

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

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

Date.....29.....Month.....May.....Year....2020....

Information for the Year.....2019.....

## 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 2019**

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	-	-	-	-	-	-	-	-	6	2	-	8
Proportion of Premium (%)	-	-	-	-	-	-	-	-	75	25	-	100

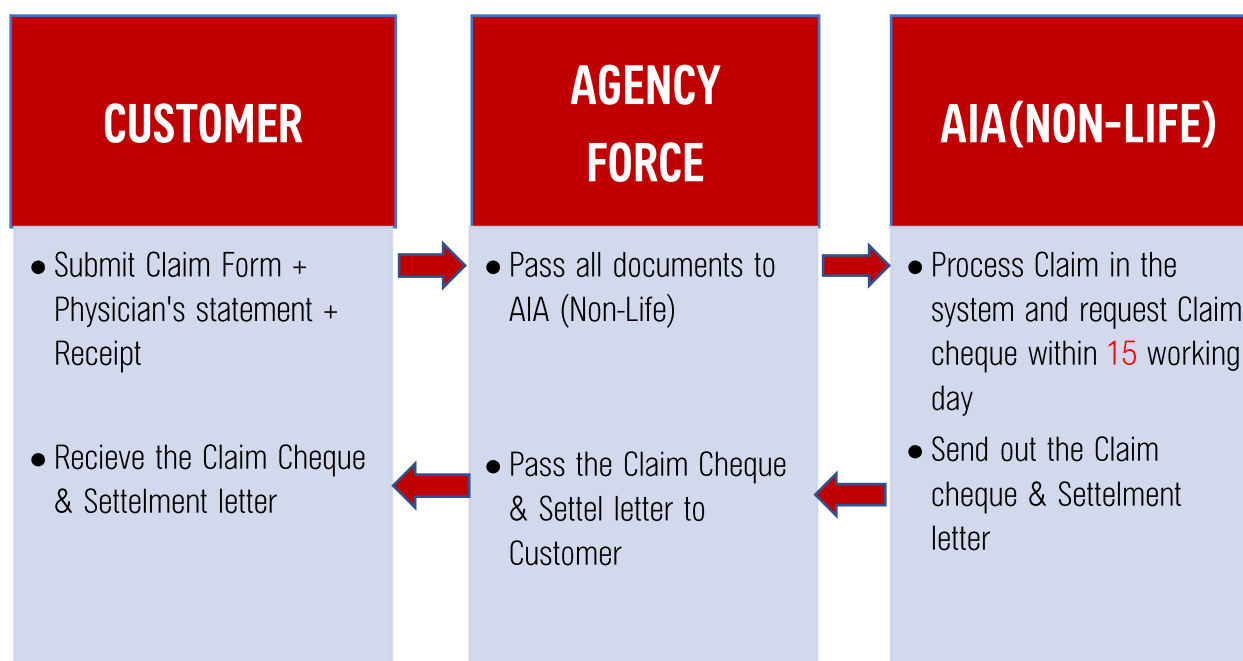
**Remarks:** Source of information from annual report

## 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, 8<sup>th</sup> Floor, Surawong Rd. Bangrak Bangkok 10500**

**or POST BOX ปณ.5 ปณศ.บางรัก กรุงเทพฯ 10500**

## **2.1 CORPORATE GOVERNANCE AND INTERNAL CONTROL**

### **3.1 ENTERPRISE RISK MANAGEMENT (ERM)**



# Corporate Governance Framework

Incorporating

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AIA COMPANY LIMITED (NON-LIFE INSURANCE) THAILAND BRANCH





# Document Details

<b>Document Name</b>	Corporate Governance Framework
<b>Document Version</b>	2.0
<b>Originating Business Function</b>	AIA Thailand, Risk Function.
<b>Framework Owner</b>	Chief Risk Officer ("CRO")
<b>Primary Framework Contact Person</b>	Head of Regulatory Compliance and External Affairs
<b>Secondary Framework Contact Person</b>	Regulatory Compliance and External Affairs Department
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<b>Related Policies and Standards</b>	Code of Conduct AIA Group Anti-Corruption Policy AIA Group Anti-Fraud Policy AIA Group Whistle blower Protection Policy

## VERSION CONTROL

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

## DISTRIBUTION LIST

TITLES
All members of EXCO

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## 1. Introduction

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### 1.1. Purpose and Background

According to the Notification of the Insurance Commission Re: Non-Life Insurance Company's Corporate Governance B.E.2562 effective on August 25, 2019 (the "Notification"), this Corporate Governance Framework is mandated to be established to assist a company's Board to realize and understand their roles, duties and responsibilities as the leaders of the organization who must oversee that the company has a sound management system.

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

## 2. Scope

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### 2.1. Scope

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

### 2.2. Interpretation and Application

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

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

### 2.3. Consultation

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

- General Counsel & Business Development
- Chief Risk Officer
- Director of Regulatory Compliance and External Affairs
- Director of Compliance
- Director of Enterprise Risk Management

### **3. Main Provisions**

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#### **3.1. Mandatory and Minimum Requirements**

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

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

#### **3.2. Roles and Responsibilities**

##### **3.2.1 The EXCO of AIA Thailand**

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

##### **3.2.2 Responsibilities of the EXCO**

The key responsibilities of the EXCO are:

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

The EXCO shall carry out the following:

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

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

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

### **3.2.3 The EXCO's Conduct of Meeting**

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

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

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

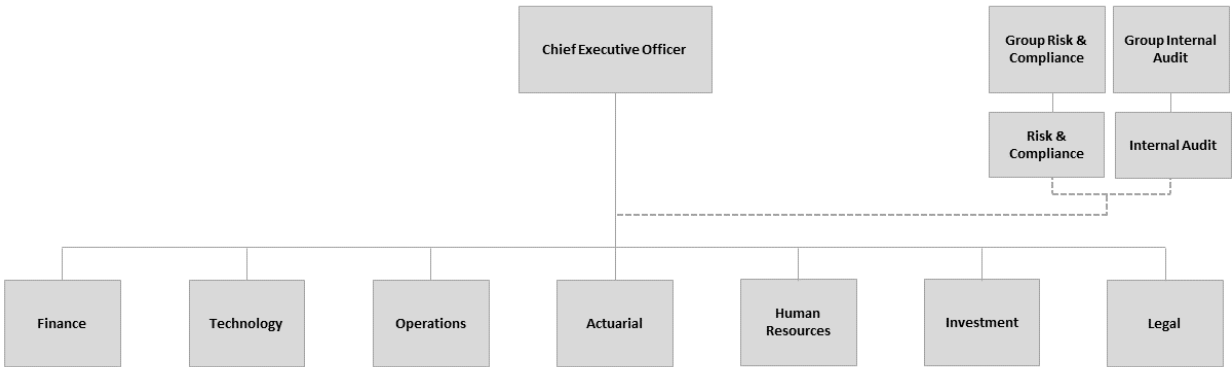
Full minutes of the EXCO's meetings shall be kept by the secretariat, and such minutes shall be available for inspection at any reasonable time on reasonable notice by the EXCO or the Board.

