

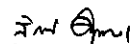
Information Disclosure Allianz Ayudhya Assurance Public Company Limited

The Company has cautiously reviewed the disclosed information and has verified that the information is completed, accurate and is not misleading or lack of essence .

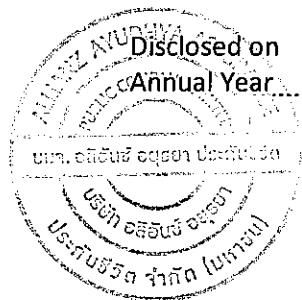
This is to certify the accuracy of all disclosed information reported by the Company.



Sign _____
Name Mr. Bryan James Smith
Position Director



Sign _____
Name Mr. Titiwut Soukpornchaikul
Position Director



Disclosed on 29 May 2019
Annual Year 2018

1.1 The Company's History

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ALLIANZ AYUDHYA ASSURANCE PUBLIC COMPANY LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2018



Independent Auditor's Report

To the Shareholders of Allianz Ayudhya Assurance Public Company Limited

My opinion

In my opinion, the financial statements of Allianz Ayudhya Assurance Public Company Limited (the Company) present fairly, in all material respects, the financial position of the Company as at 31 December 2018, 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 Company's financial statements comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in 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 Company 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 management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, and for such internal control as management 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, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company'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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Company'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 Company 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 audit committee and 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 blue ink, appearing to read 'A. Leekitwattana', with a long horizontal line extending to the right.

Anothai Leekitwattana

Certified Public Accountant (Thailand) No. 3442

Bangkok

14 February 2019

Allianz Ayudhya Assurance Public Company Limited
Statement of Financial Position
As at 31 December 2018

			(Reclassified)	(Reclassified)
		31 December	31 December	1 January
		2018	2017	2017
		Thousand	Thousand	Thousand
	Notes	Baht	Baht	Baht
Assets				
Cash and cash equivalents	8,9,33	5,916,023	5,178,742	11,173,402
Premium due and uncollected net	8,10	1,834,464	1,636,966	1,703,623
Accrued investment income		3,325,727	2,758,776	2,516,878
Reinsurance receivables	11,33	410,098	313,049	380,779
Investment receivables		42,695	9,748	144,115
Derivative assets	5,12	454,869	217,921	5,840
Investments assets				
Investments in securities net	13,33,34	167,110,712	158,718,869	136,613,181
Loans net	14	8,266,485	7,871,797	7,581,866
Investment assets held to cover linked liabilities	8,15	303,126	99,007	2,300
Premises and equipment net	16	573,693	603,429	590,676
Intangible assets net	17	604,073	283,027	174,769
Other assets	19,33	282,280	218,847	208,106
Total assets		189,124,245	177,910,178	161,095,535

..... Directors

The notes on pages 10 to 73 form an integral part of these financial statements.

Allianz Ayudhya Assurance Public Company Limited
Statement of Financial Position (Cont'd)
As at 31 December 2018

		(Reclassified)	(Reclassified)
	31 December	31 December	1 January
	2018	2017	2017
	Thousand	Thousand	Thousand
Notes	Baht	Baht	Baht
Liabilities and equity			
Liabilities			
Insurance contract liabilities	8,20	165,966,837	152,192,205
Investment contract liabilities	8,21	3,478,037	3,866,978
Amount due to reinsurers	22,33	528,717	525,926
Investment payables		445,901	541,065
Derivative liabilities	12	113,680	33,494
Income tax payable		386,269	184,890
Accrued expenses	8,24,33	2,015,660	1,836,009
Employee benefits obligation	8,23	486,183	434,482
Provisions		106,378	195,971
Deferred tax liabilities	18	485,738	1,241,549
Other liabilities	25	589,108	463,580
Total liabilities		174,602,508	161,516,149
Equity			
Share capital			
Authorised share capital			
400,000,000 ordinary shares of 10 Baht each		4,000,000	4,000,000
Issued and paid-up share capital			
295,000,000 ordinary shares of 10 Baht each		2,950,000	2,950,000
Retained earnings			
Appropriated			
Legal reserve	26	400,000	400,000
Unappropriated		7,335,792	6,253,505
Other component of equity		3,835,945	6,790,524
Total equity		14,521,737	16,394,029
Total liabilities and equity		189,124,245	177,910,178

The notes on pages 10 to 73 form an integral part of these financial statements.

Allianz Ayudhya Assurance Public Company Limited
Statement of Comprehensive Income
For the year ended 31 December 2018

