

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.....26.....Month.....April.....Year....2019...

Information for the Year.....2018.....

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 2018

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	-	-	-	-	-	-	-	-	8	2	-	10
Proportion of Premium (%)	-	-	-	-	-	-	-	-	80	20	-	100

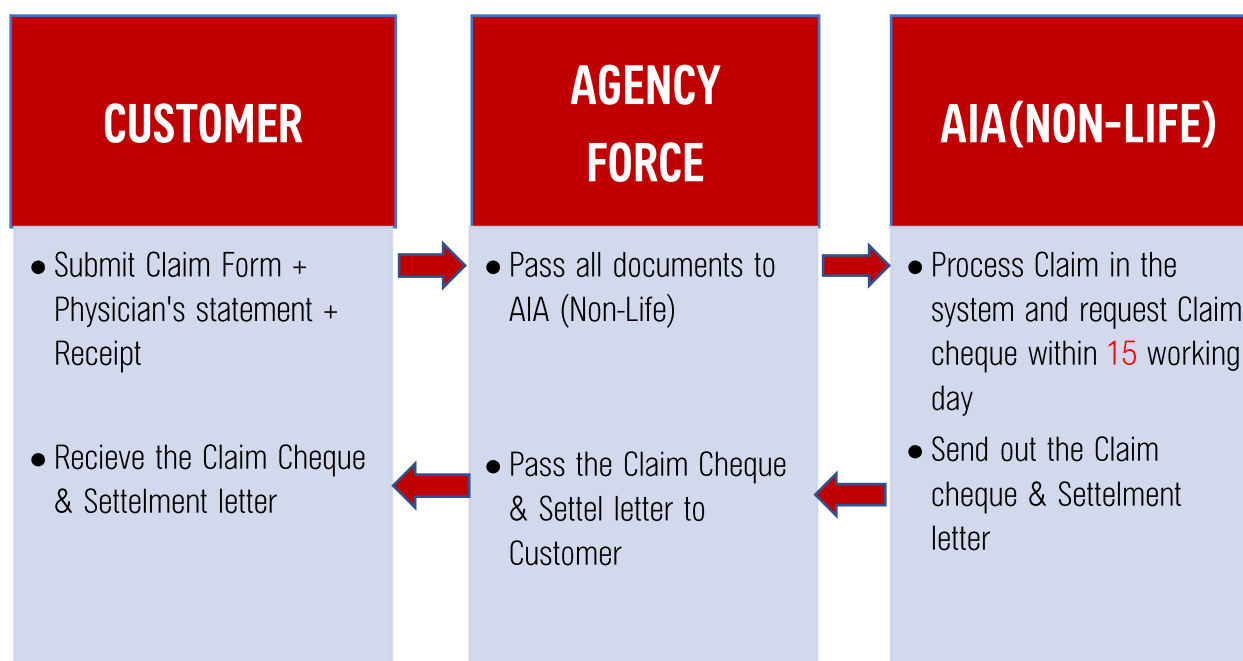
Remarks: Source of information from annual report

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. Kittit 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, business partners and vendor to act with honesty and integrity. All suspected cases of fraud will be investigated and disciplinary procedures enforced, including prosecution and termination.

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.



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.



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 Thitimom
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 Business
Development Officer

Responsible for supporting our strategic partnership with BBL, particularly in maintaining key relationships, building on strategic initiatives and the adoption of best practices to ensure the continued long-term success of this partnership.



Chantcharas Boonkhun
Chief Strategic
Bancassurance Alliance
Officer

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

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. The ALM framework aims to achieve the Company's financial goals through the management of investment strategies, product design, pricing and product development, whilst operating under appropriate investment constraints and within an acceptable risk threshold. The Asset-Liability Management Committee (ALCO) is a management committee to whom the local Executive Committee (EXCO) has delegated the authority to provide oversight and governance of the Company's ALM policies. This includes the adoption and the implementation of the Strategic Asset Allocation that the Company has selected. The 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 asset and liabilities is held as an Interest Rate Risk Charge in the regulatory reporting, according to the rules as prescribed in the Risk-Based Capital Framework and the Regulations as prescribed by the OIC. Interest rate risk is mainly managed through duration and cashflow management. The duration gap between assets and liabilities is taken into consideration and regularly monitored and discussed at ALCO and the Financial Risk Committee (FRC).

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

Unit: THB mil

Items	2018		2017	
	Book Value	Fair Value	Book Value	Fair Value
Total Investment Assets	426	426	421	421
Total Liquid Assets	426	426	421	421
Total Liabilities	12	12	12	12
Policy Liabilities	2	2	2	2

- Remarks:**
- Book Value refers to assets and liabilities valued according to the Thai Generally Accepted Accounting Principles (THGAAP).
 - 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 meet customer needs, are fairly priced and are clearly understood by customers, are the best way to ensure good persistency and customer satisfaction.