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

**3.2.4 Performance Evaluation of Members of the EXCO**

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

**3.2.5 AIA Thailand Structure**





a) Chief Executive Officer

Responsible for the successful leadership and management of the AIA Thailand.

b) Chief Financial Officer

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

c) Chief Investment Officer

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

d) Chief Risk Officer

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

e) General Counsel and Business Development

Ensure that the legal department provides timely and relevant legal advice and support to the business, including relating to products, regulatory compliance, case management and all other matters which have a company-wide impact including the formulation of corporate strategic plans and evaluation of new ventures, acquisitions, mergers, divestments and major investment proposals (but excluding providing any legal advice, legal services or litigation work with respect to Thai law) and responsible for overseeing the Corporate Strategy and Project Management Office teams to drive company's key strategies and key projects to ensure successful execution.

f) 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.

g) Chief Life Officer

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

h) 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,

### 3.2.6 Management Committees

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

The main management committees are:

a) Investment Committee ("IC")

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

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

b) Asset Liability Committee (ALCO)

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

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

c) Operational Risk Committee (“ORC”)

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

1. Chief Financial Officer
2. Chief Risk Officer
3. Chief Agency Officer
4. Chief Human Resource Officer
5. Chief Life Officer
6. Chief Technology Officer
7. General Counsel & Business Development
8. Director of Compliance

d) Financial Risk Committee (“FRC”)

The FRC provides oversight and reviews financial and insurance risks for AIA Thailand. These include assessing market and insurance risks, AIA Thailand balance sheets, liquidity and the adequacy of capital position. The FRC also ensures that appropriate financial risk policies are in place. The members of FRC are:

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

e) Serious Complaint Committee (SCC)

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

1. General Counsel & Business Development
2. Chief Actuary
3. Chief Marketing Officer
4. Chief Life Officer
5. Chief Risk Officer
6. Director of Compliance
7. Director of Agency Strategy & Support

f) Claims Committee (CC)

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

1. Chief Life Officer
2. Chief Financial Officer
3. Chief Actuary
4. Chief Risk Officer
5. Director of Health Services

g) Anti-Money Laundering Committee (AMLC)

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

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

h) Intermediary Disciplinary Committee (DC)

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

1. Chief Technology Officer
2. Director of Legal
3. Director of Finance
4. Director of Enterprise Risk Management
5. Director of Compliance

i) Intermediary Appeal Board (AB)

The Objective of the AB is to provide for appeal by an Intermediary against a penalty imposed by the Intermediary Disciplinary Committee. The members of AB are:

1. Chief Financial Officer
2. Chief Risk Officer;
3. General Counsel & Business Development

j) Employee Disciplinary Committee (EDC)

The Objective of the EDC is to provide oversight of the handling incident relating to violation of code of conduct and whistleblowing relating to AIA Thailand staff. This is to ensure the investigation and disciplinary action relating to misconduct are properly executed and handled to avoid non-compliance with laws / company's policies and procedures and to avoid any adverse impact on the company's reputation. The members of EDC are:

1. Chief Technology Officer
2. Chief Risk Officer
3. Chief Human Resource Officer

### 3.2.7 The Audit Committee

The Board has established the AIA Company Audit Committee (“Audit Committee”) to review and monitor audited financial statements, reports from Group Internal Audit, report on litigation updates and other matters escalated to the chairman of the audit committee of AIA Group.

Within the context of AIA Group’s control framework, the Internal Audit function is an independent risk assessment function and responsible for providing assurance on risk management, governance and internal control systems to the Board. The Audit Committee ensures that the Internal Audit function has adequate follow-up processes in place to make sure that recommendations raised in internal audit reports are dealt with in a timely manner.

The Audit Committee normally meets privately with the external auditor and AIA Group Internal Audit without management being present at least twice a year.

The members of Audit Committee are Independent Non-Executive Directors, Executive Director and Group Chief Financial Officer

#### **Financial Oversight Committee**

The Financial Oversight Committee (“FOC”) is established by the Board and authorized by the Audit Committee to provide an independent review of the effectiveness of the financial reporting process and the internal control system of AIA Thailand. The duties of the FOC include review of financial information, oversight of the Company’s financial reporting system and internal control procedures, and management of external auditor relationship.

The members of the Thailand FOC are appointed by the AIA Group Audit Committee. The members of FOC are:

1. Group Chief Financial Officer
2. Group Head of Tax
3. Group Senior Regional Counsel

### 3.2.8 Risk Management and Internal Control

The core of AIA Thailand's business is accepting, pooling and managing risk for the benefit of policyholders and shareholders. Effective risk management is a key driver of value. Accordingly, AIA Thailand does not seek to eliminate all risks but rather to identify, understand and manage them within acceptable limits to create long-term value.

AIA Thailand manages risk by adopting a "Three lines of defence" governance mode. The objectives are to ensure that an independent system of checks and balances is in place to provide assurance that risks are governed properly. The EXCO retains overall responsibility for oversight of the AIA Thailand's risk management activities. All business unit managers and executives are accountable for ensuring their business functions always operate within the Risk Appetite set by the EXCO. This is done by identifying the risks associated with their activities, understanding and seeking to manage and mitigate them effectively and achieving appropriate returns for the risk taken.

AIA Thailand's Risk Management Framework provides the structure for identifying, quantifying, mitigating and reporting risk across the company. The Risk Management and Compliance function provides assurance to the EXCO that this framework is appropriate and effective.

All risks that are undertaken by the Company are backed by appropriate levels of capital to support the ongoing business and to protect policyholders. While the Company seeks capital efficiency, AIA Thailand does so within acceptable levels of risk without compromising either financial strength or the requirement for appropriate returns.

