47,925	58,171

8. Amount due from reinsurance

	2020 Baht	2019 Baht
Due from reinsurers	-	17,618
Total amount due from reinsurance	-	17,618

The balance of due from reinsurers is classified by aging as follows:

	2020 Baht	2019 Baht
Not over 12 months	-	17,618
Total due from reinsurers	-	17,618

9. Investments in securities

9.1 Investment in securities

	2020		2019	
	Cost/ amortised cost Baht	Fair value Baht	Cost/ amortised cost Baht	Fair value Baht
<u>Investments measured at fair value through other comprehensive income</u>				
Government and state enterprise securities	269,730,815	292,845,355	-	-
Private enterprise debt securities	163,306,850	167,256,857	-	-
Total	433,037,665	460,102,212	-	-
<u>Add</u> Unrealised gains on the changes in value of investments	27,064,547	-	-	-
Total investments measured at fair value through other comprehensive income	460,102,212	460,102,212	-	-
<u>Available-for-sale securities</u>				
Government and state enterprise securities	-	-	320,261,000	337,876,766
Private enterprise debt securities	-	-	103,098,563	104,832,452
Total	-	-	423,359,563	442,709,218
<u>Add</u> Unrealised gains on the changes in value of investments	-	-	19,349,655	-
Total available-for-sale securities	-	-	442,709,218	442,709,218
Total investments in securities	460,102,212	460,102,212	442,709,218	442,709,218

During the year 2020, the Branch had revenue recognised relating to investment as follows:

	2020 Baht	2019 Baht
Interest income from investments	10,207,395	9,929,131
Consideration received from selling investments	80,160,100	-
Gains from selling investments	1,417,708	-

As at 31 December 2020, Investments in securities include debts securities with a fair value of Baht 9.85 million (31 December 2019: with a fair value of Baht 8.56 million) which have been placed with the Office of Insurance Commissioner, under the Ministry of Finance, as required by the Non-life Insurance Act B.E. 2535, amended by the Non-life Insurance Act (No. 2) B.E. 2551.

9. Investments in securities (Cont'd)

9.2 The maturity of debt securities

The details of debt securities classified as available for sales securities are aged as follows:

	2020				2019			
	Maturing within (years)				Maturing within (years)			
	1 year Baht	1 - 5 years Baht	Over 5 years Baht	Total Baht	1 year Baht	1 - 5 years Baht	Over 5 years Baht	Total Baht
<u>Investments measured at fair value through other comprehensive income</u>								
Government and state enterprise securities	-	179,249,731	90,481,084	269,730,815	-	-	-	-
Private enterprise debt securities	40,000,000	18,000,000	105,306,850	163,306,850	-	-	-	-
Total	40,000,000	197,249,731	195,787,934	433,037,665	-	-	-	-
<u>Add</u> Unrealised gains (losses) on the changes in value of investments	89,305	15,783,218	11,192,024	27,064,547	-	-	-	-
Total investments measured at fair value through other comprehensive income	40,089,305	213,032,949	206,979,958	460,102,212	-	-	-	-
<u>Available-for-sale</u>								
Government and state enterprise securities	-	-	-	-	40,082,390	9,019,971	271,158,639	320,261,000
Private enterprise securities	-	-	-	-	30,098,563	48,000,000	25,000,000	103,098,563
Total	-	-	-	-	70,180,953	57,019,971	296,158,639	423,359,563
<u>Add</u> Unrealised gains (losses) on the changes in value of investments	-	-	-	-	225,236	812,471	18,311,948	19,349,655
Total available-for-sale	-	-	-	-	70,406,189	57,832,442	314,470,587	442,709,218
Total investment in debt securities	40,089,305	213,032,949	206,979,958	460,102,212	70,406,189	57,832,442	314,470,587	442,709,218

9. Investments in securities (Cont'd)

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

	2020	
	Fair value	Expected credit loss recognised in other comprehensive income
	Baht	Baht
Investments in debt securities which credit risk has not significantly increased (Stage 1)	449,545,227	61,913
Investment in debt securities which credit risk has significantly increased (Stage 2)	10,556,985	1,959,246
Credit-impaired investments in debt securities (Stage 3)	-	-
Total	460,102,212	2,021,159