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

Concentration and Reinsurance Risk

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

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

Unit: THB mil

Items	2018
1. Reserve for the part recoverable from reinsurers	0.1
2. Due from reinsurer	-
3. Deposit on reinsurance treaties	-

5. INSURANCE RESERVE

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

Unit: THB mil

Items	2018		2017	
	Book Value	Fair Value	Book Value	Fair Value
Policy Liabilities - Long- term Insurance Contract	-	-	-	-
Policy Liabilities - Short- term Insurance Contract				
- Premium Liabilities	1	1	1	1
- Claim Liabilities	1	1	1	1

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

Notes: In some reporting periods, there could be a material difference between insurance liabilities valued under a book value approach and a fair value approach due to the different methodology used for each valuation basis. Investors are advised to gain an understanding of insurance liabilities across both valuation bases before making investment decisions.

6. INVESTMENT

Investment Objective

To prudently manage Company's investment assets to preserve capital and to generate optimal return to policyholders and shareholders over the long-term as well as in full compliance with both applicable regulations and internal policies. The Company's investment is only Fixed Income. The investment process is as following:

Fixed Income

The fixed income is managed principally in a "Buy and Maintain" style. The investment objective is to optimize returns with capital preservation. However, the Company may have discretion to sell the assets according to the views of market, credit trends and credit risk management.

The appraisal value of the Company's investment assets will be determined by referring to the Notification of the Office of Insurance Company Re: The appraisal value of Assets and Liabilities of Non-Life Insurance Company B.E.2554.

Investment assets Table

Unit: million Baht

Investment assets	As of December 31,			
	2018		2017	
	Book value	Appraisal value	Book value	Appraisal value
Deposits with financial institutions and Certificate of Deposit	9	9	4	4
Debt Securities (Bonds, debentures, promissory notes, bill of exchange)	417	417	417	417
Equity securities excluding investments in subsidiaries and associates	-	-	-	-
Mutual Fund	-	-	-	-
Loans, car leasing, and other leasing	-	-	-	-
Warrants	-	-	-	-
Derivative assets	-	-	-	-
Others	-	-	-	-
Total Investment Assets	426	426	421	421

Remarks:

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

7. FINANCIAL RESULTS, ANALYSIS AND RATIOS

Operating Results

Unit: THB mil

Description	As at December 31,	
	2018	2017
Gross written premiums	10	15
Net earned premiums	10	9
Net investment income and other income	8	8
Net Profit	4	16

The 2018 operating results of AIA Co., Ltd., (Non-Life Insurance) Thailand Branch (the Company) compared with the 2017 operating results are as follows;

- Net profit decreased by THB 12 million because there was employee restructuring in 2017 caused 2017 ratios (loss ratio, expense ratio and combine ratio) dropped significantly from normal range.
- Liquidity ratio of year 2018 raised from 2017 and it is still higher than standard level.

Significant Financial Ratio (%)

Ratios	2018	2017
Loss Ratio	27%	-8%
Expense Ratio	100%	-6%
Combined Ratio	127%	-14%
Liquidity Ratio	104667%	59975%
Return on equity	1%	4%

8. CAPITAL ADEQUACY

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

The current and projected regulatory capital requirements are calculated based on Thailand's RBC regulations, which was implemented in Thailand in 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 Company also holds additional required capital in excess of the TCR to comply with its internal requirements. This serves to ensure the Company's financial standing is solvent under a 1-in-10 year event.

The table below illustrates that throughout the year, the Company has had a strong capital position, that is significantly above the prescribed target of 140%.

Unit: THB mil

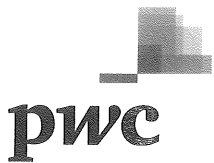
Capital Items	As at December 31	
	2018	2017
Total Assets	429	425
Total Liabilities	12	12
- Policy Liabilities	2	2
- Other Liabilities	10	10
Shareholder's Equity	417	413
Capital Adequacy Ratio (%)	1,390	1,378
Total Capital Available	417	413
Total Capital Required	30	30

- Remarks:**
- According to the OIC Notification on the conditions of the RBC capital valuation of Life Insurance Companies, the Registrar may determine the necessary procedures to control the company when its CAR is below 140%
 - Capital refers to RBC capital valued according to the OIC's Notification on the Valuation of Assets and Liabilities of Life Insurance Companies
 - The above items use a Fair Value approach according to the OIC's Notification on the Valuation of Assets and Liabilities of Life Insurance Companies

AIA COMPANY LIMITED (NON-LIFE INSURANCE) THAILAND BRANCH

FINANCIAL STATEMENTS

31 DECEMBER 2018



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 2018, 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 2018;
- 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

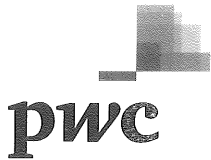
I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Branch in accordance with the Federation 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.



Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

PricewaterhouseCoopers ABAS Ltd.

A handwritten signature in black ink, which appears to read 'Paiboon Tunkoon'. The signature is written in a cursive style and is positioned above a horizontal line.

