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.....Tan Hak Leh.....

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

Date....31.....Month.....October.....Year....2018...

Information for the Year.....2017.....

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 2017

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	-	-	-	-	-	-	-	-	11	4	-	15
Proportion of Premium (%)	-	-	-	-	-	-	-	-	73	27	-	100

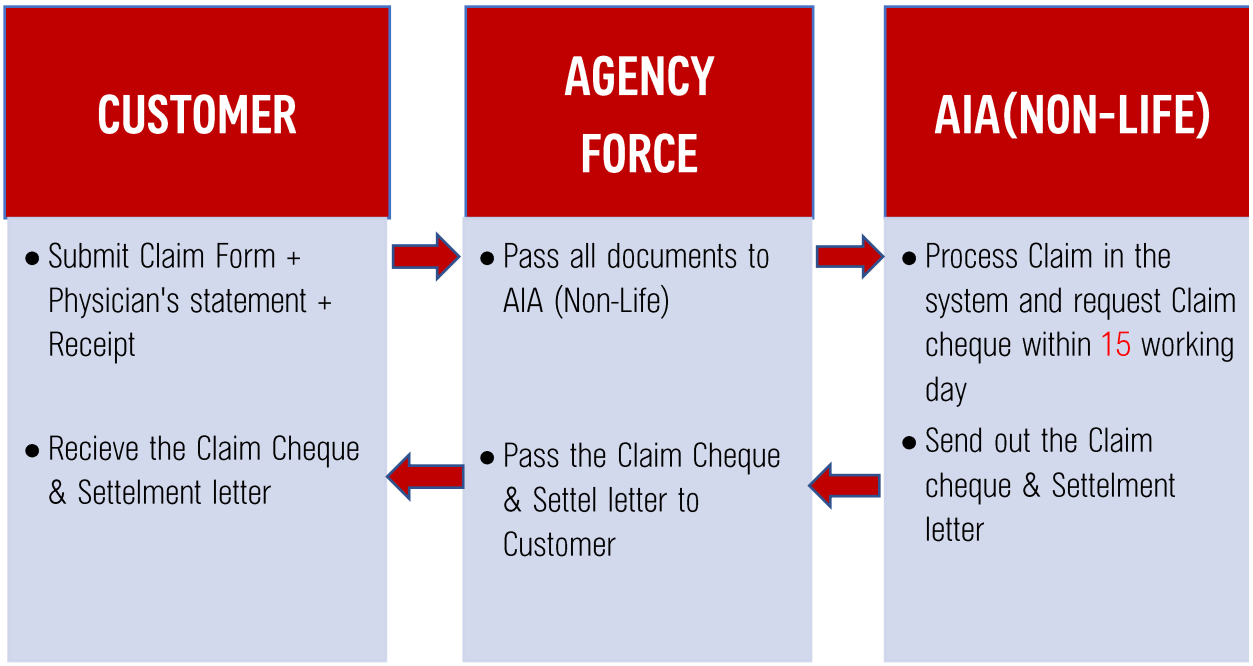
Remarks: Source of information from annual report

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

2.1 CORPORATE GOVERNANCE AND INTERNAL CONTROL

2.4 SUB-COMMITTEE

Introduction

AIA Company Limited (Non-Life Insurance) Thailand branch ("AIA Non-Life") is a branch office of AIA Company Limited ("AIA"), which is incorporated in Hong Kong. AIA 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 Non-Life to the AIA Non-Life CEO ("CEO").

AIA Non-Life Executive Committee

The AIA Non-Life Executive Committee (the "EXCO") is established and authorized by the CEO. The EXCO provides direction and oversight on the governance and management of several aspects of AIA Non-Life. This includes operations, performance management, developing business plans and strategies, ensuring the achievement of said business plans and compliance with applicable legislations, regulations and statutory standards. In addition, the EXCO reviews overall business planning and performance as well as the delivery of each of the departmental objectives and targets. The EXCO also supervises the execution of AIA Non-Life's strategies and ensures appropriate business continuity preparation with policies and strategies in place so that critical business functions can continue to operate as usual in the event of any incident. Furthermore, the EXCO oversees internal controls and accountability arrangements, financial integrity, the adequacy and effectiveness of risk management, compliance, and internal control policies and procedures.

The EXCO has set up the following Management Committees to efficiently carry out its responsibilities.

a) Investment Committee ("IC")

The IC provides oversight on the management, performance and governance of AIA Non-Life's investment portfolios.

The members of IC are;

1. Tan Hak Leh (Chief Executive Officer)
2. Sukkawat Prasurtying (Chief Investment Officer)
3. Hiew Tet Chian (Chief Financial Officer)
4. Loo Boon Teik (Chief Risk Officer)
5. Johann Dutoit (Chief Actuary)

b) Operational Risk Committee ("ORC")

The ORC provides oversight on non-financial risk management activities within AIA Non-Life in order to ensure operational risk management policies and programmes are in place and are appropriately and consistently followed.

The members of ORC are;

1. Hiew Tet Chian (Chief Financial Officer)
2. Loo Boon Teik (Chief Risk Officer)
3. Kris Chantanotoke (Chief Agency Officer)
4. Aekkarat Thitimon (Chief Marketing Officer)
5. Alisa Srimaroj (Chief Life Officer)
6. Kitti Manakongtreecheep (Chief Technology Officer)
7. Julie Van Nuffel (General Counsel & Business Development)

c) Financial Risk Committee ("FRC")

The FRC provides oversight and reviews financial and insurance risks for AIA Non-Life. These include assessing market and insurance risks, AIA Non-Life balance sheets, liquidity and capital position. The FRC also ensures that appropriate financial risk policies are in place.

The members of FRC are;

1. Tan Hak Leh (Chief Executive Officer)
2. Hiew Tet Chian (Chief Financial Officer)
3. Loo Boon Teik (Chief Risk Officer)
4. Sukkawat Prasurtying (Chief Investment Officer)
5. Johann Dutoit (Chief Actuary)

The Audit Committee

The Board has established the AIA Company Audit Committee ("Audit Committee") to review and monitor the Audited Financial Statements, reports from Group Internal Audit, report on litigation updates, and other matters escalated to the chairman of AIA Group Audit Committee as well as. Within the context of the 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:

1. Ricky Fung (Independent Non-Executive Director)
2. Dominic Leung (Independent Non-Executive Director)
3. Garth Jones (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. The duties of the FOC include review of financial information, oversight of company financial reporting system and internal control procedures, and management of external auditor relationship.