Expected credit loss

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

	Expected credit loss measured at amount equal to			
	12 months expected credit losses Baht	Lifetime Expected credit losses Baht	Lifetime expected credit losses (credit- impaired investments) Baht	Total Baht
31 December 2019 – calculated under TAS 101	-	-	-	-
Amounts restated through opening retained earnings	36,086	-	-	36,086
Opening loss allowance as at 1 January 2020 - calculated under the Accounting Guidance	36,086	-	-	36,086
Movement from stage change	(8,554)	1,959,246	-	1,950,692
Increase in loss allowance recognised in profit or loss during the year	40,739	-	-	40,739
Disposed and matured during the year	(6,358)	-	-	(6,358)
As of 31 December 2020-calculated under the Accounting Guidance	61,913	1,959,246	-	2,021,159

10. Furniture, fixtures and equipment

	2020								
	Cost			Accumulated depreciation					
	Beginning balance Baht	Additions Baht	Disposals/ Write-offs Baht	Ending balance Baht	Beginning balance Baht	Depreciation Baht	Disposals/ Write-offs Baht	Ending balance Baht	Furniture, fixtures and equipment Baht
Furniture, fixtures and equipment	3,098,917	-	-	3,098,917	3,098,765	-	-	3,098,765	152
Computers	4,409,769	-	-	4,409,769	4,404,873	4,818	-	4,409,691	78
Total	7,508,686	-	-	7,508,686	7,503,638	4,818	-	7,508,456	230

	2019						Furniture, fixtures and equipment Baht
	Cost			Accumulated depreciation			
	Beginning Balance Baht	Additions Baht	Disposals/ Write-offs Baht	Ending balance Baht	Beginning balance Baht	Depreciation Baht	
Furniture, fixtures and equipment Computers	3,098,917	-	-	3,098,917	3,098,765	-	152
	4,409,769	-	-	4,409,769	4,377,387	27,486	4,896
	7,508,686	-	-	7,508,686	7,476,152	27,486	5,048

11. Intangible assets

	2020									
	Cost					Accumulated amortisation				
	Beginning balance Baht	Additions Baht	Disposals/ Write-offs Baht	Ending balance Baht	Beginning balance Baht	Amortisation charge Baht	Disposals/ Write-offs Baht	Ending balance Baht	Intangible assets Baht	
Computer software	5,775,153	-	-	5,775,153	5,775,121	-	-	5,775,121	32	
Total	5,775,153	-	-	5,775,153	5,775,121	-	-	5,775,121	32	
	2019									
	Cost					Accumulated amortisation				
	Beginning balance Baht	Additions Baht	Disposals/ Write-offs Baht	Ending balance Baht	Beginning balance Baht	Amortisation charge Baht	Disposals/ Write-offs Baht	Ending balance Baht	Intangible assets Baht	
Computer software	5,775,153	-	-	5,775,153	5,775,121	-	-	5,775,121	32	
Total	5,775,153	-	-	5,775,153	5,775,121	-	-	5,775,121	32	

12. Other assets

	2020 Baht	2019 Baht
Deposits	10,000	10,000
Right-of-use assets (Note 24 (b))	1,650,052	-
Other assets	10,673	14,764
Total	1,670,725	24,764

AIA Company Limited (Non-Life Insurance) Thailand Branch
Notes to the Financial Statements
For the year ended 31 December 2020

12. Other assets (Cont'd)

12.1 Right-of-use assets

	2020				2020			
	Cost		Accumulated amortisation		Cost		Accumulated amortisation	
	Beginning balance 1 January 2020 Baht	For the period Addition Baht	Change in contract 2020 Baht	Ending balance 31 December 2020 Baht	Beginning balance 1 January 2020 Baht	For the period Amortisation charge 2020 Baht	Ending balance 31 December 2020 Baht	Right-of-use assets Baht
Buildings and improvements	1,105,499	844,951	-	1,950,450	-	300,398	300,398	1,650,052
Total	1,105,499	844,951	-	1,950,450	-	300,398	300,398	1,650,052

The related lease liabilities are disclosed in Note 17.