Paiboon Tunkoon

Certified Public Accountant (Thailand) No. 4298

Bangkok

13 March 2019

AIA Company Limited (Non-Life Insurance) Thailand Branch
Statement of Financial Position
As at 31 December 2018

	Notes	2018 Baht	2017 Baht
Assets			
Cash and cash equivalents	8	8,902,558	4,542,195
Accrued income on investments		1,983,303	2,862,488
Reinsurance assets	9, 14	81,900	92,726
Invested assets			
Investments in securities	10	416,965,859	416,655,356
Amount due from related parties	24	397,670	541,332
Furniture, fixtures and equipment, net	11	32,534	80,697
Intangible assets, net	12	32	32
Other assets, net	13	175,973	540,587
Total assets		428,539,829	425,315,413

Authorised person _____

The accompanying notes are an integral of the financial statements.

AIA Company Limited (Non-Life Insurance) Thailand Branch
Statement of Financial Position (Cont'd)
As at 31 December 2018

	Notes	2018 Baht	2017 Baht
Liabilities and Head Office's equity			
Liabilities			
Insurance liabilities	14	1,664,484	1,988,622
Amount due to reinsurance	15	89,210	105,227
Amount due to related parties	24	399,533	44,776
Income tax payable		476,660	897,935
Employee benefit liabilities	16	3,552,308	2,669,709
Deferred tax liabilities	17	-	20,735
Other liabilities	18	5,454,542	6,264,391
Total liabilities		11,636,737	11,991,395
Head Office's equity			
Funds from Head Office	19	140,307,753	140,307,753
Unrealised gains (losses) on changes in fair value of investments, net of tax		(220,806)	82,938
Remeasurements of post-employment benefit obligations, net of tax		(2,070,520)	(2,704,801)
Branch's retained earnings - Unappropriated		278,886,665	275,638,128
Total Head Office's equity		416,903,092	413,324,018
Total liabilities and Head Office's equity		428,539,829	425,315,413

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 2018

	Notes	2018 Baht	2017 Baht
Revenues			
Gross written premiums		10,336,244	14,789,278
<u>Less</u> Premiums ceded to reinsurers		(525,847)	(6,366,169)
Net written premiums		9,810,397	8,423,109
<u>Add</u> Net change in unearned premium reserve	14	136,084	131,867
Net earned premiums		9,946,481	8,554,976
Fee and commission income		218,556	4,550,494
Net investment income		8,185,740	7,745,895
Gains on investment		-	3,253
Total revenue		18,350,777	20,854,618
Expenses			
Net change in long-term insurance contract reserve		(6,171)	(525,751)
Gross claim paid		2,783,890	79,778
<u>Less</u> Claim paid recovered from reinsurers		(68,554)	(756,644)
Commission and brokerage		1,409,506	1,961,798
Other underwriting expenses		2,462,632	(3,444,003)
Operating expenses	20, 24	6,375,427	5,584,989
Total expenses		12,956,730	2,900,167
Profit before income tax		5,394,047	17,954,451
Income tax expenses	22	1,043,681	1,535,532
Net profit		4,350,366	16,418,919

The accompanying notes are an integral of the financial statements.

AIA Company Limited (Non-Life Insurance) Thailand Branch
Statement of Comprehensive Income (Cont'd)
For the year ended 31 December 2018

	Notes	2018 Baht	2017 Baht
Other comprehensive income (loss)			
<u>Items that will not be reclassified subsequently to profit or loss</u>			
Remeasurements of post-employment benefit obligations	16	(467,548)	242,268
Total items that will not be reclassified subsequently to profit or loss		(467,548)	242,268
<u>Items that will be reclassified subsequently to profit or loss</u>			
Change in value of available-for-sale investments		(324,479)	3,378,138
Realised gains from sale of available-for-sale investments transferred to profit or loss		-	3,253
Income tax on items that will be reclassified subsequently to profit or loss	17, 23	20,735	(20,735)
Total items that will be reclassified subsequently to profit or loss		(303,744)	3,360,656
Other comprehensive income (loss) for the year, net of tax		(771,292)	3,602,924
Total comprehensive income for the year		<u>3,579,074</u>	<u>20,021,843</u>

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 2018

	Funds from Head Office	Unrealised gains (losses) on changes in value of investments, net of tax	Remeasurement of post-employment benefit obligations, net of tax	Branch's retained earnings	Total Head Office's equity
	Baht	Baht	Baht	Baht	Baht
Beginning balance as at 1 January 2018	140,307,753	82,938	(2,704,801)	275,638,128	413,324,018
Net profit	-	-	-	4,350,366	4,350,366
Remeasurement of post - employment benefits	-	-	634,281	(1,101,829)	(467,548)
Unrealised loss on changes in value of available-for-sale investments	-	(303,744)	-	-	(303,744)
Ending balance as at 31 December 2018	<u>140,307,753</u>	<u>(220,806)</u>	<u>(2,070,520)</u>	<u>278,886,665</u>	<u>416,903,092</u>
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 gain on changes in value of available-for-sale investments	-	3,357,403	-	-	3,357,403
Realised gain from sale of available-for-sale investments transferred to profit or loss	-	3,253	-	-	3,253
Ending balance as at 31 December 2017	<u>140,307,753</u>	<u>82,938</u>	<u>(2,704,801)</u>	<u>275,638,128</u>	<u>413,324,018</u>