The members of FOC are;

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

Risk & Compliance and Internal Audit

AIA Non-Life 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, analyzed, prioritized, managed and governed properly. The framework clearly defines the respective roles and responsibilities the EXCO, the Risk & Compliance functions and the Internal Audit function. Risk & Compliance and Internal Audit functionally report to AIA Group Risk & Compliance and AIA Group Internal Audit respectively. Both functions administratively report to CEO.

Code of Conduct

At AIA, we hold ourselves to the highest standards of integrity and ethics in everything we do. In doing so, we protect the trust placed in us by our customers and maintain and enhance the foundation of our long-term sustainability and success. The Code of Conduct provides clear guidance on operating the business and outlines how we should all behave and conduct business at AIA at all times and under all circumstances. The guidelines outlined in the Code of Conduct are applicable to all AIA officers and employees. "Click here for more details" about AIA Code of Conduct.

Whistle Blower Protection Policy

AIA Non-Life maintains a comprehensive Whistleblower Program, which is designed to handle reports of misconduct and inappropriate behavior. Employees who are aware of a possible wrongdoing within AIA 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 business, employees and other persons representing AIA Non-Life 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 Non-life adopts a zero-tolerance approach towards fraud and expects all employees, insurance intermediaries and third parties to act with honesty and integrity. All suspected cases of fraud will be investigated and disciplinary procedures enforced, including prosecution and termination.

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.

Chief Executive Officer
Group Internal Audit
Group Risk
Financial
Technology
Operations
Actuarial
Human Resources
Investment
Legal
Internal Audit
Risk & Compliance

2.3 BOARD AND MANAGEMENT STRUCTURE

Board and Management

 Tan Hak Leh **Chief Executive Officer**	Responsible for the successful leadership and management of the AIA Thailand to fulfil AIA Group's vision of being a pre- eminent life insurance provider in Asia Pacific and its purpose of driving social and economic development across the region.
 Hiew Tet Chian **Chief Financial Officer**	Responsible for overseeing financial strategies as well as strategic business plans and projects of the company for future business growth. This includes financial reporting, business analysis, and budgeting. Providing consultative support to planning initiatives through financial and management information analyses and recommendation. In addition, managing Actuarial, Real Estate, Distribution Administration & Management Information, and Project Management Office to support the business.
 Sukkawat Prasurtying **Chief Investment Officer**	Responsible for formulating and recommending the overall investment plan and asset allocation strategy and implementation of the asset allocation and yield enhancement strategies to maximize investment portfolio with proper risk management to support insurance products & asset liability management.

 Loo Boon Teik **Chief Risk Officer**	Responsible for the development of relevant risk and compliance framework, policies and procedures and overseeing the implementation of an effective risk assessment and compliance program. Engaging with key business stakeholders to ensure key regulatory, ethical, financial and operation risks (including emerging risks) are identified and properly managed, and ensure compliance with all regulatory requirements.
 Julie Van Nuffel **Business Development and General Counsel**	Responsible for providing advice to the legal team to ensure its performances meet the budget and expectation of the management (but excluding providing any legal advice, legal services or litigation work with respect to Thai law) to support the business, including products, case management and all other matters which has a company- wide impact including the formulation of corporate strategic plan and evaluation of new ventures, acquisitions, mergers, divestments and major investment proposals.
 Prakitti Boonyakiat **General Manager**	Responsible for strategically driving agency distribution business to grow sustainable business. Overseeing and analyzing the production situation, agency performance & market movement. Leading CAO and CAMO to drive the implementation of sound and effective distribution aligned with AIA Thailand's strategic direction.
 Kris Chantanotoke **Chief Agency Officer**	Responsible for driving the sustainable growth of the agency business and developing short- term and long- term business objectives and targets. Driving agency transformation and enhancing agency force's engagement through enhanced service levels and ongoing sales initiatives. Managing, Coaching, and supporting Agency Distribution Management on production management and another field management.

 Aekkarat Thitimon **Chief Marketing Officer**	Responsible for overseeing the planning, development and execution of an organization's product strategy, marketing, branding and advertising initiatives. The primary responsibility is to generate revenue by increasing sales through successful marketing for the entire organization, using market research, pricing, product marketing, marketing communications, advertising and public relations.
 Sarunya Tienthavorn **Chief Human Resources Officer**	Responsible for driving the development and execution of AIA Thailand's People Strategy to support the company's business growth, focusing on talent and leadership development, succession planning, as well as organizational and performance management. Managing overall HR activities to ensure that all AIA policies / procedures properly adopted and executed efficiently and effectively.
 Alisa Srimaroj **Chief Life Officer**	Responsible for managing and leading the implementation of appropriate processes and initiatives in the areas of Frontend Operations, Technical Operations, Operations Strategies & Support, Operations System, Life Claims, and Medical to achieve the company's objectives and business growth targets.
 Kitti Manakongtreecheep **Chief Technology Officer**	Responsible for driving and developing digital initiatives to increase overall efficiencies and productivity of the company to meet the evolving needs of the customers. Planning and supporting business and managing data center in optimizing the usage of resources (staff, computer, office automation equipment) to improve business operations and to control operation expenses.

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

2.5 APPOINTMENT OF MANAGEMENT

The appointment process of 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
    1) Candidates' current package,
    2) Package of peers within AIA, and
    3) Market reference data.
- The compensation proposal should be approved per the Company procedures before any verbal or written offer can be made.

3.1 ENTERPRISE RISK MANAGEMENT (ERM)

Risk Management Overview

The core of the Company's business is accepting, pooling and managing risk for the benefit of policyholders and shareholders. Effective risk management is vital in any organisation but especially in a life insurance business where it is a key driver of value. Accordingly, the Company does not seek to eliminate all risks but rather to identify, understand and manage them within acceptable limits in order to create long-term value.

The Company manages risk by adopting a "three lines of defence" governance model. The objective is to ensure that an independent system of checks and balances is in place to provide assurance that risks are governed properly. The Executive Committee (EXCO) retains overall responsibility for oversight of the Company's risk management activities. All business unit managers and executives are accountable for ensuring their business functions operate at all times 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 risks taken.

The Company's Risk Management Framework provides the structure for identifying, quantifying and mitigating risk across the Company. Enterprise Risk Management and Compliance 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, we do so within acceptable levels of risk without compromising either financial strength or the requirement for appropriate returns.

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 elected. 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: THB mil

Items	2017		2016	
	Book Value	Fair Value	Book Value	Fair Value
Total Investment Assets	421	421	411	412
Total Liquid Assets	421	421	411	412
Total Liabilities	12	12	25	24
Policy Liabilities	2	2	3	2

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, CONCENTRATION AND REINSURANCE RISK

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 meeting customer needs, are priced fairly, 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, by which products are reviewed against pricing, design and operational risk benchmarks as agreed by the Financial Risk Committee (FRC). Product design risk is managed through the close cooperation of a number of departments including Product Management, Actuarial, Legal, Risk & Compliance and Underwriting. The company monitors the performance of new products and actively manages each part of the actuarial control cycle to minimize risk in the in-force book as well as for new products.