		(Reclassified)	
		2018	2017
		Thousand	Thousand
	Notes	Baht	Baht
Revenues			
Gross written premiums	33	32,624,654	32,002,390
<u>Less</u> premiums ceded	33	<u>(773,926)</u>	<u>(663,730)</u>
Net written premiums		31,850,728	31,338,660
<u>Less</u> unearned premium reserve increased from previous year		<u>(278,554)</u>	<u>(127,855)</u>
Net premium earned after reinsurance		31,572,174	31,210,805
Fee and commission income	33	154,930	152,931
Net investment income	8,28,33	6,792,687	6,365,792
Gains on investment		608,199	229,576
Losses on fair value		(45,199)	(18,077)
Other income	8	<u>48,621</u>	<u>60,765</u>
Total revenues		<u>39,131,412</u>	<u>38,001,792</u>
Expenses			
Long-term technical reserve increased from previous year		12,569,819	13,106,578
Benefits payments and insurance claims expenses	33	16,122,594	15,504,301
<u>Less</u> benefits and claim paid recovery from reinsurers	33	<u>(381,346)</u>	<u>(290,818)</u>
Net benefits payment and insurance claims expenses		15,741,248	15,213,483
Commissions and brokerages	33	3,546,255	3,603,884
Other underwriting expenses	8	1,683,661	1,432,191
Operating expenses	8,29,30,33	2,408,077	2,627,668
Other expenses	8	<u>121</u>	<u>9,750</u>
Total expenses		<u>35,949,181</u>	<u>35,993,554</u>
Profit before income tax		3,182,231	2,008,238
Income tax	31	<u>665,159</u>	<u>363,791</u>
Net income		<u>2,517,072</u>	<u>1,644,447</u>

The notes on pages 10 to 73 form an integral part of these financial statements.

Allianz Ayudhya Assurance Public Company Limited
Statement of Comprehensive Income (Cont'd)
For the year ended 31 December 2018

	Notes	(Reclassified)	
		2018 Thousand Baht	2017 Thousand Baht
Other comprehensive incomes (losses)			
Items that will not be reclassified subsequently to profit or loss			
Losses on remeasurements of post-employment benefit obligations		(8,731)	(7,937)
Income tax on item that will not be reclassified subsequently to profit or loss		1,746	1,587
Total items that will not be reclassified subsequently to profit or loss		<u>(6,985)</u>	<u>(6,350)</u>
Items that will be reclassified subsequently to profit or loss			
Change in fair value of available-for-sale investments		(3,259,556)	3,871,576
Change in fair value of cash flow hedges		186,471	24,654
Items in other comprehensive income transferred to profit or loss		(655,973)	(250,372)
Income tax on items that will be reclassified subsequently to profit or loss		774,479	(759,958)
Total items that will be reclassified subsequently to profit or loss		<u>(2,954,579)</u>	<u>2,885,900</u>
Other comprehensive income (loss) for the year, net of income tax	31	<u>(2,961,564)</u>	<u>2,879,550</u>
Total comprehensive income (loss) for the year		<u><u>(444,492)</u></u>	<u><u>4,523,997</u></u>
Basic earning per share (Baht)	32	<u><u>8.53</u></u>	<u><u>5.57</u></u>

The notes on pages 10 to 73 form an integral part of these financial statements.

Allianz Ayudhya Assurance Public Company Limited
Statement of Changes in Equity
For the year ended 31 December 2018

	Retained earnings			Other components of equity			Total equity Thousand Baht
	Issued and paid-up share capital Thousand Baht	Legal reserve Thousand Baht	Unappropriated Thousand Baht	Change in fair value of available-for-sale investments Thousand Baht	Change in fair value of cash flow hedges Thousand Baht	Total other components of equity Thousand Baht	
Balance as at 1 January 2017	2,950,000	400,000	6,538,808	3,889,352	15,272	3,904,624	13,793,432
Transaction with shareholders, recorded directly in equity							
Distributions to shareholders of the Company							
Dividends to shareholders of the Company (note 27)	-	-	(1,923,400)	-	-	-	(1,923,400)
Total transaction with shareholders, recorded directly in equity	-	-	(1,923,400)	-	-	-	(1,923,400)
Comprehensive income (loss) for the year							
Net profit	-	-	1,644,447	-	-	-	1,644,447
Other comprehensive income (loss)							
Change in fair value of cash flow hedges	-	-	-	-	(11,063)	(11,063)	(11,063)
Change in fair value of available-for-sale investments	-	-	-	3,097,261	-	3,097,261	3,097,261
Items in other comprehensive income transferred to profit or loss	-	-	-	(200,298)	-	(200,298)	(200,298)
Losses from remeasurements of post-employment benefit obligations	-	-	(6,350)	-	-	-	(6,350)
Total comprehensive income (loss) for the year	-	-	1,638,097	2,896,963	(11,063)	2,885,900	4,523,997
Balance as at 31 December 2017	<u>2,950,000</u>	<u>400,000</u>	<u>6,253,505</u>	<u>6,786,315</u>	<u>4,209</u>	<u>6,790,524</u>	<u>16,394,029</u>

The notes on pages 10 to 73 form an integral part of these financial statements.

Allianz Ayudhya Assurance Public Company Limited
Statement of Changes in Equity (Cont'd)
For the year ended 31 December 2018