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 2018

	Note	2018 Baht	2017 Baht
Cash flows provided by (used in) operating activities			
Written premium received from direct insurance		10,347,101	14,559,413
Cash paid from reinsurance		(251,089)	(920,171)
Net investment income		11,285,066	11,709,071
Claim paid from direct insurance		(2,805,508)	(3,502,922)
Commission and brokerage paid to direct insurance		(1,467,177)	(1,993,541)
Other underwriting expenses		(2,213,159)	(2,646,441)
Operating expenses		(6,214,792)	(7,899,852)
Income tax		(1,464,956)	(1,490,130)
Cash received from investment in securities		144,000,000	603,000,000
Cash paid for investment in securities		(146,855,123)	(610,198,761)
Net cash provided by operating activities		4,360,363	616,666
Cash flows used in investing activities			
Purchase of equipment	11	-	(70,497)
Net cash used in investing activities		-	(70,497)
Net increase in cash and cash equivalents		4,360,363	546,169
Cash and cash equivalents at beginning of year		4,542,195	3,996,026
Cash and cash equivalents at end of year		8,902,558	4,542,195

The accompanying notes are an integral of the financial statements.

1. General information

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

The address of the Branch's registered office is AIA Tower 1, 8th Floor, 181 Surawongse Road, Suriyawongse District, Bangrak, Bangkok 10500.

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

These financial statements were approved by the Branch's management on 13 March 2019.

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 accounting standards, revised financial reporting standards, and related interpretations

3.1.1 Revised financial reporting standards that are effective for annual periods beginning on or after 1 January 2018 which have significant changes and are relevant to the Branch:

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 these standards do not have a significant impact on the Branch's financial statements.

3.1.2 New and revised financial reporting standards and interpretation which have been issued but not yet effective.

3.1.2.1 The FAP has issued new standard, TFRS15 Revenue from contracts with customers. This standard will become effective for annual periods beginning on or after 1 January 2019. The Branch has not yet adopted this standard.

TFRS 15	Revenue from contracts with customers
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TFRS 15 provides the requirements for the recognition of revenue. This standard will supersede the following standards:

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer loyalty programs
TFRIC 15 (revised 2017)	Agreements for the construction of real estate
TFRIC 18 (revised 2017)	Transfers of assets from customers

3. Accounting policies (Cont'd)

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

3.1.2 New and revised financial reporting standards and interpretation which have been issued but not yet effective. (Cont'd)

3.1.2.1 The FAP has issued new standard, TFRS15 Revenue from contracts with customers. This standard will become effective for annual periods beginning on or after 1 January 2019. The Branch has not yet adopted this standard. (Cont'd)

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The Branch shall recognise revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Branch shall have a choice to apply this standard retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, subject to the expedients or retrospectively with the cumulative effect recognised as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application with additional disclosures.

The management assesses that this new standard will not have a significant impact on the Branch.

3.1.2.2 The Group of financial instruments reporting standards consist of the following standards. These standards could be early adopted before the effective date only for the period beginning on or after 1 January 2019.

TAS 32	Financial instruments: Presentation
TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments
TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

3. Accounting policies (Cont'd)

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

3.1.2 New and revised financial reporting standards and interpretation which have been issued but not yet effective. (Cont'd)

3.1.2.2 The Group of financial instruments reporting standards consist of the following standards. These standards could be early adopted before the effective date only for the period beginning on or after 1 January 2019. (Cont'd)

The above new standards will supersede the following standards:

TAS 101	Bad and Doubtful Debts
TAS 103	Disclosures in the Financial Statements of Bank and Similar Financial Institutions
TAS 104	Accounting for Troubled Debt Restructuring
TAS 105	Accounting for Investment in Debts and Equity securities
TAS 106	Accounting for Investment Companies
TAS 107	Financial Instruments: Disclosure and Presentation

TAS 32 Financial Instruments: Presentation, provides the requirements for the presentation financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset.

TFRS 7 Financial Instruments: Disclosures, provides the requirements for the disclosure that are intended to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, and to understand the nature and extent of risks arising from those financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

TFRS 9 Financial Instruments, establishes principles for the classification, measurement and derecognition of financial assets and financial liabilities, impairment requirement and hedge accounting as follow:

- Classification and measurement:
 - The classification and measurement of debt instrument financial assets has three classification categories, which are amortised cost, fair value through profit or loss and fair value through other comprehensive income. Classification of debt assets will be driven by the entity's business model for managing the financial assets and contractual cash flows characteristics of the financial assets.
 - Equity instrument financial assets shall be measured at fair value through profit or loss. An entity can make an irrevocable election to recognise the fair value change in other comprehensive income without subsequent recycling to profit or loss.
 - Financial liabilities are classified and measured at amortised cost. An entity can choose to measure a liability at fair value through profit or loss when the conditions are met.
 - Derivatives are classified and measured at fair value through profit or loss.