Concentration and Reinsurance Risk

Concentration of risk may arise when there are specific events that may significantly impacts on the Company's liabilities. The Company is exposed to geographical concentration of risk, since most of its business is in Thailand. The Company manages its economic sectoral concentration by diversifying its insurance portfolio across Thai population, covering different working classes and different levels of society.

Reinsurance helps to reduce concentration and volatility of risk, especially on policies with large sums-assured or a new line of business. It also serves to protect against catastrophic events such as pandemics or natural disasters.

Unit: THB mil

Items	2017
1. Reserve for the part recoverable from reinsurers	0.1
2. Due from reinsurer	-
3. Deposit on reinsurance treaties	-

5. INSURANCE RESERVE

Given products are all short-term contracts, policy reserves consist of premium liabilities and claim liabilities. Premium liabilities are unearned premium reserves and are calculated on a pro-rata basis. Claims liabilities comprised of outstanding claims and incurred but not reported (IBNR) reserve.

Unit: THB mil

Items	2017		2016	
	Book Value	Fair Value	Book Value	Fair Value
Policy Liabilities - Long-term Insurance Contract	0	-	1	-
Policy Liabilities - Short-term Insurance Contract				
- Premium Liabilities	1	1	2	1
- Claim Liabilities	1	1	0	1

Remarks: - Book Value refers to Insurance liabilities valued according to the accounting standards. The main objective is to support the investors' understanding of the economic value of policy liabilities according to the Thai accounting standards. 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 of 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.

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,			
	2017		2016	
	Book value	Appraisal value	Book value	Appraisal value
Deposits with financial institutions and Certificate of Deposit	4	4	9	9
Debt Securities (Bonds, debentures, promissory notes, bill of exchange)	417	417	402	403
Equity securities excluding investments in subsidiaries and associates	-	-	-	-
Mutual Fund	-	-	-	-
Loans, car leasing, and other leasing	-	-	-	-
Warrants	-	-	-	-
Derivative assets	-	-	-	-
Others	-	-	-	-
Total Investment Assets	**421**	**421**	**411**	**412**

Remarks: - Book Value refers to assets and liabilities valuated according to accounting standards.

- Fair Value refers to assets and liabilities valuated 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: THB mil

Description	As at December 31,	
	2017	2016
Gross written premiums	15	18
Net earned premiums	9	17
Net investment income and other income	8	14
Net Profit (Loss)	16	6

The operating results of year 2017 of AIA Co., Ltd., (Non-Life Insurance) Thailand Branch (the Company) compared with the operating results of year 2016 are as follows;

- Net earned premiums decreased THB 8 million as the company has revisited the business plan.
- Net investment income reduced THB 6 million mainly from lower average bond yield of new investment.
- Net profit increased THB 10 million mainly due to employees restructuring according to the company's business plan. This also resulted in drop of loss ratio, expense ratio and combined ratio of year 2017.
- Liquidity ratio of year 2017 reduced however is still higher than the standard value.

Significant Financial Ratio (%)

Ratios	2017	2016
Loss Ratio	-8%	30%
Expense Ratio	-6%	105%
Combined Ratio	-14%	136%
Liquidity Ratio	59975%	61401%
Return on equity	4%	2%

8. CAPITAL ADEQUACY

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

The current and projected regulatory capital requirements are calculated based on Thailand's RBC regulations, which have been implemented in Thailand since September 2011. 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 140% 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 140%.

Unit: THB mil

Capital Items	As at December 31	
	2017	2016
Total Assets	425	419
Total Liabilities	12	24
- Policy Liabilities	2	2
- Other Liabilities	10	22
Shareholder's Equity	413	395
Capital Adequacy Ratio (%)	1,378	1,315
Total Capital Available	413	395
Total Capital Required	30	30

Remarks:
- According to the OIC's RBC capital valuation notification for Non-Life Insurance Companies, the Registrar may determine the necessary procedures to manage companies with a CAR below 140%
- Capital refers to the RBC capital required to be held according to the OIC's RBC capital notification for the Valuation of Assets and Liabilities of Non-Life Insurance Companies
- The above items are valued at Fair Value according to the OIC's notification for the valuation of assets and liabilities of Non-Life Insurance Companies

AIA COMPANY LIMITED (NON-LIFE INSURANCE) THAILAND BRANCH

FINANCIAL STATEMENTS

31 DECEMBER 2017

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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 2017, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standard (TFRSs).

What I have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in Head Office's equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, 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.

PricewaterhouseCoopers ABAS Ltd.
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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.

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I communicate with 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.

Sakuna Yamsakul
Certified Public Accountant (Thailand) No. 4906
Bangkok
21 March 2018

AIA Company Limited (Non-Life Insurance) Thailand Branch
Statement of Financial Position
As at 31 December 2017

	Notes	2017 Baht	2016 Baht
Assets			
Cash and cash equivalents	8	4,542,195	3,996,026
Premiums receivable	9	-	3,595
Accrued income on investments		2,862,488	5,888,177
Reinsurance assets	10, 16	92,726	210,699
Amount due from reinsurance	11	-	119,519
Invested assets			
Investments in securities	12	416,655,356	407,009,438
Amount due from related parties	26	541,332	604,803
Furnitures, fixtures and equipments, net	13	80,697	57,730
Intangible assets, net	14	32	32
Other assets, net	15	540,587	746,816
Total assets		425,315,413	418,636,835

Authorised person _____

The accompanying notes are an integral of the financial statements.

	Notes	2017 Baht	2016 Baht
Liabilities and Head Office's equity			
Liabilities			
Insurance liabilities	16	1,988,622	2,704,710
Amount due to reinsurance	17	105,227	89,487
Amount due to related parties	26	44,776	77,932
Income tax payable		897,935	852,533
Employee benefit liabilities	18	2,669,709	13,489,724
Deferred tax liabilities	19	20,735	-
Other liabilities	20	6,264,391	8,120,274
Total liabilities		11,991,395	25,334,660
Head Office's equity			
Funds from Head Office	21	140,307,753	140,307,753
Unrealised gains (losses) on changes in fair value of investments, net of tax		82,938	(3,277,718)
Remeasurements of post-employment benefit obligations, net of tax		(2,704,801)	(2,947,069)
Branch's retained earnings - Unappropriated		275,638,128	259,219,209
Total Head Office's equity		413,324,018	393,302,175
Total liabilities and Head Office's equity		425,315,413	418,636,835