	Retained earnings			Other components of equity			Total equity Thousand Baht
	Issued and paid-up share capital Thousand Baht	Legal reserve Thousand Baht	Unappropriated Thousand Baht	Change in fair value of available-for-sale investments Thousand Baht	Change in fair value of cash flow hedges Thousand Baht	Total other components of equity Thousand Baht	
Balance as at 1 January 2018	2,950,000	400,000	6,253,505	6,786,315	4,209	6,790,524	16,394,029
Transaction with shareholders, recorded directly in equity							
Distributions to shareholders of the Company							
Dividends to shareholders of the Company (note 27)	-	-	(1,427,800)	-	-	-	(1,427,800)
Total transaction with shareholders, recorded directly in equity	-	-	(1,427,800)	-	-	-	(1,427,800)
Comprehensive income (loss) for the year							
Net profit	-	-	2,517,072	-	-	-	2,517,072
Other comprehensive income (loss)							
Change in fair value of cash flow hedges	-	-	-	-	177,844	177,844	177,844
Change in fair value of available-for-sale investments	-	-	-	(2,607,645)	-	(2,607,645)	(2,607,645)
Items in other comprehensive income transferred to profit or loss	-	-	-	(524,778)	-	(524,778)	(524,778)
Losses from remeasurements of post-employment benefit obligations	-	-	(6,985)	-	-	-	(6,985)
Total comprehensive income (loss) for the year	-	-	2,510,087	(3,132,423)	177,844	(2,954,579)	(444,492)
Balance as at 31 December 2018	<u>2,950,000</u>	<u>400,000</u>	<u>7,335,792</u>	<u>3,653,892</u>	<u>182,053</u>	<u>3,835,945</u>	<u>14,521,737</u>

The notes on pages 10 to 73 form an integral part of these financial statements.

Allianz Ayudhya Assurance Public Company Limited
Statement of Cash Flows
For the year ended 31 December 2018

		2018	(Reclassified) 2017
	Notes	Thousand Baht	Thousand Baht
Cash flows from operating activities			
Premiums written	8	32,313,104	31,756,017
Cash paid relating to reinsurance		(331,909)	(266,440)
Interest received		5,684,436	5,677,958
Dividends received		817,363	588,208
Other income		49,908	60,868
Benefits payments and insurance claims expenses		(15,739,588)	(14,714,163)
Commissions and brokerages		(3,513,194)	(3,489,687)
Other underwriting expenses	8	(1,683,660)	(1,432,191)
Operating expenses	8	(2,021,249)	(2,079,746)
Income tax paid		(443,366)	(376,475)
Cash received from selling and redeeming investments in securities	8	22,573,891	3,306,915
Cash paid for purchasing investments in securities	8	(34,656,380)	(22,465,564)
Cash received from loans	8	7,946	5,708
Cash paid from loans	8	(463,587)	(404,018)
Deposits	8	1,367	332
Net cash flow provided from (used in) operating activities		<u>2,595,082</u>	<u>(3,832,278)</u>
Cash flows from investing activities			
Cash flows used			
Cash paid for purchasing premises and equipment		(45,613)	(90,712)
Cash paid for purchasing intangible assets		(384,388)	(148,270)
Net cash flow used in investing activities		<u>(430,001)</u>	<u>(238,982)</u>
Cash flows from financing activities			
Cash flows used			
Dividends paid to shareholders of the Company	27	(1,427,800)	(1,923,400)
Net cash flow used in financing activities		<u>(1,427,800)</u>	<u>(1,923,400)</u>
Net increase (decrease) in cash and cash equivalents	8	737,281	(5,994,660)
Cash and cash equivalents as at 1 January		5,178,742	11,173,402
Cash and cash equivalents as at 31 December	9	<u>5,916,023</u>	<u>5,178,742</u>
Supplemental cash flows information			
Non-cash items			
Receivables from sold investments		42,695	144,115
Payables from bought investments		445,901	1,296,680

The notes on pages 10 to 73 form an integral part of these financial statements.

1 General information

Allianz Ayudhya Assurance Public Company Limited, ("the Company"), was first incorporated in Thailand under the name of Sri Ayudhya Life Assurance Company Limited on 11 April 1951 and the Company was granted its license to operate as a life insurance company on 20 April 1951.

Its registered office is located at Ploenchit Tower, 1st floor Zone B, 2nd floor Zone B (Mezzanine), 5th floor Zone B, 6th floor, 14th floor and 17th floor, 898 Ploenchit Road, Lumpini, Pathumwan, Bangkok.

The immediate and ultimate parent companies during the financial period were CPRN (Thailand) Limited and Allianz SE, respectively. The immediate parent company was incorporated in Thailand and the ultimate parent company was incorporated in Germany.

The principal business of the Company is the provision of life insurance business.

The financial statements have been approved by the Board of Directors on 14 February 2019.

2 Basis of preparation

These financial statements are prepared in accordance with Thai Generally Accepted Accounting Principles under the Accounting Act B.E. 2543, being those Thai 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 life insurance financial statements attached in an Office of Insurance Commission's notification "Principle, methodology, condition and timing for preparation, submission and reporting of financial statements and operation performance for life insurance company 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 Company'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 statements has been prepared from the 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 financial statements shall prevail.

3 Accounting policies

The principal accounting policies applied in the preparation of this financial statements are set below :

3.1 New financial reporting standards, revised financial reporting standards, and related interpretations

3.1.1 Revised financial reporting standards are effective on or after 1 January 2018 which have significant changes and are relevant to the Company

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

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

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

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

The Company's management has adopted the revised standards and considered that the above revised standards do not have a material impact on the Company.

3.1.2 New financial reporting standard is effective for annual periods beginning on or after 1 January 2019 which is relevant to the Company. The Company has not early adopted this standard.