3. Accounting policies (Cont'd)

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

3.1.2 New and revised financial reporting standards and interpretation which have been issued but not yet effective. (Cont'd)

3.1.2.2 The Group of financial instruments reporting standards consist of the following standards. These standards could be early adopted before the effective date only for the period beginning on or after 1 January 2019. (Cont'd)

- The impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets measured at amortised cost, investments in debt instruments measured at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts. It is no longer necessary for a credit event to have occurred before credit losses are recognised. The entity always accounts for expected credit losses which involves a three stage approach. The stage dictates how the entity measures impairment losses and applies the effective interest rate method. Except for trade receivables and contractual assets which apply in TFRS 15 and are no significant financial components and lease receivables, they are permitted to measure by simplified approach for credit impaired consideration.
- The objective of hedge accounting is to represent, in the financial statements, the effect of an entity's risk management activities that use financial instruments to manage exposures arising from particular risks that could affect profit or loss (or other comprehensive income, in the case of investments in equity instruments for which an entity has elected to present changes in fair value in other comprehensive income). This approach aims to convey the context of hedging instruments for which hedge accounting is applied in order to allow insight into their purpose and effect.

TFRIC 16 Hedges of a Net Investment in a Foreign Operation, clarifies the accounting treatment in respect of net investment hedging, provides guidance on identifying the foreign currency risks that qualify as a hedged risk. Clarifying that hedging instruments that are hedges of a net investment in a foreign operation may be held anywhere in the group not only by the parent. This includes the guidance on how an entity should determine the amount to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.

TFRIC 19 Extinguishing financial liabilities with equity instruments, provides the requirements for accounting treatment when the entity issues equity instruments to a creditor to extinguish all or part of a financial liability. The equity instruments issued shall be measured at fair value. The entity shall remove a financial liability (or part of a financial liability) from its statement of financial position when it is extinguished in accordance with TFRS 9. The difference between the carrying amount of the financial liability (or part of a financial liability) extinguished and the fair value of equity instruments issued shall be recognised in profit or loss.

The Branch's management is currently assessing the impact of initial adoption of these standards.

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 and the Branch's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

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

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

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

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

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

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

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

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 Furniture, fixtures and equipment, net

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

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

Furniture, fixtures and equipment	5 years
Computer hardware	3 years

The Branch reviews and adjusts furnitures, fixtures and equipments's residual values and useful lives at the end of each year.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. When furnitures, fixtures and equipments are disposed, the Branch will write off both their asset and related accumulated depreciation accounts, and recognise any gain or loss from disposal of the asset in the statements of comprehensive income. Gains or losses on disposals furnitures, fixtures and equipments are determined by comparing the proceeds from disposal with the carrying amount of the asset.

Repairs and maintenance are charged to profit or loss during the financial year in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Branch. Major renovations are depreciated over the remaining useful life of the related asset.

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 accrual 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 pandemics 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

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 2018 and 2017 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 2018				
<u>Financial assets</u>				
Cash and cash equivalents	8,863,051	-	39,507	8,902,558
Accrued income on investments	-	-	1,983,303	1,983,303
Investment in securities	-	416,965,859	-	416,965,859
Amount due from related parties	-	-	397,670	397,670
Other assets	-	-	49,418	49,418
Total financial assets	8,863,051	416,965,859	2,469,898	428,298,808
<u>Financial liabilities</u>				
Amount due to related parties	-	-	399,533	399,533
Other liabilities	-	-	243,235	243,235
Total financial liabilities	-	-	642,768	642,768
	Variable Interest rate Baht	Fixed Interest rate Baht	Non-interest Bearing Baht	Total Baht
As at 31 December 2017				
<u>Financial assets</u>				
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
<u>Financial liabilities</u>				
Amount due to related parties	-	-	44,776	44,776
Other liabilities	-	-	534,090	534,090
Total financial liabilities	-	-	578,866	578,866

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 10

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 2018 and 2017 are as follows:

2018			
	Level 1 Baht	Level 2 Baht	Total Baht
<u>Financial assets that are measured at fair value</u>			
Available-for-sale investments	-	416,965,859	416,965,859
Total	-	416,965,859	416,965,859
2017			
	Level 1 Baht	Level 2 Baht	Total Baht
<u>Financial assets that are measured at fair value</u>			
Available-for-sale investments	-	416,655,356	416,655,356
Total	-	416,655,356	416,655,356

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 assets

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

	2018 Baht	2017 Baht
Deposits held at call with banks	8,902,558	4,542,195
Total cash and cash equivalents	<u>8,902,558</u>	<u>4,542,195</u>

9. Reinsurance assets

	2018 Baht	2017 Baht
<u>Reserve of recovery from reinsurers</u>		
Long term insurance contract reserve	-	-
Short term insurance contract reserve		
Loss reserve (IBNR)	17,535	21,200
Premium reserve		
- Unearned premium reserve (UPR)	<u>64,365</u>	<u>71,526</u>
Total reinsurance assets	<u>81,900</u>	<u>92,726</u>

9. Reinsurance assets (Cont'd)

9.1 Long term insurance contract reserve

	2018 Baht	2017 Baht
Beginning balance for the year	-	107,431
Change in reserve recovery	-	-
Changes in assumptions for claim reserve recovery	-	(107,431)
Closing balance at the end of year	-	-

9.2 Short term insurance contract reserve

9.2.1 Loss reserve recovery from reinsurers

	2018 Baht	2017 Baht
Beginning balance for the year	21,200	24,801
Changes in assumptions for claim reserve recovery	(3,665)	(3,601)
Closing balance at the end of year	17,535	21,200