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 2017

	Notes	2017 Baht	2016 Baht
Revenues			
Gross written premiums		14,789,278	18,454,981
Less premiums ceded to reinsurers		(6,366,169)	(1,138,019)
Net written premiums		8,423,109	17,316,962
Add net change in unearned premium reserve		131,867	180,294
Net earned premiums		8,554,976	17,497,256
Fee and commission income		4,550,494	598,919
Net investment income		7,745,895	14,282,499
Gains on investment		3,253	5,407
Total revenue		20,854,618	32,384,081
Expenses			
Net change in long-term insurance contract reserve		(525,751)	107,176
Gross claim paid		79,778	5,866,072
Less claim paid recovered from reinsurers		(756,644)	(599,728)
Commission and brokerage		1,961,798	2,113,504
Other underwriting expenses		(3,444,003)	2,831,090
Operating expenses	22, 26	5,584,989	14,217,940
Total expenses		2,900,167	24,536,054
Profit before income tax		17,954,451	7,848,027
Income tax expenses	24	1,535,532	1,848,657
Net profit		16,418,919	5,999,370

The accompanying notes are an integral of the financial statements.

	Notes	2017 Baht	2016 Baht
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment benefit obligations	18	242,268	(1,851,179)
Total items that will not be reclassified subsequently to profit or loss		242,268	(1,851,179)
Items that will be reclassified subsequently to profit or loss			
Change in value of available-for-sale investments		3,378,138	(3,283,125)
Realised gains from sale of available-for-sale investments transferred to profit or loss		3,253	5,407
Income tax on items that will be reclassified subsequently to profit or loss	19, 25	(20,735)	-
Total items that will be reclassified subsequently to profit or loss		3,360,656	(3,277,718)
Other comprehensive income (loss) for the year, net of tax		3,602,924	(5,128,897)
Total comprehensive income for the year		20,021,843	870,473

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 2017

	Funds from Head Office Baht	Unrealised gains (losses) on changes in value of investments, net of tax Baht	Remeasurement of post-employment benefit obligations, net of tax Baht	Branch's retained earnings Baht	Total Head office's Equity Baht
Beginning balance as at 1 January 2017	140,307,753	(3,277,718)	(2,947,069)	259,219,209	393,302,175
Net profit	-	-	-	16,418,919	16,418,919
Remeasurement of post - employment benefits	-	-	242,268	-	242,268
Unrealised gains on changes in value of available-for-sale investments	-	3,357,403	-	-	3,357,403
Realised gains from sale of available-for-sale investments transferred to profit or loss	-	3,253	-	-	3,253
Ending balance as at 31 December 2017	140,307,753	82,938	(2,704,801)	275,638,128	413,324,018
Beginning balance as at 1 January 2016	140,307,753	-	(1,095,890)	253,219,839	392,431,702
Net profit	-	-	-	5,999,370	5,999,370
Remeasurement of post - employment benefits	-	-	(1,851,179)	-	(1,851,179)
Unrealised losses on changes in value of available-for-sale investments	-	(3,283,125)	-	-	(3,283,125)
Realised gains from sale of available-for-sale investments transferred to profit or loss	-	5,407	-	-	5,407
Ending balance as at 31 December 2016	140,307,753	(3,277,718)	(2,947,069)	259,219,209	393,302,175

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 2017

	Note	2017 Baht	2016 Baht
Cash flows provided by (used in) operating activities			
Written premium received from direct insurance		14,559,413	17,955,484
Cash paid from reinsurance		(920,171)	(287,393)
Net investment income		11,709,071	15,306,471
Claim paid from direct insurance		(3,502,922)	(6,165,651)
Commission and brokerage paid to direct insurance		(1,993,541)	(2,086,582)
Other underwriting expenses		(2,646,441)	(2,487,922)
Operating expenses		(7,899,852)	(13,158,657)
Income tax		(1,490,130)	(2,719,371)
Cash received from investment in securities		603,000,000	190,000,000
Cash paid for investment in securities		(610,198,761)	(205,543,397)
Net cash provided by (used in) operating activities		616,666	(9,187,018)
Cash flows used in investing activities			
Purchase of equipment	13	(70,497)	(71,820)
Net cash used in investing activities		(70,497)	(71,820)
Net increase (decrease) in cash and cash equivalents		546,169	(9,258,838)
Cash and cash equivalents at beginning of year		3,996,026	13,254,864
Cash and cash equivalents at end of year		4,542,195	3,996,026

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 have been approved by the Branch's management on 21 March 2018.

2. Basis of preparation

These financial statements are prepared in accordance with Thai Generally Accepted Accounting Principles under the Accounting Act B.E. 2543, being those Thai Accounting Standards (TAS) and Thai Financial Reporting Standards (TFRS) issued under the Accounting Profession Act B.E. 2547. 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 B.E.2559" dated on 4 March 2016.

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

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Branch's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

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

3. Accounting policies

3.1 Revised financial reporting standards, revised accounting standards and related interpretations

3.1.1 Revised financial reporting standards, revised accounting standards and interpretations which are effective on 1 January 2017 are as follows:

a) Financial accounting standards, which have significant changes and are relevant to the Branch are as follows:

TAS 1 (revised 2016)	Presentation of financial statements
TAS 16 (revised 2016)	Property, plant and equipment
TAS 19 (revised 2016)	Employee benefits
TAS 34 (revised 2016)	Interim financial reporting
TAS 38 (revised 2016)	Intangible assets

TAS 1 (revised 2016), the amendments provide clarifications on a number of issues, including:

- Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals - line items specified in TAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes - confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method - the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

TAS 16 (revised 2016), key amendments are 1) The amendments clarify that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate and 2) The amendments include bearer plants in scope of TAS 16.

TAS 19 (revised 2016), the amendments clarify that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.

TAS 34 (revised 2016), the amendments clarify that what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'; entities taking advantage of the relief must provide a cross-reference from the interim financial statements to the location of that information and make the information available to users on the same terms and at the same time as the interim financial statements.

3. Accounting policies (Cont'd)

3.1 Revised financial reporting standards, revised accounting standards and related interpretations (Cont'd)

3.1.1 Revised financial reporting standards, revised accounting standards and interpretations which are effective on 1 January 2017 are as follows: (Cont'd)

a) Financial accounting standards, which have significant changes and are relevant to the Branch are as follows: (Cont'd)

TAS 38 (revised 2016), the amendments include a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome if either the intangible asset is expressed as a measure of revenue (i.e. where a measure of revenue is the limiting factor on the value that can be derived from the asset), or it can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.

The Branch has applied the accounting standards and there are no material impact on the Branch's financial statements.