AIA Thailand maintains a robust risk management and compliance framework which includes an independent system of checks and balances to provide assurance that risks are identified, assessed, analysed, prioritized, managed and governed properly. The framework clearly defines the respective roles and responsibilities of the EXCO, the Risk and Compliance function and the Internal Audit function. The Risk and Compliance and Internal Audit functions report functionally to AIA Group Risk and Compliance and AIA Group Internal Audit respectively. Both functions administratively report to CEO (Please refer to AIA Thailand Structure under clause 3.2.5 for reference).

In addition, AIA Thailand has the following policies in place.

### **Conflict of Interest Policy**

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

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

### **Whistle Blower Protection Policy**

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

### **Anti-Corruption Policy**

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

### **Anti-Fraud Policy**

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

### **Remuneration Policy**

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

### **Code of Conduct and Business Ethics**

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



### **3.3. Exemptions**

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

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

### **3.4. Breach Management and Escalation**

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

### **3.5. Monitoring, Review and Amendments**

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

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

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

#### 4. Approvals

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

#### 5. Appendix – Relevant Policies and Regulation

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Code of Conduct

AIA Group Anti-Corruption Policy

AIA Group Anti-Fraud Policy

AIA Group Whistle blower Protection Policy

AIA COMPANY LIMITED (NON-LIFE INSURANCE) THAILAND BRANCH

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**Corporate Governance Framework**

Version 2.0

## 2.2 COMPANY STRUCTURE

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



## 2.3 BOARD AND MANAGEMENT STRUCTURE

### Board and Management

 <p><b>Wai Cheong Fung</b> Chief Executive Officer</p>	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.
 <p><b>Hiew Tet Chian</b> Chief Financial Officer</p>	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**  
**General Counsel and**  
**Business Development**

Responsible for supporting the company in setting and executing its corporate strategy, as well as in managing its legal risk (but excluding providing any legal advice, legal services or litigation work with respect to Thai law).



**Kris Chantanotoke**  
**Chief Agency Officer**

Responsible for driving the sustainable growth of the agency business and developing short-term and long-term business objectives and targets. Driving agency transformation and enhancing agency force's engagement through enhanced service levels and ongoing sales initiatives. Managing, Coaching, and supporting Agency Distribution Management on production management and another field management.



**Aekkarat Thitimon**  
**Chief Marketing Officer**

Responsible for overseeing the planning, development and execution of an organization's product strategy, marketing, branding and advertising initiatives. The primary responsibility is to generate revenue by increasing sales through successful marketing for the entire organization, using market research, pricing, product marketing, marketing communications, advertising and public relations.



**Sarunya Tienthavorn**  
**Chief Human Resources Officer**

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



**Alisa Simaroj**  
**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 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.

## 2.4 SUB-COMMITTEE MEMBERS

### a) **Investment Committee** (“IC”)

The members of IC are:

1. Wai Cheong Fung (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) **Pension Investment Committee** (“Pension IC”)

The members of Pension IC are:

1. Sukkawat Prasurtying (Chief Investment Officer)
2. Pardung Songatigamas (Fund Manager from Life Fund)
3. Chalit Masoodi (Fund Manager from Life Fund)
4. Wipada Jirapanich (Fund Manager from Life Fund)
5. Thanyavit Uyangkul (Credit Manager from Life Fund)
6. Vilasinee Limprana (Head of Pension Business)
7. Aunhong Lim (Fund Manager from Pension Business)
8. Dudpong Wongsasitorn (Fund Manager from Pension Business)
9. Titti Tungpanitansook (Head of Enterprise Risk Management)

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

The members of ORC are:

1. Hiew Tet Chian (Chief Financial Officer)
2. Loo Boon Teik (Chief Risk Officer)
3. Kris Chantanotoke (Chief Agency Officer)
4. Alisa Srimaroj (Chief Life Officer)
5. Kittu Manakongtreecheep (Chief Technology Officer)
6. Julie Van Nuffel (General Counsel & Business Development)
7. Sarunya Tienthavorn (Chief Human Resources Officer)
8. Supirut Pothavorn (Director Compliance)

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

The members of FRC are:

1. Wai Cheong Fung (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 members of Group Audit Committee are:

1. Ricky Fung (Independent Non-Executive Director)
2. Dominic Leung (Independent Non-Executive Director)
3. Stuart Valentine (Independent Non-Executive Director)
4. Garth Jones (Executive Director and Group Chief Financial Officer)

## **Financial Oversight Committee**

The members of FOC are:

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

## 2.5 APPOINTMENT OF MANAGEMENT

### The appointment process Managements generally covers:

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

## 2.6 REMUNERATION POLICY FOR MANAGEMENT

### AIA Guidelines:

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

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

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

## 3.2 ASSET-LIABILITY MANAGEMENT

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

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

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

Unit: Million Baht

Items	2019		2018	
	Book Value	Fair Value	Book Value	Fair Value
Total Investment Assets	453	453	426	426
Total Liquid Assets	453	453	426	426
Total Liabilities	16	12	12	12
Policy Liabilities	1	1	2	2

**Remarks:**

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

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

## 4. INSURANCE, CONCENTRATION AND REINSURANCE RISK

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

### Insurance Risk

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

Management of insurance risk starts with the management of product design. Ensuring that products 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: Million Baht

Items	2019
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: Million Baht

Items	2019		2018	
	Book Value	Book Value	Book Value	Fair Value
Policy Liabilities - Long- term Insurance Contract	-	-	-	-
Policy Liabilities - Short- term Insurance Contract				
- Premium Liabilities	1.2	1.0	1.3	1.1
- Claim Liabilities	0.3	0.3	0.4	0.4

- 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 methodologies used for each valuation basis. Investors are advised to gain an understanding of insurance liabilities across both valuation bases before making investment decisions.

## 6. INVESTMENT

### Investment Objective

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

#### Fixed Income

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

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

## Investment assets Table

Unit: Million Baht

Investment assets	As of December 31,			
	2019		2018	
	Book value	Appraisal value	Book value	Appraisal value
Deposits with financial institutions and Certificate of Deposit	10	10	9	9
Debt Securities (Bonds, debentures, promissory notes, bill of exchange)	443	443	417	417
Equity securities excluding investments in subsidiaries and associates	-	-	-	-
Mutual Fund	-	-	-	-
Loans, car leasing, and other leasing	-	-	-	-
Warrants	-	-	-	-
Derivative assets	-	-	-	-
Others	-	-	-	-
<b>Total Investment Assets</b>	<b>453</b>	<b>453</b>	<b>426</b>	<b>426</b>

**Remarks:**

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

## 7. FINANCIAL RESULTS, ANALYSIS AND RATIOS

### Operating Results

Unit: Million Baht

Description	As at December 31,	
	2019	2018
Gross written premiums	9	10
Net earned premiums	8	10
Net investment income and other income	8	8
Net Profit	6	4

The 2019 operating results of AIA Co., Ltd., (Non-Life Insurance) Thailand Branch (the Company) compared with the 2018 operating results are as follows;

- Net profit increased by THB 2 million as a result of the reduction in service fee expenses in 2019
- Liquidity ratio of year 2019 raised from 2018 and it is still higher than standard level.