9.2.2 Premium reserve recovery from reinsurers

	2018 Baht	2017 Baht
Beginning balance for the year	71,526	78,467
Premium ceded for the year	525,847	688,112
Premium ceded recognised as expense for the year	(533,008)	(695,053)
Closing balance at the end of year	64,365	71,526

10. Investments in securities

10.1 Investment in securities

	2018		2017	
	Cost/ amortised cost Baht	Fair value Baht	Cost/ amortised cost Baht	Fair value Baht
Available-for-sale securities				
Government and state enterprise securities	303,873,872	304,277,573	292,992,768	293,095,996
Private enterprise securities	113,312,793	112,688,286	123,558,915	123,559,360
Total	417,186,665	416,965,859	416,551,683	416,655,356
Add Unrealised gains(losses) on the changes in value of investments	(220,806)	-	103,673	-
Total available-for-sale securities	416,965,859	416,965,859	416,655,356	416,655,356
Total investments in securities	416,965,859	416,965,859	416,655,356	416,655,356

Investments in securities include debts securities with a fair value of Baht 8.55 million (31 December 2017: with a fair value of Baht 8.66 million) which have been placed with the Office of Insurance Commissioner, under the Ministry of Finance, as required by the Non-life Insurance Act B.E. 2535, amended by the Non-life Insurance Act (No. 2) B.E. 2551.

10. Investments in securities (Cont'd)

10.2 The maturity of debt securities

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

	2018				2017			
	Maturing within (years)			(unit: Baht)	Maturing within (years)			(unit: Baht)
	1 year	1 - 5 years	Over 5 years		1 year	1 - 5 years	Over 5 years	
<u>Available-for-sale</u>				Total				Total
Government and state enterprise securities	70,011,778	34,316,113	199,545,981	303,873,872	125,244,850	95,590,160	72,157,758	292,992,768
Private enterprise securities	10,042,160	70,270,633	33,000,000	113,312,793	10,017,180	80,541,735	33,000,000	123,558,915
Total	80,053,938	104,586,746	232,545,981	417,186,665	135,262,030	176,131,895	105,157,758	416,551,683
Add Unrealised gains (losses) on the changes in value of investments	(14,118)	(133,541)	(73,147)	(220,806)	28,129	432,740	(357,196)	103,673
Total available-for-sale	80,039,820	104,453,205	232,472,834	416,965,859	135,290,159	176,564,635	104,800,562	416,655,356
Total investment in debt securities	80,039,820	104,453,205	232,472,834	416,965,859	135,290,159	176,564,635	104,800,562	416,655,356

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11. Furniture, fixtures and equipment, net

	2018					
	Cost			Accumulated depreciation		
	Beginning balance Baht	Additions Baht	Disposals/ Write-offs Baht	Ending balance Baht	Beginning balance Baht	Depreciation Baht
Furniture, fixtures and equipment	3,098,917	-	-	3,098,917	3,098,041	724
Computers	4,409,769	-	-	4,409,769	4,329,948	47,439
Total	7,508,686	-	-	7,508,686	7,427,989	48,163
						32,534

	2017					
	Cost			Accumulated depreciation		
	Beginning Balance Baht	Additions Baht	Disposals/ Write-offs Baht	Ending balance Baht	Beginning balance Baht	Depreciation Baht
Furniture, fixtures and equipment	3,098,917	-	-	3,098,917	3,093,131	4,910
Computers	4,339,272	70,497	-	4,409,769	4,287,328	42,620
Total	7,438,189	70,497	-	7,508,686	7,380,459	47,530
						80,697

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12. Intangible assets, net

	2018						
	Cost			Accumulated amortisation			
	Beginning balance Baht	Additions Baht	Disposals/ Write-offs Baht	Ending balance Baht	Beginning balance Baht	Amortisation charge Baht	Disposals/ Write-offs Baht
Computer software	5,775,153	-	-	5,775,153	5,775,121	-	-
Total	5,775,153	-	-	5,775,153	5,775,121	-	-
							Ending balance Baht
							Intangible assets, net Baht
							32
							32

	2017						
	Cost			Accumulated amortisation			
	Beginning balance Baht	Additions Baht	Disposals/ Write-offs Baht	Ending balance Baht	Beginning balance Baht	Amortisation charge Baht	Disposals/ Write-offs Baht
Computer software	5,775,153	-	-	5,775,153	5,775,121	-	-
Total	5,775,153	-	-	5,775,153	5,775,121	-	-
							Ending balance Baht
							Intangible assets, net Baht
							32
							32

13. Other assets, net

	2018 Baht	2017 Baht
Account receivable from agents, net	39,418	91,506
Deposits	10,000	10,000
VAT receivable	-	6,023
Other assets	126,555	433,058
Total	<u>175,973</u>	<u>540,587</u>

14. Insurance liabilities

	Insurance liabilities Baht	Liabilities recovered from reinsurance Baht	Net Baht
2018			
Long term insurance contract reserve	-	-	-
Short term insurance contract reserve			
Loss reserve			
- Reported claim	22,500	-	22,500
- Claim incurred but not reported	354,700	(17,535)	337,165
Premium reserve			
- Unearned premium reserve	<u>1,287,284</u>	<u>(64,365)</u>	<u>1,222,919</u>
Total	<u>1,664,484</u>	<u>(81,900)</u>	<u>1,582,584</u>
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	<u>1,430,529</u>	<u>(71,526)</u>	<u>1,359,003</u>
Total	<u>1,988,622</u>	<u>(92,726)</u>	<u>1,895,896</u>

No additional reserve for Unexpired Risk Reserve has been established as the Unexpired Risk Reserve estimated by the Company as at 31 December 2018 of Baht 0.95 million (2017: Baht 0.97 million) is lower than the Unearned Premium Reserve.