TFRS 15	Revenue from contracts with customers
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TFRS 15 will replace the following standards and interpretations:

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TFRIC 13 (revised 2017)	Customer Loyalty Programs
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services

3 Accounting policies (Cont'd)

3.1.2 New financial reporting standard is effective for annual periods beginning on or after 1 January 2019 which is relevant to the Company. The Company has not early adopted this standard. (Cont'd)

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

An entity recognizes revenue in accordance with that core principle by applying the following steps:

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

Key changes to current practice are:

- Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements
- Revenue may be recognized earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) - minimum amounts must be recognized if they are not at significant risk of reversal
- The point at which revenue is able to be recognized may shift: some revenue which is currently recognized at a point in time at the end of a contract may have to be recognized over the contract term and vice versa
- There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements
- As with any new standard, there are also increased disclosures.

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

The Company's management is currently assessing the impact of initial adoption of this standard. The company will first apply this standard for annual reporting periods beginning on or after 1 January 2019.

3 Accounting policies (Cont'd)

3.1.3 Revised financial reporting standard will become effect for annual periods beginning on or after 1 January 2019 and are relevant to the Company. The Company has not yet adopt this standard.

TFRS 2 (revised 2018)	Share-based Payment
TFRS 4 (revised 2018)	Insurance Contracts
TFRIC 22	Foreign Currency Transactions and Advance Consideration

TFRS 2, the amendments clarify;

- The measurement basis for cash-settled share-based payments, vesting conditions, other than market conditions, shall not be taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, vesting conditions, other than market conditions, shall be taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction.
- 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 award will be treated as if it was equity-settled provided it would have been equity-settled without the net settlement feature, and
- The accounting for modifications that change an award from cash-settled to equity-settled.

TFRS 4 has been amended to provide insurance companies an optional 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 to be issued by the Federation of Accounting Professions (upon announcement) until TFRS 17 becomes effective.

The TFRIC 22 interpretation provides guidance for determining the exchange rate to be used on the initial recognition of a related asset, expense or income where an entity pays or receives an advance consideration in a foreign currency. The interpretation requires an entity to use the exchange rate at the date on which an entity recognizes the non-monetary assets, such as prepayments and advances, or non-monetary liability, such as deferred income arising from the advance consideration. If there are multiple advance payments or receipts of payments, the exchange rate is to be used on the date when each non-monetary asset or liability is recognized.

The Company's management is currently assessing the impact from application of these standards in details.

3 Accounting policies (Cont'd)

3.1.4 The group of financial reporting standards relating to financial instruments are effective for annual periods beginning on or after 1 January 2020 which are relevant to the Company. The Company has not yet adopted those standards.

The Group of financial instruments reporting standards consist of the following standards:

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

The above new standards will supersede the following standards:

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

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

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

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

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

3 Accounting policies (Cont'd)

3.1.4 The group of financial reporting standards relating to financial instruments are effective for annual periods beginning on or after 1 January 2020 which are relevant to the Company. The Company has not yet adopted those standards. (Cont'd)

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

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

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

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

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

3 Accounting policies (Cont'd)

3.2 Foreign currency translation

- (a) The currency used in the operation and the currency used to present the financial statements.

Items included in the company's financial statements are measured using the currency of the primary economic environment in which the company operates. (Currency used in operations) Financial statements are shown in Thai Baht, which is the currency used in the operation and the currency used to present the financial statements of the company.

All financial information presented in Thai Baht has been rounded in the notes to the financial statement to the nearest thousand unless otherwise stated.

- (b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

Foreign currency differences are generally recognized in profit or loss. However, foreign currency differences arising from the translation of available-for-sale equity investments are recognized in other comprehensive income (except on impairment in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to profit or loss)

3.3 Cash and cash equivalents

Cash and cash equivalents comprise of cash balances, call deposits and highly liquid short-term investments (fixed deposits at banks, investments in notes and bonds) with maturities of 3 months or less from the date of acquisition and not subject to withdrawal restrictions.

3.4 Premium due and uncollected and allowance for doubtful accounts

Premiums due and uncollected are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

3.5 Investments in securities

Investments in debt and equity securities

Debt securities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated at amortized cost, less any impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortized using the effective interest rate method over the period to maturity.

3 Accounting policies (Cont'd)

3.5 Investments in securities (Cont'd)

Investments in debt and equity securities (Cont'd)

Debt securities and marketable equity securities, other than those securities intended to be held to maturity, are classified as available-for-sale investments or held for trading. Available-for-sale investments are, subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognized directly in equity. Impairment losses and foreign exchange differences are recognized in profit or loss. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognized in profit or loss.

Marketable equity securities with readily determinable market values that are acquired with the intent to hold for a short period of time in order to take advantage of anticipated changes in market values are classified as trading investments and carried at fair value. Unrealized gains and losses from changes in their fair value, and gains and losses on disposal of investments are recognized as gains or losses.

The fair value of marketable equity securities is based on the latest bid price on the last business day of the reporting date.

Equity securities which are not marketable are stated at cost less any impairment losses.

Recognition

Purchases and sales of investments are initially recognized on trade date which is the date that the Company commits to purchase or sell the investments.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognized in profit or loss.

If the Company disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

Impairment of investment

A test for 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.

3.6 Derivative financial instruments

Derivative financial instruments are used to manage cash flow exposure risk arising from investment activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, they are remeasured at fair value. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

3 Accounting policies (Cont'd)

3.6 Derivative financial instruments (Cont'd)

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative financial instrument is recognized in other comprehensive income and presented in change in fair value of cash flow hedges in other components of equity. Any ineffective portion is recognized immediately in profit or loss.