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

13. Insurance liabilities

	Insurance liabilities Baht	Liabilities recovered from reinsurance Baht	Net Baht
2020			
Long term insurance contract reserve	-	-	-
Short term insurance contract reserve			
Loss reserve			
- Reported claim	1,066	-	1,066
- Claim incurred but not reported	195,680	(9,677)	186,003
Premium reserve			
- Unearned premium reserve	958,502	(47,925)	910,577
Total	1,155,248	(57,602)	1,097,646
2019			
Long term insurance contract reserve	-	-	-
Short term insurance contract reserve			
Loss reserve			
- Reported claim	-	-	-
- Claim incurred but not reported	290,207	(14,352)	275,855
Premium reserve			
- Unearned premium reserve	1,163,415	(58,171)	1,105,244
Total	1,453,622	(72,523)	1,381,099

No additional reserve for Unexpired Risk Reserve has been established as the Unexpired Risk Reserve estimated by the Company as at 31 December 2020 of Baht 0.73 million (2019: Baht 0.87 million) is lower than the Unearned Premium Reserve.

13. Insurance liabilities (Cont'd)

13.1 Short term insurance contract reserve

13.1.1 Loss reserve

	2020 Baht	2019 Baht
Beginning balance for the year	290,207	377,200
Insurance claim incurred during the year	513,254	2,181,350
Changes in claim reserve from change in assumption during the year	(94,527)	(64,493)
Insurance claim paid during the year	(512,188)	(2,203,850)
Closing balance at the end of year	196,746	290,207

13.1.2 Aging analysis of loss reserve's repayment

	2020 Baht	2019 Baht
Loss reserve repayment within 1 year	196,746	290,207
Total loss reserve's repayment	196,746	290,207

13.1.3 Sensitivity analysis on change in key assumptions

	Change in assumption	Impact on reinsurance assets	Impact on loss reserve and unallocated loss adjustment expenses	Impact on profit and loss	Impact to Equity
Estimated loss ratio	Increase by 10%	978	19,568	(18,590)	(18,590)
Estimated loss ratio	Decrease by 10%	(978)	(19,568)	18,590	18,590

13. Insurance liabilities (Cont'd)

13.1 Short term insurance contract reserve (Cont'd)

13.1.4 Claim development table before reinsurance

Incident Year / Reported Year	2016 Baht	2017 Baht	2018 Baht	2019 Baht	2020 Baht	Total Baht
Estimated claim:						
- At the end of the year	2,422,203	1,787,928	1,363,315	1,214,791	469,760	7,257,997
- After 1 year	2,623,489	1,805,372	1,439,148	1,258,285	-	7,126,294
- After 2 year	2,623,489	1,807,636	1,439,148	-	-	5,870,273
- After 3 year	2,623,489	1,807,636	-	-	-	4,431,125
- After 4 year	2,623,489	-	-	-	-	2,623,489
Absolute estimated claim	2,623,489	1,807,636	1,439,148	1,259,609	514,769	7,644,651
Cumulative claim paid	2,623,489	1,807,636	1,439,148	1,258,285	469,760	7,598,318

As at 31 December 2020, the Branch had the ceded portion of short-term business 5% of claim incurred before reinsurance. The claim percentage of reinsurance recoveries development pattern are consistently at 5% before and after reinsurance.

13. Insurance liabilities (Cont'd)

13.1 Short term insurance contract reserve (Cont'd)

13.1.5 Unearned premium reserve

	2020 Baht	2019 Baht
Beginning balance for the year	1,163,415	1,287,284
Premium written for the year	5,857,369	8,517,283
Premium earned in the year	(6,062,282)	(8,641,152)
Closing balance at the end of year	<u>958,502</u>	<u>1,163,415</u>

14. Amount due to reinsurance

	2020 Baht	2019 Baht
Reinsurance payable	60,044	79,917
Total amount due to reinsurance	<u>60,044</u>	<u>79,917</u>

15. Employee benefit obligations

	2020 Baht	2019 Baht
Short-term employee benefits	480,541	447,825
Long-term employee benefits	<u>4,620,475</u>	<u>4,180,754</u>
	<u>5,101,016</u>	<u>4,628,579</u>