14. Insurance liabilities (Cont'd)

14.1 Long term insurance contract reserve

14.1.1 Long term insurance contract reserve

	2018 Baht	2017 Baht
Beginning balance for the year	6,171	639,353
Change in reserve	(3,914)	(449,751)
Insurance claim incurred during the year	-	-
Changes in claim reserve from change in assumption during the year	(2,257)	(183,431)
Insurance claim paid during the year	-	-
Closing balance at the end of year	-	6,171

14.1.2 Aging analysis of loss reserve's repayment

	2018 Baht	2017 Baht
Loss reserve repayment within 1 year	-	2,257
Total loss reserve's repayment	-	2,257

14.2 Short term insurance contract reserve

14.2.1 Loss reserve

	2018 Baht	2017 Baht
Beginning balance for the year	551,922	496,020
Insurance claim incurred during the year	1,444,362	2,204,892
Changes in claim reserve from change in assumption during the year	(72,222)	(69,098)
Insurance claim paid during the year	(1,546,862)	(2,079,892)
Closing balance at the end of year	377,200	551,922

14.2.2 Aging analysis of loss reserve's repayment

	2018 Baht	2017 Baht
Loss reserve repayment within 1 year	377,200	551,922
Total loss reserve's repayment	377,200	551,922

14.2.3 Sensitivity analysis on change in key assumptions

	Change in assumption	Impact on reinsurance assets	Impact on loss reserve and unallocated loss adjustment expenses	Impact on profit and loss	Impact to Equity
Estimated loss ratio	Increase by 10%	1,774	37,720	(35,947)	(35,947)
Estimated loss ratio	Decrease by 10%	(1,774)	(37,720)	35,947	35,947

14. Insurance liabilities (Cont'd)

14.2 Short term insurance contract reserve (Cont'd)

14.2.4 Claim development table before reinsurance

Incident Year / Reported Year	2014 Baht	2015 Baht	2016 Baht	2017 Baht	2018 Baht	Total Baht
Estimated claim :						
- At the end of the year	21,652,378	3,588,030	2,422,203	1,787,928	1,363,315	30,813,854
- After 1 year	23,496,746	4,026,829	2,623,489	1,805,372	-	31,952,436
- After 2 year	23,509,898	4,026,829	2,623,489	-	-	30,160,216
- After 3 year	23,518,389	4,026,829	-	-	-	27,545,218
- After 4 year	23,518,389	-	-	-	-	23,518,389
Absolute estimated claim	23,518,389	4,026,829	2,623,489	1,850,547	1,513,906	33,533,160
Cumulative claim paid	23,518,389	4,026,829	2,623,489	1,805,372	1,363,315	33,337,394

As at 31 December 2018, the Branch had the ceded portion of short-term business 5% of claim incurred before reinsurance. The claim percentage of reinsurance recoveries development pattern are consistently at 5% before and after reinsurance.

14. Insurance liabilities (Cont'd)

14.2 Short term insurance contract reserve (Cont'd)

14.2.5 Unearned premium reserve

	2018 Baht	2017 Baht
Beginning balance for the year	1,430,529	1,569,337
Premium written for the year	10,322,733	13,549,538
Premium earned in the year	(10,465,978)	(13,688,346)
Closing balance at the end of year	<u>1,287,284</u>	<u>1,430,529</u>

15. Amount due to reinsurance

	2018 Baht	2017 Baht
Reinsurance payable	89,210	105,227
Total amount due to reinsurance	<u>89,210</u>	<u>105,227</u>

16. Employee benefit obligations

	2018 Baht	2017 Baht
Short-term employee benefits	462,216	334,749
Long-term employee benefits	3,090,092	2,334,960
	<u>3,552,308</u>	<u>2,669,709</u>

16.1 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:

	2018 Baht	2017 Baht
Present value of employee benefits obligations	3,090,092	2,334,960
	<u>3,090,092</u>	<u>2,334,960</u>

The amounts recognised in profit or loss are as follows:

	2018 Baht	2017 Baht
Current service cost	221,984	451,639
Interest on obligation	65,600	249,535
Transfer liabilities due to staff relocation	-	(10,567,436)
	<u>287,584</u>	<u>(9,866,262)</u>

16. Employee benefit obligations (Cont'd)

16.1 Long-term employee benefits (Cont'd)

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

	2018 Baht	2017 Baht
Beginning of the year	2,334,960	12,443,490
Current service cost	221,984	451,639
Interest on obligation	65,600	249,535
Remeasurements of long-term employee benefits	467,548	(242,268)
Transfer liabilities due to staff relocation	-	(10,567,436)
<u>Less</u> benefits paid	-	-
Ending of the year	3,090,092	2,334,960

Principal actuarial assumptions as at 31 December as follows:

	2018	2017
Discount rate as at 31 December	2.75% - 3.50%	2.50% - 3.50%
Future salary increases	4.00% - 6.00%	4.00% - 6.00%
Mortality assumption	80% of Thai Mortality 2017	80% of Thai Mortality 2017

Impact on defined benefit obligation

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 7%	Increase by 8%
Salary growth rate	1%	Increase by 12%	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 16 years.