When a hedged transaction occurs and results in the recognition of a financial asset or financial liability, the gain or loss recognized in other comprehensive income does not adjust the initial carrying amount of the asset or liability but remains in equity and is reclassified from equity to profit or loss consistently with the recognition of gains and losses on the asset or liability as a reclassification adjustment.

At the inception of the hedge, the Company documents the relationship between hedged items and hedging instruments, as well as their risk management objective. The Company also assesses the hedge effectiveness in offsetting changes in fair values or cash flows of hedged items on an ongoing basis both at the hedge inception and every financial reporting date.

3.7 Loans

Loans are stated at their principal less allowance for doubtful accounts.

The Company estimates the allowance by taking the difference between principal on loans which are overdue for more than 6 months and the valuation of collateral held.

Bad debts will be written off only when there is a possibility that no repayment will be received.

3.8 Investment assets held to cover linked liabilities

Investment assets held to cover linked liabilities are marketable equity securities under unit-linked insurance contracts as the policy benefits are directly linked to the value of the investment in securities. They are stated at fair value using the latest bid price on the last business day of the reporting date.

3.9 Premises and equipment

Land is measured at cost. Buildings and equipment are measured at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs.

When parts of an item of premises and equipment have different useful lives, they are accounted for as separate items (major components) of premises and equipment.

3 Accounting policies (Cont'd)

3.9 Premises and equipment (Cont'd)

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of premises and equipment. The estimated useful lives are as follows:

Buildings	20 years
Computer	3 - 5 years
Office equipment, furniture and fitting	5 years
Vehicles	5 years

The company does not calculate depreciation for land and assets under construction.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

3.10 Intangible assets

3.10.1 Computer software

Computer software that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

Amortization is based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life are as follows:

Computer software	5 - 10 years
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No amortization is provided on computer software under installment.

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3 Accounting policies (Cont'd)

3.10 Intangible assets (Cont'd)

3.10.2 Right to utilise benefits

The right to utilise benefits in accordance with agreement is presented as intangible assets and recognized at cost incurred to acquire the right. The right is amortized over its estimated useful life within the utilization period of 3 years.

3.11 Impairment

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognized in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognized directly in equity is recognized in profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

Calculation of recoverable amount

The recoverable amount of held-to-maturity securities carried at amortized cost is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate.

The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized in profit or loss. For financial assets carried at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized in other comprehensive income.

3 Accounting policies (Cont'd)

3.11 Impairment (Cont'd)

Reversals of impairment (Cont'd)

Impairment losses recognized in prior periods in respect of non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.12 Leases - where the Company is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the year of the lease.

3.13 Insurance and investment contract

3.13.1 Classification of contracts

The Company issues life insurance contracts that transfer insurance risk. These are classified as insurance contracts.

Insurance contracts are those contracts under which the Company accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event adversely affects the policyholder or other beneficiary. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

The Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least significant level more than the benefits payable if the insured event did not occur.

Contracts with discretionary participation features ("DPF") that transfer insurance risk, but not significant insurance risk are termed investment contracts. A DPF is a contractual right (held by a policyholder) to receive, as a supplement to guaranteed minimum benefits, additional benefits that are likely to be a significant portion of the total contractual benefits, whose amount or timing is contractually at the Company's discretion and are contractually based on:

- (1) The performance of a specified pool of contracts or a specified type of contract;
- (2) Realised and/or unrealised investment returns on a specified pool of assets held by the issuing entity; or
- (3) The profit or loss of the issuing entity.

3 Accounting policies (Cont'd)

3.13 Insurance and investment contract (Cont'd)

3.13.1 Classification of contracts (Cont'd)

The accounting basis and disclosure for investment contracts with DPF are consistent with those for insurance contracts.

The deposit component of an insurance contract is unbundled when both of the following conditions are met:

- (1) The deposit component (including any embedded surrender option) can be measured separately (i.e. without taking into account the insurance component); and
- (2) The Company's accounting policies do not otherwise require the recognition of all obligations and rights arising from the deposit component.

3.13.2 Long term and short term insurance contracts

Long term insurance contracts are insurance contracts which the term of contract is more than 1 year or the contract which have automatic approve of renewal which the Company cannot terminate and cannot increase or decrease premium, including changes in other benefit throughout the contract term.

Short term insurance contracts are insurance contracts which do not have terms and conditions as long term insurance contracts.

The mentioned classification of long term and short term insurance contracts is in consistent with approach for Risk-Based Capital report.

3.13.3 Measurement of insurance contracts and investment contracts with DPF

a) Long-term technical reserves

Benefit Reserve

A provision for contractual benefits and claims that are expected to be incurred in the future for inforce business is recorded when the premiums are recognized and is released when benefit and claims are incurred. The technical provision for future contractual benefits is calculated by corporate actuary of the Company using actuarial method "Net Premium Valuation" and actuarial assumptions set since product pricing. If the actual experience has significantly deviated from the set of 'locked-in' assumptions, corporate actuary has the authority to propose changing the assumptions used in the Net Premium Valuation (NPV) method, as long as justifications are given.