3.1.2 Revised financial reporting standards and revised accounting standards are effective for annual periods beginning on or after 1 January 2018 which have significant changes and are relevant to the Branch. The Branch has not yet adopted these revised standards.

TAS 7 (revised 2017)	Statement of cash Flows
TAS 12 (revised 2017)	Income taxes

TAS 7 (revised 2017), the amendments require additional disclosure of changes in liabilities arising from financing activities. This includes changes arising from cash and non-cash.

TAS 12 (revised 2017), the amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of temporary difference are excluded from the estimated future taxable profits.

The management assesses that this standard does not have a significant impact on the Company's financial statements.

3. Accounting policies (Cont'd)

3.2 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.

(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.

3.3 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.

3.4 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.

3.5 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.

3. Accounting policies (Cont'd)

3.6 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.

3.7 Investments in securities

Investments in debt and equity securities

Investments are classified into the following two categories: 1. Held-to-maturity investment and 2. 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.

(1) Held-to-maturity is investment with fixed maturity that the management has the intention and ability to hold to maturity.

(2) 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.

Both categories of investment are initially recognised at cost, which is equal to the fair value of consideration paid plus transaction cost.

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

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

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

Held-to-maturity investments are measured at amortised cost using the effective yield method, deduct impairment (if any)

3. Accounting policies (Cont'd)

3.7 Investments in securities (Cont'd)

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.

3.8 Furnitures, fixtures and equipments, net

Furnitures, fixtures and equipments 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 views 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.

3. Accounting policies (Cont'd)

3.9 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.

3.10 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.

3.11 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. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments.

3. Accounting policies (Cont'd)

3.12 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.

3.13 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.

Actuarial gains or losses are recognised in other comprehensive income.

3. Accounting policies (Cont'd)

3.14 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.

3.15 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 or substantively enacted at the end of reporting period.

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 (and tax laws) that have been enacted or substantially enacted by the end of the reporting period 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.

3.16 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.

Dividend income is accounted for on the declaration date.

Other income is recognised on an accruals basis.

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

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

All other expenses are recognised on an accrual basis.

3. Accounting policies (Cont'd)

3.17 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.

4. Risk management

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

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

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

4.1 Insurance Risk

Insurance risk is the potential loss resulting from mortality, morbidity, persistency and adverse expense experience. This includes the potential impact from catastrophic events such as pandamics and natural disasters.

Management of insurance risk starts with management of product design. Ensuring product meets customer needs, are fairly priced, and are clearly understood are best guarantee of persistency and customer satisfaction.

The Branch manages product design risk through the New Product Approval Process where products are reviewed against pricing, design and operational risk benchmarks agreed by Financial Risk Committee (FRC). Management works closely with the number of the Branch's functions including product management, actuarial, legal, risk & compliance and underwriting. The Branch monitors the performance of new products and focuses on actively managing each part of the actuarial control cycle to minimise risk in the in-force book as well as new products.

Concentration Risk

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.

4. Risk management (Cont'd)

4.1 Insurance Risk (Cont'd)

Lapse

The risk arises from changes in the rates of policy termination or renewal. Management of the Branch actively monitor persistency and manage sales activities to mitigate the causes of lapse to protect the Branch against potential misconduct.

Expense

The active management of expenses reduces the risk of actual experience being adverse compared with the assumption used in the pricing of products. Budgeting and control process allows for the management of expenses within pricing estimates.

Morbidity and mortality

Management of the Branch ensure a comprehensive underwriting and claim guidelines and practices that have been developed based on historical experiences with reinsurance strategy. The Branch's actuarial teams conduct regular experience studies of all the insurance risk factors in its in-force book studies together with external data. Through monitoring the development of economic, social and technology, management seeks to anticipate and respond promptly to potential adverse experience impacts on its products.

Reinsurance is used to reduce concentration and volatility risk, especially with the large policies or new risks, and as protection against catastrophic events such as pandemics or natural disasters.

4.2 Financial Risk Management

4.2.1 Credit risk

Credit risk is the impact arising from an obligor's inability to meet its obligations to the Branch. Credit risk is measured by the possibility of default from receivables and/or invested assets rather than absolute measures including the impact and the probability of a deterioration of the credit standing. Supporting data is credit standing that is provided by Global rating agency such as TRIS Rating Co., Ltd. and Fitch Rating (Thailand) Co., Ltd., etc. The key areas where the Branch is exposed to credit risk include repayment risk in respect of:

- Cash and cash equivalents including bank deposits
- Invested assets in debt securities, both sovereign and corporate
- Loans and receivables (including certain balances in other assets)

There is no significant concentration of credit risk. The credit risk for above items is the impact on the carrying value (net of allowances) as presenting in the statement of financial position and related notes to financial statement.

4. Risk management (Cont'd)

4.2 Financial Risk Management (Cont'd)

4.2.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The significant financial assets and liability as at 31 December 2017 and 2016 can be separated by type of interest rates as follows:

	Variable Interest rate Baht	Fixed Interest rate Baht	Non-interest Bearing Baht	Total Baht
As at 31 December 2017				
Financial assets				
Cash and cash equivalents	4,465,264	-	76,931	4,542,195
Accrued income on investments	-	-	2,862,488	2,862,488
Investment in securities	-	416,655,356	-	416,655,356
Amount due from related parties	-	-	541,332	541,332
Other assets	-	-	101,506	101,506
Total financial assets	**4,465,264**	**416,655,356**	**3,582,257**	**424,702,877**
Financial liabilities				
Amount due to related parties	-	-	44,776	44,776
Other liabilities	-	-	534,090	534,090
Total financial liabilities	**-**	**-**	**578,866**	**578,866**

	Variable Interest rate Baht	Fixed Interest rate Baht	Non-interest Bearing Baht	Total Baht
As at 31 December 2016				
Financial assets				
Cash and cash equivalents	3,779,117	-	216,909	3,996,026
Accrued income on investments	-	-	5,888,177	5,888,177
Investment in securities	-	407,009,438	-	407,009,438
Amount due from related parties	-	-	604,803	604,803
Other assets	-	-	280,986	280,986
Total financial assets	**3,779,117**	**407,009,438**	**6,990,875**	**417,779,430**
Financial liabilities				
Amount due to related parties	-	-	77,932	77,932
Other liabilities	-	-	859,210	859,210
Total financial liabilities	**-**	**-**	**937,142**	**937,142**

4. Risk management (Cont'd)

4.2 Financial Risk Management (Cont'd)

4.2.3 Foreign currency rate risk

The foreign currency rate risk occurs from assets or liabilities that are not in Thai currency (Baht) which is the currency used in operation (Functional currency) and used in presenting the reports. The Branch's management assessed and viewed that the risk from exchange currency rate was not significant for the financial statement. Management currently does not use any financial instrument to manage the risk.