### Significant Financial Ratio (%)

Ratios	2019	2018
Loss Ratio	44%	27%
Expense Ratio	59%	100%
Combined Ratio	103%	127%
Liquidity Ratio	145381%	104667%
Return on equity	1%	1%

## 8. CAPITAL ADEQUACY

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

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

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

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

Unit: Million Baht

Capital Items	As at December 31	
	2019	2018
Total Assets	455	429
Total Liabilities	12	12
- Policy Liabilities	1	2
- Other Liabilities	11	10
Shareholder's Equity	442	417
Capital Adequacy Ratio (%)	1,475	1,390
Total Capital Available	442	417
Total Capital Required	30	30

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

(1) 120% from December 31<sup>st</sup>, 2019 to December 31<sup>st</sup>, 2021

(2) 140% from January 1<sup>st</sup>, 2022 onwards

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

**AIA COMPANY LIMITED (NON-LIFE INSURANCE) THAILAND BRANCH**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2019**





## **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 2019, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

### **What I have audited**

The Branch's financial statements comprise:

- the statement of financial position as at 31 December 2019;
- 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 the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

PricewaterhouseCoopers ABAS Ltd.

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

**Paiboon Tunkoon**  
Certified Public Accountant (Thailand) No. 4298  
Bangkok  
10 March 2020

**AIA Company Limited (Non-Life Insurance) Thailand Branch****Statement of Financial Position****As at 31 December 2019**

	<b>Notes</b>	<b>2019 Baht</b>	<b>2018 Baht</b>
<b>Assets</b>			
Cash and cash equivalents	8	10,106,695	8,902,558
Accrued income on investments		1,605,258	1,983,303
Reinsurance assets	9, 15	72,523	81,900
Amounts due from reinsurance	10	17,618	-
Invested assets			
Investments in securities	11	442,709,218	416,965,859
Amount due from related parties	25	229,307	397,670
Furniture, fixtures and equipment, net	12	5,048	32,534
Intangible assets, net	13	32	32
Other assets, net	14	24,764	175,973
<b>Total assets</b>		<b>454,770,463</b>	<b>428,539,829</b>

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 2019**

	<b>Notes</b>	<b>2019 Baht</b>	<b>2018 Baht</b>
<b>Liabilities and Head Office's equity</b>			
<b>Liabilities</b>			
Insurance liabilities	15	1,453,622	1,664,484
Amount due to reinsurance	16	79,917	89,210
Amount due to related parties	25	44,967	399,533
Income tax payable		1,173,255	476,660
Employee benefit liabilities	17	4,628,579	3,552,308
Deferred tax liabilities	18	3,869,931	-
Other liabilities	19	5,016,710	5,454,542
<b>Total liabilities</b>		<b>16,266,981</b>	<b>11,636,737</b>
<b>Head Office's equity</b>			
Funds from Head Office	20	140,307,753	140,307,753
Unrealised gains (losses) on changes in fair value of investments, net of tax		15,479,724	(220,806)
Remeasurements of post-employment benefit obligations, net of tax		(2,585,555)	(2,070,520)
Branch's retained earnings - Unappropriated		285,301,560	278,886,665
<b>Total Head Office's equity</b>		<b>438,503,482</b>	<b>416,903,092</b>
<b>Total liabilities and Head Office's equity</b>		<b>454,770,463</b>	<b>428,539,829</b>

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 2019**

		<b>2019</b>	<b>2018</b>
	<b>Notes</b>	<b>Baht</b>	<b>Baht</b>
<b>Revenues</b>			
Gross written premiums		8,517,283	10,336,244
<u>Less</u> Premiums ceded to reinsurers		(410,592)	(525,847)
Net written premiums		8,106,691	9,810,397
<u>Add</u> Net change in unearned premium reserve		117,675	136,084
Net earned premiums		8,224,366	9,946,481
Fee and commission income		177,118	218,556
Net investment income		8,471,214	8,185,740
<b>Total revenues</b>		<b>16,872,698</b>	<b>18,350,777</b>
<b>Expenses</b>			
Net change in long-term insurance contract reserve	15	-	(6,171)
Gross claim paid		3,692,334	2,783,890
<u>Less</u> Claim paid recovered from reinsurers		(60,884)	(68,554)
Commission and brokerage		1,053,854	1,409,506
Other underwriting expenses		986,961	2,462,632
Operating expenses	21,25	3,021,180	6,375,427
<b>Total expenses</b>		<b>8,693,445</b>	<b>12,956,730</b>
<b>Profit before income tax</b>		<b>8,179,253</b>	<b>5,394,047</b>
Income tax expenses	23	1,764,358	1,043,681
<b>Net profit</b>		<b>6,414,895</b>	<b>4,350,366</b>

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 2019**

		<b>2019</b>	<b>2018</b>
	<b>Notes</b>	<b>Baht</b>	<b>Baht</b>
<b>Other comprehensive income (loss)</b>			
<u>Items that will not be reclassified subsequently to profit or loss</u>			
Remeasurements of post-employment benefit obligations	17	(515,035)	(467,548)
Total items that will not be reclassified subsequently to profit or loss		(515,035)	(467,548)
<u>Items that will be reclassified subsequently to profit or loss</u>			
Change in value of available-for-sale investments		19,570,461	(324,479)
Income tax on items that will be reclassified subsequently to profit or loss	18,24	(3,869,931)	20,735
Total items that will be reclassified subsequently to profit or loss		15,700,530	(303,744)
<b>Other comprehensive income (loss) for the year, net of tax</b>		15,185,495	(771,292)
<b>Total comprehensive income for the year</b>		21,600,390	3,579,074