15.1 Long-term employee benefits

The long-term employee benefits comprise of provision for severances benefit under Thai Labour Protection Act. All of them are unfunded obligations. The amounts recognised in the statements of financial position are as follows:

	2020 Baht	2019 Baht
Present value of employee benefits obligations	4,620,475	4,180,754
	<u>4,620,475</u>	<u>4,180,754</u>

The amounts recognised in profit or loss are as follows:

	2020 Baht	2019 Baht
Current service cost	335,154	280,916
Interest on obligation	74,530	96,990
Recognition of past service cost	-	197,721
	<u>409,684</u>	<u>575,627</u>

15. Employee benefit obligations (Cont'd)

15.1 Long-term employee benefits (Cont'd)

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

	2020 Baht	2019 Baht
Beginning of the year	4,180,754	3,090,092
Current service cost	335,154	280,916
Interest on obligation	74,530	96,990
Recognition of past service cost	-	197,721
Remeasurements of long-term employee benefits	30,037	515,035
<u>Less</u> benefits paid	-	-
Ending of the year	<u>4,620,475</u>	<u>4,180,754</u>

Principal actuarial assumptions as at 31 December as follows:

	2020	2019
Discount rate as at 31 December	1.25% - 2.25%	1.50% - 2.00%
Future salary increases	6.00%	6.00%
Mortality assumption	80% of Thai Mortality 2017	80% of Thai 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 %
Salary growth rate	0.25 %	Increase by 2 %	Decrease by 1 %

The above sensitivity analyses 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 pension liability 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 retirement benefits:

	Less than a year Baht	Between 1 - 5 years Baht	Over 5 years Baht	Total Baht
At 31 December 2020				
Retirement benefits	28,272	106,969	6,519,395	6,654,636
Total	<u>28,272</u>	<u>106,969</u>	<u>6,519,395</u>	<u>6,654,636</u>
At 31 December 2019				
Retirement benefits	-	97,702	5,882,734	5,980,436
Total	<u>-</u>	<u>97,702</u>	<u>5,882,734</u>	<u>5,980,436</u>

15. Employee benefit obligations (Cont'd)

15.2 Provident fund

The Branch and its employees have jointly established a provident fund scheme under the Provident Fund Act B.E. 2530 whereby contributions are made by both the employees and the Branch. The fund is managed by an authorised fund manager and will be paid to the employees upon retirement or cessation of employment in accordance with the rules of the fund. For the year ended 31 December 2020, Baht 285,511 (2019: Baht 270,886) has been contributed to the fund by the Branch. The amount reflects in the statement of comprehensive income.

16. Deferred tax liabilities

The gross movement of deferred income tax account is as follows:

	2020 Baht	2019 Baht
At 1 January	(3,869,931)	-
Tax charged to profit or loss (Note 22)	(7,217)	-
Tax credit (charged) directly to Head Office's Equity	(1,939,993)	(3,869,931)
At 31 December	<u>(5,817,141)</u>	<u>(3,869,931)</u>

The movement in deferred tax assets and liabilities during the year is as follows:

	Net deferred tax asset/ (liability) at 1 January Baht	Credited/ (charged) to profit or loss Baht	Credited/ (charged) to Head Office's Equity Baht	Net deferred tax asset/ (liability) at 31 December Baht
For the year ended 2020				
Remeasurements of investments measured at fair value through other comprehensive income	(3,869,931)	(7,217)	(1,939,993)	(5,817,141)
Total	<u>(3,869,931)</u>	<u>(7,217)</u>	<u>(1,939,993)</u>	<u>(5,817,141)</u>
For the year ended 2019				
Unrealised gains (losses) on the changes in value of investments	-	-	(3,869,931)	(3,869,931)
Total	<u>-</u>	<u>-</u>	<u>(3,869,931)</u>	<u>(3,869,931)</u>

As at 31 December 2020, the Branch had unrecognised deferred tax assets in amount of Baht 1.39 million.