4.2.4 Liquidity risk

The liquidity risk is the risk in gathering the investment or the risk that the business will face with complexity in gathering enough and on time investment for operating following the obligations said in financial instruments. The liquidity risk may be occurred due to the inability of the business to sell financial assets on time at the price close to 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.

4.2.5 Fair value risk

Fair value risk is the risk arising from the change in value of financial instruments which occurs from the change in market value.

Cash and cash equivalents, accrued investment income, net premium receivable, other financial assets, outstanding claims and other financial liabilities have the carrying value as at the date in the statement of financial position nearly with the fair value.

The details of the carrying value of investment in securities as presenting in the statement of financial position are disclosed in Note 12

5. Fair value

5.1 Fair value estimation

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.

The Branch's significant financial assets that are measured at fair value or fair value are disclosed presenting based on their level of hierarchy as at 31 December 2017 and 2016 are as follows:

	2017		
	Level 1 Baht	Level 2 Baht	Total Baht
Financial assets that are measured at fair value			
Available-for-sale investments	-	416,655,356	416,655,356
Total	-	416,655,356	416,655,356

	2016		
	Level 1 Baht	Level 2 Baht	Total Baht
Financial assets that are measured at fair value			
Available-for-sale investments	-	182,054,979	182,054,979
Financial assets that fair value are disclosed			
Held-to-maturity investments	-	225,638,996	225,638,996
Total	-	407,693,975	407,693,975

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 1 and 2 during the year.

5.2 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.

6. 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.

6.1 Reinsurance asset

Reinsurance assets are calculated by using the same method of estimated reserve of claim incurred but not reported (Note 6.4) 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.

6.2 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.

6.3 Impairment of investments

The Branch determines an impairment of investments when there is objective evidence that the issuer of the securities has significant financial difficulties, has defaulted or breached the contract terms, or the securities are illiquid due to the issuer's financial difficulties or a high probability that an issuer would be bankrupt or are undergoing a rehabilitation plan and or the securities are prolonged declining in value.

6.4 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.

6.5 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.

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

6.6 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.

6.7 Employee benefits

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

7. Capital risk management

The Branch's objectives when managing capital are to safeguard the Branch's ability to continue as a going concern in order to meet policyholder liabilities whilst providing a return for Head Office and other stakeholders.

The Branch monitors their solvency capital in compliance with the requirements of the Office of Insurance Commission, Ministry of Finance.

8. Cash and cash equivalents

	2017 Baht	2016 Baht
Deposits held at call with banks	4,542,195	3,996,026
Total cash and cash equivalents	4,542,195	3,996,026

9. Premiums receivable

	From direct insurance	
	2017 Baht	2016 Baht
Not over 30 days	-	3,595
Total premiums receivable	-	3,595

10. Reinsurance assets

	2017 Baht	2016 Baht
Reserve of recovery from reinsurers		
Long term insurance contract reserve	-	107,431
Short term insurance contract reserve		
Loss reserve (IBNR)	21,200	24,801
Premium reserve		
- Unearned premium reserve (UPR)	71,526	78,467
Total reinsurance assets	92,726	210,699

10.1 Long term insurance contract reserve

	2017 Baht	2016 Baht
Beginning balance for the year	107,431	143,946
Change in reserve recovery	-	(6,206)
Changes in assumptions for claim reserve recovery	(107,431)	(30,309)
Closing balance at the end of year	-	107,431

10.2 Short term insurance contract reserve

10.2.1 Loss reserve recovery from reinsurers

	2017 Baht	2016 Baht
Beginning balance for the year	24,801	31,018
Changes in assumptions for claim reserve recovery	(3,601)	(6,217)
Closing balance at the end of year	21,200	24,801

10.2.2 Premium reserve recovery from reinsurers

	2017 Baht	2016 Baht
Beginning balance for the year	78,467	87,956
Premium ceded for the year	688,112	702,156
Premium ceded recognised as expense for the year	(695,053)	(711,645)
Closing balance at the end of year	71,526	78,467

11. Amount due from reinsurance

	2017 Baht	2016 Baht
Due from reinsurers	-	119,519
Total amount due from reinsurance	-	119,519

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

	2017 Baht	2016 Baht
Not over 12 months	-	119,519
Total due from reinsurers	-	119,519

12. Investments in securities

12.1 Investment in securities

	2017		2016	
	Cost/ amortised cost Baht	Fair value Baht	Cost/ amortised cost Baht	Fair value Baht
Available-for-sale securities				
Government and state enterprise securities	292,992,768	293,095,996	61,519,350	60,765,010
Private enterprise securities	123,558,915	123,559,360	123,813,347	121,289,969
Total	416,551,683	416,655,356	185,332,697	182,054,979
Add Unrealised gains(losses) on the changes In value of investments	103,673	-	(3,277,718)	-
Total available-for-sale securities	416,655,356	416,655,356	182,054,979	182,054,979
Held-to-maturity securities				
Government and state enterprise securities	-	-	219,954,459	220,638,996
Deposit with financial institutions with maturity over 3 months	-	-	5,000,000	5,000,000
Total held-to-maturity securities	-	-	224,954,459	225,638,996
Total investments in securities	416,655,356	416,655,356	407,009,438	407,693,975

Investments in securities include debts securities with a fair value of Baht 8.66 million (31 December 2016: with a fair value of Baht 27.30 million) 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.

12. Investments in securities (Cont'd)

12.2 The maturity of debt securities

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

	2017			(unit: Baht)	2016			(unit: Baht)
	Maturing within (years)				Maturing within (years)			
	1 year	1 - 5 years	Over 5 years	Total	1 year	1 - 5 years	Over 5 years	Total
Available-for-sale								
Government and state enterprise securities	125,244,850	95,590,160	72,157,758	292,992,768	32,875,455	25,643,895	3,000,000	61,519,350
Private enterprise securities	10,017,180	80,541,735	33,000,000	123,558,915	-	90,813,347	33,000,000	123,813,347
Total	135,262,030	176,131,895	105,157,758	416,551,683	32,875,455	116,457,242	36,000,000	185,332,697
Add Unrealised gains (losses) on the changes in value of investments	28,129	432,740	(357,196)	103,673	1,435	(1,199,637)	(2,079,516)	(3,277,718)
Total available-for-sale	135,290,159	176,564,635	104,800,562	416,655,356	32,876,890	115,257,605	33,920,484	182,054,979
Held-to-maturity								
Government and state enterprise securities	-	-	-	-	219,954,459	-	-	219,954,459
Deposit with financial institutions with maturity over 3 months	-	-	-	-	5,000,000	-	-	5,000,000
Total held-to-maturity	-	-	-	-	224,954,459	-	-	224,954,459
Total investment in debt securities	135,290,159	176,564,635	104,800,562	416,655,356	257,831,349	115,257,605	33,920,484	407,009,438