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 2019

	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
<b>Beginning balance as at 1 January 2019</b>	140,307,753	(220,806)	(2,070,520)	278,886,665	416,903,092
Net profit	-	-	-	6,414,895	6,414,895
Remeasurement of post - employment benefits	-	-	(515,035)	-	(515,035)
Changes in value of available-for-sale investments, net of tax	-	15,700,530	-	-	15,700,530
<b>Ending balance as at 31 December 2019</b>	<u>140,307,753</u>	<u>15,479,724</u>	<u>(2,585,555)</u>	<u>285,301,560</u>	<u>438,503,482</u>
<b>Beginning balance as at 1 January 2018</b>	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)
Changes in value of available-for-sale investments, net of tax	-	(303,744)	-	-	(303,744)
<b>Ending balance as at 31 December 2018</b>	<u>140,307,753</u>	<u>(220,806)</u>	<u>(2,070,520)</u>	<u>278,886,665</u>	<u>416,903,092</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 2019**

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	<b>2019</b>	<b>2018</b>
	<b>Baht</b>	<b>Baht</b>
<b>Cash flows provided by (used in) operating activities</b>		
Written premium received from direct insurance	8,630,285	10,347,101
Cash paid from reinsurance	(196,317)	(251,089)
Net investment income	11,294,162	11,285,066
Claim paid from direct insurance	(2,203,850)	(2,805,508)
Commission and brokerage paid to direct insurance	(1,133,145)	(1,467,177)
Other underwriting expenses	(641,726)	(2,213,159)
Operating expenses	(4,859,708)	(6,214,792)
Income tax	(1,067,763)	(1,464,956)
Cash received from investment in securities	87,991,871	144,000,000
Cash paid for investment in securities	(96,609,672)	(146,855,123)
<b>Net cash provided by operating activities</b>	<b>1,204,137</b>	<b>4,360,363</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,204,137</b>	<b>4,360,363</b>
Cash and cash equivalents at beginning of year	8,902,558	4,542,195
<b>Cash and cash equivalents at end of year</b>	<b>10,106,695</b>	<b>8,902,558</b>

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, 8<sup>th</sup> 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 10 March 2020.

**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 ('OIC Notification').

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 The Branch has applied the following standard and amendments for the first time for their annual reporting commencing 1 January 2019**

TFRS 2 (revised 2018)	Share-based Payment
TFRS 4 (revised 2018)	Insurance Contracts
TFRS 15	Revenue from contracts with customers
TFRIC 22	Foreign Currency Transactions and Advance Consideration

The amendments made to TFRS 2 clarifies;

- The measurement basis for cash-settled share-based payments; and
- The accounting for modifications that change an award from cash-settled to equity-settled.

They also introduce an exception to the classification principles in TFRS 2. Where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority, the whole amount will be treated as if it is equity-settled. Previously the tax portion was accounted for as cash-settled.

TFRS 4 has been amended to provide insurance companies an optional temporary exemption from compliance with TFRS 9 and TFRS 7. The exemption is temporarily effective and not mandatory. Entities who choose to use the exemption must follow the 'financial instruments and disclosure for insurance companies' accounting guidelines as issued by the Federation of Accounting Professions until TFRS 17 becomes effective.

TFRS 15 provides the requirements for the revenue recognition. The 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.

TFRIC 22 clarifies how to determine the date of the transaction for the exchange rate to be used on initial recognition of the related asset, expense or income when an entity pays or receives consideration in advance for foreign currency-denominated contracts.

The Branch has adopted these standards for the current period. The above standards do not have significant impact on the Branch.

#### **3.2 New and amended financial reporting standards that are effective for accounting period beginning on or after 1 January 2020 and have not been early adopted by the Branch.**

##### **3.2.1 Financial instruments**

The new financial reporting standards relate to financial instruments are:

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

These new standards address the classification, measurement and derecognition of financial assets and financial liabilities, impairment of financial assets, hedge accounting, and presentation and disclosure of financial instruments.

**3. Accounting policies (Cont'd)**

**3.2 New and amended financial reporting standards that are effective for accounting period beginning on or after 1 January 2020 and have not been early adopted by the Branch. (Cont'd)**

**3.2.1 Financial instruments (Cont'd)**

On 1 January 2020, the Branch passes criteria of temporary exemption from TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures under TFRS 4 (revised 2018) Insurance Contracts. The Branch is eligible to apply the 'financial instruments and disclosures for insurance companies' accounting guidance' ('The Accounting Guidance'). From the preliminary assessment, the management expects that the Branch will be affected on the following areas.

Impairment

The impairment requirements relating to the accounting for an entity's expected credit losses on its investment in debt securities classified as held-to-maturity investments and available-for-sale investments. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The entity always accounts for expected credit losses which involves a three-stage expected credit loss impairment model. The stage dictates how the entity measures impairment losses and applies the effective interest rate method. In which, the three-stage expected credit loss impairment will be as the following stages:

- Stage 1 - from initial recognition of a financial assets to the date on which the credit risk of the asset has increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months.
- Stage 2 - following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the asset.
- Stage 3 - When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised.

As a consequence, the method of impairment loss calculation will be changed from an incurred loss basis to the expected credit loss impairment calculated by Branch's model with taking effect of forward looking adjustment. The expected credit loss will be recognised in profit or loss.

Transitional impact

On 1 January 2020, the Branch will apply the 'financial instruments and disclosures for insurance companies' accounting guidance'. The transition adjustment will be recognised as an adjustment to the opening balance of retained earnings. From the preliminary assessment, management expects that the material adjustment to the opening balance of retained earnings will affect on the following items:

- Change in method of impairment loss calculation of available-for-sale investments in debt instruments under The Accounting Guideline.

The Branch's management is currently assessing the quantitative impact of the first-time adoption of The Accounting Guideline.

**3. Accounting policies (Cont'd)**

**3.2 New and amended financial reporting standards that are effective for accounting period beginning on or after 1 January 2020 and have not been early adopted by the Branch. (Cont'd)**

**3.2.2 TFRS 16 Leases**

TFRS 16 will result in almost all leases where the Branch is a lessee being recognised on the statement of financial position as the distinction between operating and finance lease is removed. An asset (the right to use the leased item) and financial liability to pay rentals are recognised, with exception on short-term and low-value leases.

On 1 January 2020, the Branch will apply TFRS 16, Leases with modified retrospective approach. From the preliminary impact assessment, the management expects that the Branch will be materially affected by this financial reporting standard from the recognition of assets, right-of-use and lease liabilities under building and land lease agreements, which were previously classified as 'operating lease' under TAS 17, Leases.

The Branch will recognise following items upon adoption of TFRS 16 including;

- liabilities under lease agreements are recognised in accordance with the obligations and discounting to present values with incremental borrowing rates of the lessees and;
- right-of-use assets are recognised equal to the present value of liabilities under the lease agreements and adjusted by any lease prepayments made at or before the commencement date and;
- adjust opening retained earnings of the Branch from the reversal of accrued lease expenses arising from the recognition of the rental expense under a straight-line method over the term of lease agreements.