Due to the low interest rate environment in Thailand over the past few years, the Company has unlocked the valuation interest rate assumption for majority of its Non-Par business since 2012 to strengthen the statutory reserve. The approach adopted by the company is to reduce the reserving interest rate for Non-Par business by 25bps p.a. until year 2019, unless otherwise proposed and signed-off by the chief actuary and CFO. The gap between reserving interest rate assumption and current interest rate is monitored closely and the chief actuary may propose to reduce the reserving interest rate for Non-Par business higher than the schedule of 25bps p.a. in a particular financial year if the gap between reserving interest rate and current interest rate has widened.

3 Accounting policies (Cont'd)

3.13 Insurance and investment contract (Cont'd)

3.13.3 Measurement of insurance contracts and investment contracts with DPF (Cont'd)

a) Long-term technical reserves (Cont'd)

Benefit Reserve (Cont'd)

In respect of unit-linked contracts, the unit reserves are calculated as the value of the underlying assets backing the units relating to the policies and the non-unit reserves are calculated using Net Premium Valuation method.

Expense Reserve

The company holds expense reserve for products launched since 2005, calculated based on the best estimated expense assumption at the time of product pricing.

Other Reserves

In respect of participating policies (except Enhanced Par policies), the company holds:

- (1) 1-year dividend reserve to pay for the cash dividend which will incur during the next 12 months, calculated using the latest dividend crediting rate declared by the company.
- (2) Terminal dividend fund to pay for the expected future non-guaranteed terminal dividend at policy maturity date, calculated based on the dividend crediting rate declared by the company.
- (3) Investment smoothing reserve, to smooth historical realized investment gains/losses over 48 months.

For Enhanced Par policies, the provision for non-guaranteed dividends is implicit in the Benefit reserve. Benefit reserve for each policy is calculated based on Net Premium Valuation Method and floored at the policy's account value. The expected future terminal dividend for each Enhanced Par policy will be determined based on the growth of each policy's account value.

In respect of unit-linked contracts, the unit reserves are calculated as the value of the underlying assets backing the units relating to the policies and the non-unit reserves are calculated using Net Premium Valuation method.

b) Short-term insurance contracts

Loss reserves and outstanding claims

A provision for loss reserves and outstanding claims is made for the estimated cost of all claims notified but not settled at the reporting date. Provision is also made for the cost of claims incurred, but not reported, as at the reporting date based on the Company's experience and historical data. Differences between the provision for outstanding claims and subsequent revisions and settlements are included in profit or loss in later years.

3 Accounting policies (Cont'd)

3.13 Insurance and investment contract (Cont'd)

3.13.3 Measurement of insurance contracts and investment contracts with DPF (Cont'd)

b) Short-term insurance contracts (Cont'd)

Premium reserve

The premium reserves comprises of the unearned premium reserve and unexpired risk reserve as follows:

Premium liabilities: Unearned premium reserves

The unearned premium reserve for group insurance, short-term riders and short-term insurance which are calculated based on a pro-rata basis of the premium based on the remaining duration of each policy.

Premium liabilities: Unexpired risk reserve

Unexpired risks reserve is the reserve for the claims, which may occur, of the in-force policy. Unexpired risks reserve is set aside using an actuarial method. The reserve is calculated as the best estimate of the claims, which are expected to occur during the remaining coverage periods, based on the historical claims data.

As at the end of reporting period, the Company compares the amounts of unexpired risks reserve with unearned premium reserve, and if unexpired risks reserve is higher than unearned premium reserve, the difference is recognized as unexpired risk reserve in the financial statements.

c) Unpaid policy benefits

Unpaid policy benefits represent claims and benefits payables to policyholders in relation to deaths, surrenders, dividends, maturities and policyholder deposits in respect of maturities and dividends, including its related interest payables. Unpaid policy benefits are recognized at cost.

d) Due to insured

Due to insured comprises of premium suspense account and amount due to insured other than contractual benefits. Due to insured are recognized at cost.

3 Accounting policies (Cont'd)

3.13 Insurance and investment contract (Cont'd)

3.13.4 Liability adequacy testing

Short-term insurance contracts

The liability of the Company under short-term insurance contracts is tested for adequacy by comparing the best estimate using an actuarial method with the carrying amount of unearned premiums reserve at the reporting date. Where an expected shortfall is identified, additional provisions are made for unearned premiums and are recognized in profit or loss.

Long-term insurance contracts

The liability of the Company under long-term insurance contracts is tested for adequacy by comparing the best estimate of future contractual cash flows by using current assumptions with the carrying amount of long-term technical reserves and investment contract liabilities with DPF at the reporting date. Where an expected shortfall is identified, additional provisions are made for long-term technical reserves and investment contract liabilities with DPF and are recognized in profit or loss.

An additional provision for liability inadequacy is made where the reserves are calculated by using actuarial method "Gross Premium Valuation" based on current assumptions of policies in force at the reporting date exceeds the liabilities calculated by using Net Premium Valuation method.

Actuarial assumptions are reviewed annually to assess whether latest assumptions reflect actual experience, and where there is an indication that they are not appropriate then the assumption will be revised to reflect actual experience. These assumptions will be used in "Gross Premium Valuation" method.