13. Furnitures, fixtures and equipments, net

	2017								
	Cost				Accumulated depreciation				
	Beginning balance Baht	Addition Baht	Disposal/ write-off Baht	Ending balance Baht	Beginning balance Baht	Addition Baht	Disposal/ write-off Baht	Ending balance Baht	Furnitures, fixtures and equipment, net Baht
Furnitures, fixtures and equipments	3,098,917	-	-	3,098,917	3,093,131	4,910	-	3,098,041	876
Computers	4,339,272	70,497	-	4,409,769	4,287,328	42,620	-	4,329,948	79,821
Total	7,438,189	70,497	-	7,508,686	7,380,459	47,530	-	7,427,989	80,697

	2016								
	Cost				Accumulated depreciation				
	Beginning balance Baht	Addition Baht	Disposal/ write-off Baht	Ending balance Baht	Beginning balance Baht	Addition Baht	Disposal/ write-off Baht	Ending balance Baht	Furnitures, fixtures and equipment, net Baht
Furnitures, fixtures and equipments	3,098,917	-	-	3,098,917	2,730,924	362,207	-	3,093,131	5,786
Computers	4,267,452	71,820	-	4,339,272	4,267,378	19,950	-	4,287,328	51,944
Total	7,366,369	71,820	-	7,438,189	6,998,302	382,157	-	7,380,459	57,730

14. Intangible assets, net

	2017								
	Cost				Accumulated amortisation				
	Beginning balance Baht	Addition Baht	Disposal/ write-off Baht	Ending balance Baht	Beginning balance Baht	Amortisation charge Baht	Disposal/ write-off Baht	Ending balance Baht	Intangible assets, net 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

	2016								
	Cost				Accumulated amortisation				
	Beginning balance Baht	Addition Baht	Disposal/ write-off Baht	Ending balance Baht	Beginning balance Baht	Amortisation charge Baht	Disposal/ write-off Baht	Ending balance Baht	Intangible assets, net Baht
Computer software	5,775,153	-	-	5,775,153	4,936,784	838,337	-	5,775,121	32
Total	5,775,153	-	-	5,775,153	4,936,784	838,337	-	5,775,121	32

15. Other assets, net

	2017 Baht	2016 Baht
Account receivable from agents, net	91,506	270,986
Deposits	10,000	10,000
VAT receivable	6,023	-
Other assets	433,058	465,830
Total	540,587	746,816

16. Insurance liabilities

	Insurance liabilities Baht	Liabilities recovered from reinsurance Baht	Net Baht
2017			
Long term insurance contract reserve	6,171	-	6,171
Short term insurance contract reserve			
Loss reserve			
- Reported claim	125,000	-	125,000
- Claim incurred but not reported	426,922	(21,200)	405,722
Premium reserve			
- Unearned premium reserve	1,430,529	(71,526)	1,359,003
Total	1,988,622	(92,726)	1,895,896
2016			
Long term insurance contract reserve	639,353	(107,431)	531,922
Short term insurance contract reserve			
Loss reserve			
- Claim incurred but not reported	496,020	(24,801)	471,219
Premium reserve			
- Unearned premium reserve	1,569,337	(78,467)	1,490,870
Total	2,704,710	(210,699)	2,494,011

No additional reserve for Unexpired Risk Reserve has been established as the Unexpired Risk Reserve estimated by the Company as at 31 December 2017 of Baht 0.97 million (2016: Baht 1.03 million) is lower than the Unearned Premium Reserve.

16. Insurance liabilities (Cont'd)

16.1 Long term insurance contract reserve

16.1.1 Long term insurance contract reserve

	2017 Baht	2016 Baht
Beginning balance for the year	639,353	568,692
Change in reserve	(449,751)	131,279
Insurance claim incurred during the year	-	2,250,000
Changes in claim reserve from change in assumption during the year	(183,431)	(60,618)
Insurance claim paid during the year	-	(2,250,000)
Closing balance at the end of year	6,171	639,353

16.1.2 Aging analysis of loss reserve's repayment:

	2017 Baht	2016 Baht
Loss reserve repayment within 1 year	2,257	185,689
Total loss reserve's repayment	2,257	185,689

16.1.3 Sensitivity analysis on change in main assumption:

	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 %	-	226	(226)	(226)
Estimated loss ratio	Decrease by 10 %	-	(226)	226	226

16.2 Short term insurance contract reserve

16.2.1 Loss reserve

	2017 Baht	2016 Baht
Beginning balance for the year	496,020	970,360
Insurance claim incurred during the year	2,204,892	2,968,893
Changes in claim reserve of claim incurred in previous year	-	(350,000)
Changes in claim reserve from change in assumption during the year	(69,098)	(124,340)
Insurance claim paid during the year	(2,079,892)	(2,968,893)
Closing balance at the end of year	551,922	496,020

16. Insurance liabilities (Cont'd)

16.2 Short term insurance contract reserve (Cont'd)

16.2.2 Aging analysis of loss reserve's repayment:

	2017 Baht	2016 Baht
Loss reserve repayment within 1 year	551,922	496,020
Total loss reserve's repayment	551,922	496,020

16.2.3 Sensitivity analysis on change in main assumption:

	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 %	2,135	55,192	(53,058)	(53,058)
Estimated loss ratio	Decrease by 10 %	(2,135)	(55,192)	53,058	53,058

16. Insurance liabilities (Cont'd)

16.2 Short term insurance contract reserve (Cont'd)

16.2.4 Claim development table before reinsurance

Incident Year / Reported Year	2013 Baht	2014 Baht	2015 Baht	2016 Baht	2017 Baht	Total Baht
Estimated claim :						
- At the end of the year	41,890,115	21,652,378	3,588,030	2,422,203	1,787,928	71,340,654
- After 1 year	49,603,790	23,496,746	4,026,829	2,623,489	-	79,750,854
-After 2 year	49,859,017	23,509,898	4,026,829	-	-	77,395,744
-After 3 year	49,959,017	23,518,389	-	-	-	73,477,406
-After 4 year	49,959,017	-	-	-	-	49,959,017
Absolute estimated claim	49,959,017	23,518,551	4,027,706	2,646,014	2,109,973	82,261,261
Cumulative claim paid	49,959,017	23,518,389	4,026,829	2,623,489	1,787,928	81,915,652

As at 31 December 2017, the Branch has the ceded portion of short-term business 5% of claim incurred before reinsurance. The claim percentage of reinsurance recoveries development pattern are consistently 5% before and after reinsurance.