The Branch's management is currently assessing the quantitative impact of the first-time adoption of TFRS 16, Lease.

**3.2.3 Other new and amended standards**

The new and amended financial reporting standards that are relevant to the Branch are:

TAS 12	Income tax
TAS 19	Employee benefits
TAS 23	Borrowing cost
TFRIC 23	Uncertainty over income tax treatments

TAS 12 clarifies that the income tax consequences of dividends of financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

TAS 19 clarifies accounting for defined benefit plan amendments, curtailments and settlements that the updated assumptions on the date of change are applied to determine current service cost and net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement.

TAS 23 clarifies that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

**3. Accounting policies (Cont'd)**

**3.2 New and amended financial reporting standards that are effective for accounting period beginning on or after 1 January 2020 and have not been early adopted by the Branch. (Cont'd)**

**3.2.3 Other new and amended standards (Cont'd)**

TFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- that the Branch should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored.
- that the Branch should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment.
- That the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

**3.3 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.

**3.4 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.

**3.5 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. Accounting policies (Cont'd)**

**3.6 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.

**3.7 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.

**3.8 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.

**3. Accounting policies (Cont'd)**

**3.8 Investments in securities (Cont'd)**

Investments in debt and equity securities

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

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

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

Impairment of investment

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

**3.9 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)**

**3.10 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.

**3.11 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.

**3.12 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.

**3.13 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.

**3. Accounting policies (Cont'd)**

**3.13 Insurance liabilities (Cont'd)**

**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:

<b>Type of Insurance</b>	<b>Method</b>
- 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.

**3.14 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.

Past-service costs from plan amendment are recognised immediately in profit or loss.

**3.15 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. Accounting policies (Cont'd)**

**3.16 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.

**3.17 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)**

**3.18 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 2019 and 2018 can be separated by type of interest rates as follows:

	Variable interest rate Baht	Fixed interest rate Baht	Non-interest bearing Baht	Total Baht
<b>As at 31 December 2019</b>				
<u>Financial assets</u>				
Cash and cash equivalents	9,934,311	-	172,384	10,106,695
Accrued income on investments	-	-	1,605,258	1,605,258
Investment in securities	-	442,709,218	-	442,709,218
Amount due from related parties	-	-	229,307	229,307
Other assets	-	-	10,000	10,000
<b>Total financial assets</b>	<b>9,934,311</b>	<b>442,709,218</b>	<b>2,016,949</b>	<b>454,660,478</b>
<u>Financial liabilities</u>				
Amount due to related parties	-	-	44,967	44,967
Other liabilities	-	-	143,147	143,147
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>188,114</b>	<b>188,114</b>
	Variable Interest rate Baht	Fixed Interest rate Baht	Non-interest Bearing Baht	Total Baht
<b>As at 31 December 2018</b>				
<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
<b>Total financial assets</b>	<b>8,863,051</b>	<b>416,965,859</b>	<b>2,469,898</b>	<b>428,298,808</b>
<u>Financial liabilities</u>				
Amount due to related parties	-	-	399,533	399,533
Other liabilities	-	-	243,235	243,235
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>642,768</b>	<b>642,768</b>

##### 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. Risk management (Cont'd)**

**4.2 Financial Risk Management (Cont'd)**

**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 11

**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 2019 and 2018 are as follows:

	2019		
	Level 1 Baht	Level 2 Baht	Total Baht
<u>Financial assets that are measured at fair value</u>			
Available-for-sale investments	-	442,709,218	442,709,218
<b>Total</b>	-	442,709,218	442,709,218

**5. Fair value (Cont'd)**

**5.1 Fair value estimation (Cont'd)**

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

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

**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.

**6.6 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**

	<b>2019 Baht</b>	<b>2018 Baht</b>
Deposits held at call with banks	10,106,695	8,902,558
Total cash and cash equivalents	<u>10,106,695</u>	<u>8,902,558</u>

**9. Reinsurance assets**

	<b>2019 Baht</b>	<b>2018 Baht</b>
<u>Reserve of recovery from reinsurers</u>		
Short term insurance contract reserve		
Loss reserve (IBNR)	14,352	17,535
Premium reserve		
- Unearned premium reserve (UPR)	<u>58,171</u>	<u>64,365</u>
Total reinsurance assets	<u>72,523</u>	<u>81,900</u>

**9.1 Loss reserve recovery from reinsurers**

	<b>2019 Baht</b>	<b>2018 Baht</b>
Beginning balance for the year	17,535	21,200
Changes in assumptions for claim reserve recovery	<u>(3,183)</u>	<u>(3,665)</u>
Closing balance at the end of year	<u>14,352</u>	<u>17,535</u>

**9.2 Premium reserve recovery from reinsurers**

	<b>2019 Baht</b>	<b>2018 Baht</b>
Beginning balance for the year	64,365	71,526
Premium ceded for the year	410,592	525,847
Premium ceded recognised as expense for the year	<u>(416,786)</u>	<u>(533,008)</u>
Closing balance at the end of year	<u>58,171</u>	<u>64,365</u>

**10. Amount due from reinsurance**

	<b>2019 Baht</b>	<b>2018 Baht</b>
Due from reinsurers	17,618	-
Total amount due from reinsurance	17,618	-

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

	<b>2019 Baht</b>	<b>2018 Baht</b>
Not over 12 months	17,618	-
Total due from reinsurers	17,618	-

**11. Investments in securities**

**11.1 Investment in securities**

	<b>2019</b>		<b>2018</b>	
	<b>Cost/ amortised cost Baht</b>	<b>Fair value Baht</b>	<b>Cost/ amortised cost Baht</b>	<b>Fair value Baht</b>
<b>Available-for-sale securities</b>				
Government and state enterprise securities	320,261,000	337,876,766	303,873,872	304,277,573
Private enterprise securities	103,098,563	104,832,452	113,312,793	112,688,286
Total	423,359,563	442,709,218	417,186,665	416,965,859
<u>Add</u> Unrealised gains (losses) on the changes in value of investments	19,349,655	-	(220,806)	-
Total available-for-sale securities	442,709,218	442,709,218	416,965,859	416,965,859
<b>Total investments in securities</b>	442,709,218	442,709,218	416,965,859	416,965,859

Investments in securities include debts securities with a fair value of Baht 8.56 million (31 December 2018: with a fair value of Baht 8.55 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.