Expected maturity analysis of undiscounted retirement benefits:

	Less than a year Baht	Between 1 - 5 years Baht	Over 5 years Baht	Total Baht
At 31 December 2018				
Retirement benefits	-	44,875	5,390,976	5,435,851
Total	-	44,875	5,390,976	5,435,851
At 31 December 2017				
Retirement benefits	-	19,059	3,950,402	3,969,461
Total	-	19,059	3,950,402	3,969,461

16. Employee benefit obligations (Cont'd)

16.2 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 2018, Baht 231,789 (2017: Baht 205,010) has been contributed to the fund by the Branch. The amount reflects in the statement of comprehensive income.

17. Deferred tax liabilities

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

	2018 Baht	2017 Baht
At 1 January	(20,735)	-
Decrease to profit or loss (Note 22)	-	-
Tax charged directly to Head Office	20,735	(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 2018				
Unrealised gains (losses) on the changes in value of investments	(20,735)	-	20,735	-
Total	(20,735)	-	20,735	-
For the year ended 2017				
Unrealised gains (losses) on the changes in value of investments	-	-	(20,735)	(20,735)
Total	-	-	(20,735)	(20,735)

As at 31 December 2018, the Branch had unrecognised deferred tax assets in amount of Baht 0.91 million.

18. Other liabilities

	2018 Baht	2017 Baht
Accrued expenses	277,771	120,420
Other payables	4,876,604	4,821,911
Sundry liabilities	15,742	56,973
Unpresented cheque payable	73,316	306,500
Account payable for agents	169,919	227,590
Withholding tax payable and VAT payable	33,385	24,084
Others	7,805	706,913
Total	5,454,542	6,264,391

19. Funds from Head Office

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

20. Operating expense

	2018 Baht	2017 Baht
Staff expenses	311,798	(668,052)
Premises and equipment expense	290,316	292,204
Tax and duties	18,814	18,611
Service fees	4,899,169	4,806,672
Other operating expenses	855,330	1,135,554
Total	6,375,427	5,584,989

21. Employee benefit expenses

	2018 Baht	2017 Baht
Salary, overtime and bonus	2,804,014	2,532,352
Provident fund	231,789	205,010
Social security fund	27,597	27,287
Contribution to long-term employee benefits	287,584	(9,866,262)
Other employee benefit expenses	45,505	(5,325)
Total	3,396,489	(7,106,938)

22. Income tax expense

	2018 Baht	2017 Baht
Income tax expense		
Current income tax on profits for the year	1,043,681	1,535,532
Deferred income tax on temporary differences (Note 17)	-	-
Total income tax expense	<u>1,043,681</u>	<u>1,535,532</u>

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:

	2018 Baht	2017 Baht
Profit before tax	<u>5,394,047</u>	<u>17,954,451</u>
Tax calculated at a tax rate of 20% (2017: 20%)	1,078,809	3,590,890
Tax effect of:		
Expenses (revenues) not deductible for tax purpose	53,443	(2,604)
Unrecognised deferred tax assets	<u>(88,571)</u>	<u>(2,052,754)</u>
Income tax expense	<u>1,043,681</u>	<u>1,535,532</u>

23. Tax effect from other comprehensive income

	2018			2017		
	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	(324,479)	20,735	(303,744)	3,381,391	(20,735)	3,360,656
Remeasurements of post-employment benefit obligations	<u>(467,548)</u>	<u>-</u>	<u>(467,548)</u>	<u>242,268</u>	<u>-</u>	<u>242,268</u>
Total	<u>(792,027)</u>	<u>20,735</u>	<u>(771,292)</u>	<u>3,623,659</u>	<u>(20,735)</u>	<u>3,602,924</u>

24. 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.

24. Related party transactions (Cont'd)

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

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

a) Statements of comprehensive income

	2018 Baht	2017 Baht
Affiliated companies		
<u>Operating expenses</u>		
Information system service and other expenses	492,660	477,595
Rental and utilities expenses	349,965	342,427
Service fees	4,490,577	4,409,106

b) Statements of financial position

	2018 Baht	2017 Baht
Affiliated companies		
Amounts due from related parties	397,670	541,332
Head Office and affiliated companies		
Amounts due to related parties	399,533	44,776

c) Key management compensation

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

25. Commitments

The Branch has payment obligations on operating lease from office rental, services and other significant contracts as follows:

	2018 Baht	2017 Baht
Within 1 year	371,074	363,420
Later than 1 year but not over than 5 years	284,247	527,413
Total	655,321	890,833