3.13.5 Reinsurance

Reinsurance transactions are recorded based on estimates of the amounts to be received from or paid to reinsurers.

Assets, liabilities, income and expense arising from reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Premium ceded, fee and commission income, and benefits payments and insurance claims expenses recovered from reinsurers are recognised as expense or revenue in accordance with the pattern of reinsurance service received when incurred.

An asset or liability is recognized in the statement of financial position representing reinsurance receivables and payables. The net amount is presented in the statement financial position only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.14 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3 Accounting policies (Cont'd)

3.15 Employee benefits

a) Defined benefit plans

Retirement benefits

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods; that benefits is discounted to determine its present value. The discount rate is the yeild at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognized immediately in OCI. The Company determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Long-term employee benefits

Share-based compensation

Allianz SE which is one of the parent companies of the Company, launched share-based compensation plans for the Company's employee, under which the Company receives services from the employees, as consideration for the shares of Allianz SE. The condition of the plans is set by Allianz SE.

The fair value of the employee services received in exchange for the grant of shares or share options is recognized as an expense over the vesting period. The obligation from share-based payment is presented under "Employee benefits obligation" on the statement of financial position.

b) Defined contribution plans

Provident fund

The Company established a contributory registered provident fund in accordance with the Provident Fund Act B.E. 2530, being a defined contribution plan. The registered provident fund plan was approved by the Ministry of Finance on 25 March 1998. The provident fund is funded by payments from employees and by contribution from the Company. The assets for which are held in a separate fund and managed by a qualified fund manager in accordance with the terms and conditions as prescribed in the Ministerial Regulations under Provident Fund Act B.E. 2530. The Company's contributions to the provident fund are charged to the statements of comprehensive income in the years to which they relate.

3 Accounting policies (Cont'd)

3.15 Employee benefits (Cont'd)

c) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.16 Financial assets and financial liabilities

Significant financial assets carried on the statement of financial position include cash and cash equivalents, accrued investment income, premium due and uncollected, derivative assets, reinsurance assets, investments in available-for-sales securities, policy loans, assets held to cover linked liabilities, accounts receivable-investments and other assets. Significant financial liabilities carried on the statement of financial position include due to reinsurers, outstanding claims, unpaid policy benefits, derivative liabilities, amounts payable-investments, accrued expenses and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.17 Collateral

Cash received and pledged as a collateral to a counter party occur in respect to derivative transactions and securities lending agreements in order to reduce the credit risk of these transactions. The cash received is recognized at its fair value as an asset with a corresponding liability for the repayment. The cash pledged is recognized at its fair value as an asset and the cash pledged will not be derecognized from the statement of financial position.

3.18 Current and Deferred income taxes

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognized in profit or loss except to the extent that items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and jointly ventures to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

3 Accounting policies (Cont'd)

3.18 Current and Deferred income taxes (Cont'd)

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.19 Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company 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.

3.20 Share capital

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.21 Legal reserve

Under the Public Company Law B.E.2535, the Company is required to set aside a statutory reserve at least 5 percent of its net profit for the year less outstanding deficits (if any) until the reserve is equal to 10 percent of the Company's registered share capital. The legal reserve is non-distributable.

3.22 Dividends payment

Dividends are recorded in the financial statements in the period in which they are approved by the shareholders and the Office of Insurance Commission.

3 Accounting policies (Cont'd)

3.23 Recognition of revenues and expenses

a) Premium written and premium earned

Short-term insurance contracts

Premium written is recognized as revenue on the inception date and are presented gross of premium ceded and commissions and brokerage expenses.

Premium earned comprises of premium written during the year and change in unearned premium reserves and is recognized as revenue proportionally over the period of coverage.

Long-term insurance contracts

First year premium written is recognized as revenue when the insurance policy is approved and premium is received. Renewal premium income is recognized as revenue when premium is due. First year premium written and renewal premium income are presented gross of premium ceded and commissions and brokerage expenses.

Premium received in advance is not recognized as revenue until the due date of policies.

b) Benefits payments and insurance claims expenses

Benefits payments and insurance claims expenses consist of benefits, claims and losses adjustment expense during the years, less benefits payments and insurance claims expenses recovered from reinsurers and changes in provision for short-term insurance claims. These expenses are recognized in profit or loss when incurred.

c) Policy acquisition cost

Policy acquisition cost i.e. commissions and brokerages are recognized on an accrual basis.

d) Investment income

Dividend income is recognized in profit or loss on the date the Company's right to receive payments is established.

Interest income is recognized in profit or loss on an accrual basis, except interest on loans overdue more than 6 months is recognized on a cash basis.

e) Other income and expenses

Other income and expenses are recognized on an accrual basis.

f) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight line basis over the term of lease.

g) Directors' remuneration

Directors' remuneration represents the benefits paid to the Company's directors in compliance with section 90 of the Public Limited Companies Act, exclusive of salaries and related benefits payable to executive directors.

4 Risk management

4.1 Insurance risk

Insurance risk is the risk arising from the amount and timing of claim and policyholders' benefit differ from the Company's reserving. The Company has to set up the adequate reserve to cover all obligations to policyholders.

The following topics summarize the company's risk management.

4.1.1 Underwriting risk

Underwriting risk is the risk arising from the obligation to the Company's policyholders is higher than underwriting assumption due to claim severity or frequency of claim occurrence.