11. Investments in securities (Cont'd)

11.2 The maturity of debt securities

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

	2019				(unit: Baht)	
	Maturing within (years)				Total	
	1 year	1 - 5 years	Over 5 years			
<u>Available-for-sale</u>						
Government and state enterprise securities	40,082,390	9,019,971	271,158,639	320,261,000	70,011,778	34,316,113
Private enterprise securities	30,098,563	48,000,000	25,000,000	103,098,563	10,042,160	70,270,633
Total	70,180,953	57,019,971	296,158,639	423,359,563	80,053,938	104,586,746
Add Unrealised gains (losses) on the changes in value of investments	225,236	812,471	18,311,948	19,349,655	(14,118)	(133,541)
Total available-for-sale	70,406,189	57,832,442	314,470,587	442,709,218	80,039,820	104,453,205
Total investment in debt securities	70,406,189	57,832,442	314,470,587	442,709,218	80,039,820	104,453,205
					232,472,834	416,965,859

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12. Furniture, fixtures and equipment, net

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

	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, net Baht
Furniture, fixtures and equipment	3,098,917	-	-	3,098,917	3,098,041	724	152
Computers	4,409,769	-	-	4,409,769	4,329,948	47,439	32,382
Total	7,508,686	-	-	7,508,686	7,427,989	48,163	32,534

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13. Intangible assets, net

	2019					
	Cost			Accumulated amortisation		
	Beginning balance Baht	Additions Baht	Disposals/ Write-offs Baht	Ending balance Baht	Beginning balance Baht	Amortisation charge Baht
Computer software	5,775,153	-	-	5,775,153	5,775,121	-
Total	5,775,153	-	-	5,775,153	5,775,121	-
	2018			Accumulated amortisation		
	Cost			Disposals/ Write-offs Baht		
	Beginning balance Baht	Additions Baht	Disposals/ Write-offs Baht	Ending balance Baht	Beginning balance Baht	Amortisation charge Baht
Computer software	5,775,153	-	-	5,775,153	5,775,121	-
Total	5,775,153	-	-	5,775,153	5,775,121	-
				Intangible assets, net Baht		

**14. Other assets, net**

	<b>2019 Baht</b>	<b>2018 Baht</b>
Account receivable from agents, net	-	39,418
Deposits	10,000	10,000
VAT receivable	-	-
Other assets	14,764	126,555
<b>Total</b>	<b>24,764</b>	<b>175,973</b>

**15. Insurance liabilities**

	<b>Insurance liabilities Baht</b>	<b>Liabilities recovered from reinsurance Baht</b>	<b>Net Baht</b>
<b>2019</b>			
Long term insurance contract reserve	-	-	-
Short term insurance contract reserve			
Loss reserve			
- Reported claim	-	-	-
- Claim incurred but not reported	290,207	(14,352)	275,855
Premium reserve			
- Unearned premium reserve	1,163,415	(58,171)	1,105,244
<b>Total</b>	<b>1,453,622</b>	<b>(72,523)</b>	<b>1,381,099</b>
<b>2018</b>			
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	1,287,284	(64,365)	1,222,919
<b>Total</b>	<b>1,664,484</b>	<b>(81,900)</b>	<b>1,582,584</b>

No additional reserve for Unexpired Risk Reserve has been established as the Unexpired Risk Reserve estimated by the Company as at 31 December 2019 of Baht 0.87 million (2018: Baht 0.95 million) is lower than the Unearned Premium Reserve.

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

**15.1 Long term insurance contract reserve**

	2019 Baht	2018 Baht
Beginning balance for the year	-	6,171
Change in reserve	-	(3,914)
Insurance claim incurred during the year	-	-
Changes in claim reserve from change in assumption during the year	-	(2,257)
Insurance claim paid during the year	-	-
Closing balance at the end of year	-	-

**15.2 Short term insurance contract reserve**

**15.2.1 Loss reserve**

	2019 Baht	2018 Baht
Beginning balance for the year	377,200	551,922
Insurance claim incurred during the year	2,181,350	1,444,362
Changes in claim reserve from change in assumption during the year	(64,493)	(72,222)
Insurance claim paid during the year	(2,203,850)	(1,546,862)
Closing balance at the end of year	290,207	377,200

**15.2.2 Aging analysis of loss reserve's repayment**

	2019 Baht	2018 Baht
Loss reserve repayment within 1 year	290,207	377,200
Total loss reserve's repayment	290,207	377,200

**15.2.3 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%	1,451	29,021	(27,570)	(27,570)
Estimated loss ratio	Decrease by 10%	(1,451)	(29,021)	27,570	27,570



15. Insurance liabilities (Cont'd)

15.2 Short term insurance contract reserve (Cont'd)

15.2.4 Claim development table before reinsurance

Incident Year / Reported Year	2015 Baht	2016 Baht	2017 Baht	2018 Baht	2019 Baht	Total Baht
Estimated claim :						
- At the end of the year	3,588,030	2,422,203	1,787,928	1,363,315	1,214,791	10,376,267
- After 1 year	4,026,829	2,623,489	1,805,372	1,439,148		9,894,838
- After 2 year	4,026,829	2,623,489	1,807,636			8,457,954
- After 3 year	4,026,829	2,623,489				6,650,318
- After 4 year	4,026,829					4,026,829
Absolute estimated claim	4,026,829	2,623,489	1,807,636	1,472,995	1,316,510	11,247,459
Cumulative claim paid	4,026,829	2,623,489	1,807,636	1,439,148	1,214,791	11,111,893

As at 31 December 2019, 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.

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

**15.2 Short term insurance contract reserve (Cont'd)**

**15.2.5 Unearned premium reserve**

	<b>2019 Baht</b>	<b>2018 Baht</b>
Beginning balance for the year	1,287,284	1,430,529
Premium written for the year	8,517,283	10,322,733
Premium earned in the year	(8,641,152)	(10,465,978)
Closing balance at the end of year	<u>1,163,415</u>	<u>1,287,284</u>

**16. Amount due to reinsurance**

	<b>2019 Baht</b>	<b>2018 Baht</b>
Reinsurance payable	79,917	89,210
Total amount due to reinsurance	<u>79,917</u>	<u>89,210</u>

**17. Employee benefit obligations**

	<b>2019 Baht</b>	<b>2018 Baht</b>
Short-term employee benefits	447,825	462,216
Long-term employee benefits	4,180,754	3,090,092
	<u>4,628,579</u>	<u>3,552,308</u>