16. Insurance liabilities (Cont'd)

16.2 Short term insurance contract reserve (Cont'd)

16.2.5 Unearned premium reserve

	2017 Baht	2016 Baht
Beginning balance for the year	1,569,337	1,759,121
Premium written for the year	13,549,538	14,807,833
Premium earned in the year	(13,688,346)	(14,997,617)
Closing balance at the end of year	1,430,529	1,569,337

17. Amount due to reinsurance

	2017 Baht	2016 Baht
Reinsurance payable	105,227	89,487
Total amount due to reinsurance	105,227	89,487

18. Employee benefit obligations

	2017 Baht	2016 Baht
Short-term employee benefits	334,749	1,046,234
Long-term employee benefits	2,334,960	12,443,490
	2,669,709	13,489,724

18.1 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:

	2017 Baht	2016 Baht
Present value of employee benefits obligations	2,334,960	12,443,490
	2,334,960	12,443,490

The amounts recognised in profit or loss are as follows:

	2017 Baht	2016 Baht
Current service cost	451,639	363,233
Interest on obligation	249,535	295,365
Transfer liabilities due to staff relocation	(10,567,436)	-
	(9,866,262)	658,598

18. Employee benefit obligations (Cont'd)

18.1 Long-term employee benefits (Cont'd)

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

	2017 Baht	2016 Baht
Beginning of the year	12,443,490	9,933,713
Current service cost	451,639	363,233
Interest on obligation	249,535	295,365
Remeasurements of long-term employee benefits	(242,268)	1,851,179
Transfer liabilities due to staff relocation	(10,567,436)	-
Less benefits paid	-	-
Ending of the year	2,334,960	12,443,490

Principal actuarial assumptions as at 31 December as follows:

	2017	2016
Discount rate as at 31 December	2.50% - 3.50%	2.00% - 2.75%
Future salary increases	4.00% - 6.00%	4.00% - 6.00%
Mortality assumption	80% of Thai Mortality 2017	65 % of Thai Mortality 2008

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 7%	Increase by 8%
Salary growth rate	1%	Increase by 11%	Decrease by 10%

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 14 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 2017				
Retirement benefits	-	19,059	3,950,402	3,969,461
Total	-	19,059	3,950,402	3,969,461

	Less than a year Baht	Between 1 - 5 years Baht	Over 5 years Baht	Total Baht
At 31 December 2016				
Retirement benefits	174,606	460,770	17,418,881	18,054,257
Total	174,606	460,770	17,418,881	18,054,257

18. Employee benefit obligations (Cont'd)

18.2 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 2017, Baht 205,010 (2016: Baht 280,639) has been contributed to the fund by the Branch. The amount reflects in the statement of comprehensive income.

19. Deferred tax liabilities

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

	2017 Baht	2016 Baht
At 1 January	-	-
Decrease to profit or loss (Note 24)	-	-
Tax charged directly to Head Office	(20,735)	-
At 31 December	(20,735)	-

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 2017				
Unrealised gains (losses) on the changes in value of investments	-	-	(20,735)	(20,735)
Total	-	-	(20,735)	(20,735)
For the year ended 2016				
Unrealised gains (losses) on the changes in value of investments	-	-	-	-
Total	-	-	-	-

As at 31 December 2017, the Branch has unrecognised deferred tax assets in amount of Baht 0.86 million.

20. Other liabilities

	2017 Baht	2016 Baht
Accrued expenses	120,420	136,394
Other payables	4,821,911	5,645,925
Sundry liabilities	56,973	469,913
Unpresented cheque payable	306,500	599,877
Account payable for agents	227,590	259,333
Withholding tax payable and VAT payable	24,084	21,572
Others	706,913	987,260
Total	6,264,391	8,120,274

21. 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 - Thailand Branch when the non-life branch was formed under the requirement of the Non-life Insurance Act B.E. 2535.

22. Operating expense

	2017 Baht	2016 Baht
Staff expenses	(668,052)	8,053,904
Premises and equipment expense	292,204	1,374,570
Tax and duties	18,611	26,930
Service fee	4,806,672	1,598,397
Other operating expenses	1,135,554	2,323,490
Doubtful debts	-	840,649
Total	5,584,989	14,217,940

23. Employee benefit expenses

	2017 Baht	2016 Baht
Salary, overtime and bonus	2,532,352	9,489,867
Provident fund	205,010	280,639
Social security fund	27,287	78,750
Contribution to long-term employee benefits	(9,866,262)	658,598
Other employee benefit expenses	(5,325)	375,800
Employee benefit expenses	(7,106,938)	10,883,654

24. Income tax expense

	2017 Baht	2016 Baht
Income tax expense		
Current income tax on profits for the year	1,535,532	1,848,657
Deferred income tax on temporary differences (Note 19)	-	-
Total income tax expense	1,535,532	1,848,657

The tax on the Branch's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the home country of the Branch as follows:

	2017 Baht	2016 Baht
Profit before tax	17,954,451	7,848,027
Tax calculated at a tax rate of 20% (2016: 20%)	3,590,890	1,569,605
Tax effect of:		
Expenses (revenues) not deductible for tax purpose	(2,055,358)	358,744
Adjustments in respect of prior year	-	(79,692)
Income tax expense	1,535,532	1,848,657

25. Tax effect from other comprehensive income

	2017			2016		
	Before tax Baht	Tax benefit (expense) Baht	Net of tax Baht	Before tax Baht	Tax benefit (expense) Baht	Net of tax Baht
Unrealised gains (losses) from available-for-sale securities	3,381,391	(20,735)	3,360,656	(3,277,718)	-	(3,277,718)
Remeasurements of post-employment benefit obligations	242,268	-	242,268	(1,851,179)	-	(1,851,179)
Total	3,623,659	(20,735)	3,602,924	(5,128,897)	-	(5,128,897)

26. Related party transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Branch, including holding companies, 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.

26. Related party transactions (Cont'd)

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

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

a) Statements of comprehensive income

	2017 Baht	2016 Baht
Affiliated companies		
Operating expenses		
Information system service and other expenses	477,595	739,875
Rental expenses and utilities	342,427	358,315
Service fee	4,409,106	1,212,454

b) Statements of financial position

	2017 Baht	2016 Baht
Affiliated companies		
Amount due from related parties	541,332	604,803
Head Office and affiliated companies		
Amount due to related parties	44,776	77,932

c) Key management compensation

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

27. Contingent liabilities and commitments

The Branch has payment obligations on operating lease and other significant contracts as follows:

	2017 Baht	2016 Baht
Not later than 1 year	363,420	250,833
Later than 1 year but not later than 5 years	527,413	35,987
Total	890,833	286,820