17. Other liabilities

	2020 Baht	2019 Baht
Accrued expenses	72,208	304,470
Other payables	4,319,559	4,346,562
Sundry liabilities	64,654	89,327
Unpresented cheque payable	137,125	52,519
Account payable for agents	63,803	90,628
Withholding tax payable and VAT payable	118,153	116,639
Lease liabilities (Note 24 (b))	1,669,659	-
Others	24,107	16,565
Total	6,469,268	5,016,710

17.1 The maturity of lease liabilities

The maturity analysis of lease liabilities are aged as follows:

	2020 Baht
Maturing	
Within 1 year	279,948
Between 1 to 5 years	1,202,649
Later than 5 years	187,062
Total	1,669,659
<i>Including: - Principal</i>	<i>1,803,164</i>
<i>- Interest</i>	<i>(133,505)</i>

For the period ended 31 December 2020, interest expense on lease liabilities amounted to Baht 32,915, is recorded as "Finance cost" in the statement of comprehensive income.

18. Funds from Head Office

Funds from Head Office represent financing provided by the Head Office. This financing was provided through the transfer of net assets from AIA Company Limited when the non-life branch was formed under the requirement of the Non-life Insurance Act B.E. 2535.

19. Operating expense

	2020 Baht	2019 Baht
Staff expenses	659,768	1,007,249
Premises and equipment expense	170,181	215,061
Tax and duties	21,468	33,221
Service fees	750,294	1,316,094
Other operating expenses	876,349	449,555
Total	2,478,060	3,021,180

20. Employee benefit expenses

	2020 Baht	2019 Baht
Salary, overtime and bonus	3,186,180	3,118,370
Provident fund	285,510	270,886
Social security fund	22,193	27,950
Contribution to long-term employee benefits	409,684	575,626
Other employee benefit expenses	144,863	189,897
Total	4,048,430	4,182,729

21. Expected credit loss

	2020 Baht
Investment in securities	1,985,073
Total	1,985,073

22. Income tax expense

	2020 Baht	2019 Baht
Income tax expense		
Current income tax on profits for the year	1,874,415	1,764,358
Deferred income tax on temporary differences (Note 16)	7,217	-
Total income tax expense	1,881,632	1,764,358

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

The effective tax rate for 2020 is 25.54% (2019: 21.57%). The branch had transaction being unrecognised deferred tax assets.

23. Tax effect from other comprehensive income

	2020			2019		
	Before tax Baht	Tax benefit (expense) Baht	Net of tax Baht	Before tax Baht	Tax benefit (expense) Baht	Net of tax Baht
Remeasurements of investments measured at fair value through other comprehensive income	9,699,965	(1,939,993)	7,759,972	19,570,461	(3,869,931)	15,700,530
Remeasurements of post-employment benefit obligations	(30,037)	-	(30,037)	(515,035)	-	(515,035)
Total	9,669,928	(1,939,993)	7,729,935	19,055,426	(3,869,931)	15,185,495

24. Related party transactions

Entities 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, subsidiaries and fellow subsidiaries are related parties of the Branch. Key management personnel, including directors and officers of the Branch and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Significant related party transactions are transacted at prices negotiated between the parties involved.

Significant transactions with Head Office, related parties and affiliates within AIA Group Limited are as follows:

a) Statements of comprehensive income

	2020 Baht	2019 Baht
Affiliated companies		
<u>Operating expenses</u>		
Information system service and other expenses	192,707	267,984
Rental and utilities expenses	331,477	337,904
Service fees	975,079	1,003,667

b) Statements of financial position

	2020 Baht	2019 Baht
Affiliated companies		
Amounts due from related parties	118,558	229,307
Other assets	1,650,052	-
Other liabilities	1,669,659	-
Head Office and affiliated companies		
Amounts due to related parties	176,903	44,967

24. Related party transactions (Cont'd)

c) Key management compensation

Key management personnels are those people having authority and responsibility for planning, directing and controlling the activities of the Branch. There are no such personnels employed directly by the Branch. These activities are managed by Head Office.

25. Commitments

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

	31 December 2019 Baht
Within 1 year	251,280
Later than 1 year but not over than 5 years	35,488
Total	286,768

26. Events occurring after the reporting date

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