**17.1 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:

	<b>2019 Baht</b>	<b>2018 Baht</b>
Present value of employee benefits obligations	4,180,754	3,090,092
	<u>4,180,754</u>	<u>3,090,092</u>

The amounts recognised in profit or loss are as follows:

	<b>2019 Baht</b>	<b>2018 Baht</b>
Current service cost	280,916	221,984
Interest on obligation	96,990	65,600
Recognition of past service cost	197,721	-
	<u>575,627</u>	<u>287,584</u>

17. Employee benefit obligations (Cont'd)

17.1 Long-term employee benefits (Cont'd)

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

	2019 Baht	2018 Baht
Beginning of the year	3,090,092	2,334,960
Current service cost	280,916	221,984
Interest on obligation	96,990	65,600
Recognition of past service cost	197,721	-
Remeasurements of long-term employee benefits	515,035	467,548
Less benefits paid	-	-
Ending of the year	4,180,754	3,090,092

Principal actuarial assumptions as at 31 December as follows:

	2019	2018
Discount rate as at 31 December	1.50% - 2.00%	2.75% - 3.50%
Future salary increases	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	0.25%	Decrease by 4%	Increase by 4%
Salary growth rate	0.25%	Increase by 2%	Decrease by 2%

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 17 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 2019				
Retirement benefits	-	97,702	5,882,734	5,980,436
Total	-	97,702	5,882,734	5,980,436
At 31 December 2018				
Retirement benefits	-	44,875	5,390,976	5,435,851
Total	-	44,875	5,390,976	5,435,851

**17. Employee benefit obligations (Cont'd)**

**17.2 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 2019, Baht 270,886 (2018: Baht 231,789) has been contributed to the fund by the Branch. The amount reflects in the statement of comprehensive income.

**18. Deferred tax liabilities**

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

	<b>2019 Baht</b>	<b>2018 Baht</b>
At 1 January	-	(20,735)
Tax charged to profit or loss (Note 23)	-	-
Tax credit (charged) directly to Head Office	(3,869,931)	20,735
At 31 December	(3,869,931)	-

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

	<b>Net deferred tax asset/ (liability) at 1 January Baht</b>	<b>Credited/ (charged) to profit or loss Baht</b>	<b>Credited/ (charged) to Head Office's Equity Baht</b>	<b>Net deferred tax asset/ (liability) at 31 December Baht</b>
<b>For the year ended 2019</b>				
Unrealised gains (losses) on the changes in value of investments	-	-	(3,869,931)	(3,869,931)
Total	-	-	(3,869,931)	(3,869,931)
<b>For the year ended 2018</b>				
Unrealised gains (losses) on the changes in value of investments	(20,735)	-	20,735	-
Total	(20,735)	-	20,735	-

As at 31 December 2019, the Branch had unrecognised deferred tax assets in amount of Baht 0.93 million.

**19. Other liabilities**

	<b>2019 Baht</b>	<b>2018 Baht</b>
Accrued expenses	304,470	277,771
Other payables	4,346,562	4,876,604
Sundry liabilities	89,327	15,742
Unpresented cheque payable	52,519	73,316
Account payable for agents	90,628	169,919
Withholding tax payable and VAT payable	116,639	33,385
Others	16,565	7,805
<b>Total</b>	<b>5,016,710</b>	<b>5,454,542</b>

**20. 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.

**21. Operating expense**

	<b>2019 Baht</b>	<b>2018 Baht</b>
Staff expenses	1,007,249	311,798
Premises and equipment expense	215,061	290,316
Tax and duties	33,221	18,814
Service fees	1,316,094	4,899,169
Other operating expenses	449,555	855,330
<b>Total</b>	<b>3,021,180</b>	<b>6,375,427</b>

**22. Employee benefit expenses**

	<b>2019 Baht</b>	<b>2018 Baht</b>
Salary, overtime and bonus	3,118,370	2,804,014
Provident fund	270,886	231,789
Social security fund	27,950	27,597
Contribution to long-term employee benefits	575,626	287,584
Other employee benefit expenses	189,897	45,505
<b>Total</b>	<b>4,182,729</b>	<b>3,396,489</b>

**23. Income tax expense**

	<b>2019 Baht</b>	<b>2018 Baht</b>
<b>Income tax expense</b>		
Current income tax on profits for the year	1,764,358	1,043,681
Deferred income tax on temporary differences (Note 18)	-	-
<b>Total income tax expense</b>	<b>1,764,358</b>	<b>1,043,681</b>

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:

	<b>2019 Baht</b>	<b>2018 Baht</b>
Profit before tax	8,179,253	5,394,047
Tax calculated at a tax rate of 20% (2018: 20%)	1,635,851	1,078,809
<b>Tax effect of:</b>		
Expenses not deductible for tax purpose	23,511	53,443
Unrecognised deferred tax assets	104,996	(88,571)
<b>Income tax expense</b>	<b>1,764,358</b>	<b>1,043,681</b>

**24. Tax effect from other comprehensive income**

	<b>2019</b>			<b>2018</b>		
	<b>Before tax Baht</b>	<b>Tax benefit (expense) Baht</b>	<b>Net of tax Baht</b>	<b>Before tax Baht</b>	<b>Tax benefit (expense) Baht</b>	<b>Net of tax Baht</b>
Unrealised gains (losses) from available-for-sale securities	19,570,461	(3,869,931)	15,700,530	(324,479)	20,735	(303,744)
Remeasurements of post-employment benefit obligations	(515,035)	-	(515,035)	(467,548)	-	(467,548)
<b>Total</b>	<b>19,055,426</b>	<b>(3,869,931)</b>	<b>15,185,495</b>	<b>(792,027)</b>	<b>20,735</b>	<b>(771,292)</b>

**25. 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.

**25. 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**

	<b>2019 Baht</b>	<b>2018 Baht</b>
<b>Affiliated companies</b>		
<u>Operating expenses</u>		
Information system service and other expenses	267,984	492,660
Rental and utilities expenses	337,904	349,965
Service fees	1,003,667	4,490,577

**b) Statements of financial position**

	<b>2019 Baht</b>	<b>2018 Baht</b>
<b>Affiliated companies</b>		
Amounts due from related parties	229,307	397,670
<b>Head Office and affiliated companies</b>		
Amounts due to related parties	44,967	399,533

**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.

**26. Commitments**

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

	<b>2019 Baht</b>	<b>2018 Baht</b>
Within 1 year	251,280	371,074
Later than 1 year but not over than 5 years	35,488	284,247
<b>Total</b>	<b>286,768</b>	<b>655,321</b>