This risk may arise from inadequacy of reinsurance and the concentration. However it is also from the unexpected loss due to catastrophe and unforeseen event.

To mitigate the risk, the Company has a strong underwriting and control process to regularly monitor the risk in order to adjust the pricing and underwriting condition to reflect the actual risk. The effective reinsurance strategy is also used for transferring the underwriting risk.

4.1.2 Concentration

Concentrations of risk may arise where a particular event or a series of events could impact heavily upon the Company's insurance contract liabilities.

The Company has life insurance participating and non-participating contracts with guaranteed benefits. The amount of risk to which the Company is exposed depends on the level of guarantees inherent in the contracts and the current interest rate. The changes in interest rate will not cause a change to the amount of the liability, unless the change is material enough to trigger a liability adequacy test adjustment.

As at 31 December 2018, the discount interest rates for the purpose of the liability adequacy test, in accordance with industry practice, is the average of eight quarters of the zero coupon Thailand government bond yield curve plus illiquidity premium of 26 - 45 basis points (2017: 25 - 42 basis points). Management monitors the sensitivity to changes in rates on an ongoing basis. A decrease of 100 basis points from current market interest rates would not be a trigger to a liability adequacy test adjustment.

4.1.3 Mortality and Morbidity risk

The risk is that the actual experience is worse than assumed in the pricing and valuation of the reserves. They are generally mitigated by careful product design and careful underwriting as well as appropriated reinsurance. The Company assesses this risk by verifying the assumptions in pricing and reserve calculation yearly through experience study. In addition, the morbidity, in particular, health ratios are monitored closely.

4.1.4 Lapse risk

Risk that arises from policyholder discontinues premium payment or surrender prior to the maturity of the contract. The risk is mitigated by providing adequate training to reduce mis-selling and monitor the persistency respectively.

4 Risk management (cont'd)

4.2 Financial risk management

The Company is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Company does not hold or issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Company. The Company has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved.

4.2.1 Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Company as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. However, due to the large number of parties comprising the Company's customer base, Management does not anticipate material losses from its debt collection.

Concentrations of the credit risk with respect to loans, and premium due and uncollected are less significant since the borrowers and the insured are dispersed across different industries and geographic regions in Thailand.

There is insignificant risk from policy loans since the sum that the Company has lent to insured parties is less than the cash value of their policies with the Company. The maximum value of the risk arising from secured loans is the amount of the loan less the value which the Company is able to derive from the assets pledged as security.

4.2.2 Interest rate risk

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Company's operations and its cash flows because debt securities and loan interest rates are mainly fixed. The Company manages the risk by considering the risk of investments together with the return on such investments.

Significant financial assets and liabilities as at 31 December 2018 and 2017 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

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4 Risk management (cont'd)

4.2 Financial risk management (Cont'd)

	2018						
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Interest rate
	Within 1 year	1-5 years	Over 5 years				
Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	(% p.a.)	
Financial assets							
Cash and cash equivalents	4,061,604	-	-	1,854,358	61	5,916,023	0.05 - 1.59
Investment in securities							
Bonds	9,081,407	17,736,719	81,019,713	-	-	107,837,839	2.13 - 6.40
Notes	29,801	7,508,454	4,660,785	-	-	12,199,040	2.56 - 6.11
Debentures	-	5,370,726	16,859,505	-	-	22,230,231	1.92 - 7.99
Deposits at financial institutions with original maturities more than 3 months	900,000	3,000,000	1,000,000	-	-	4,900,000	4.00 - 4.25
Loan							
Policy loans	3,815,669	3,476,060	953,018	-	-	8,244,747	4.00 - 8.00
Mortgage loans	-	2,678	64,119	1,869	-	68,666	5.00 - 19.00
	<u>17,888,481</u>	<u>37,094,637</u>	<u>104,557,140</u>	<u>1,856,227</u>	<u>61</u>	<u>161,396,546</u>	
Financial liabilities							
Unpaid policy benefits	4,566,457	-	-	-	82,762	4,649,219	2.00 - 4.00
	<u>4,566,457</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,762</u>	<u>4,649,219</u>	
	2017						
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Interest rate
	Within 1 year	1-5 years	Over 5 years				
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	(% p.a.)
Financial assets							
Cash and cash equivalents	3,375,171	-	-	1,803,448	123	5,178,742	0.05 - 1.18
Investment in securities							
Bonds	3,473,813	20,554,844	90,376,390	-	-	114,405,047	1.88 - 6.40
Notes	473,529	6,361,559	5,156,411	-	-	11,991,499	2.56 - 6.11
Debentures	-	4,907,361	8,569,157	-	-	13,476,518	2.36 - 7.99
Deposits at financial institutions with original maturities more than 3 months	-	3,900,000	1,000,000	-	-	4,900,000	4.00 - 4.25
Loan							
Policy loans	3,767,553	3,330,195	746,538	-	-	7,844,286	4.00 - 8.00
Mortgage loans	-	2,900	71,401	2,311	-	76,612	5.00 - 19.00
	<u>11,090,066</u>	<u>39,056,859</u>	<u>105,919,897</u>	<u>1,805,759</u>	<u>123</u>	<u>157,872,704</u>	
Financial liabilities							
Unpaid policy benefits	4,317,796	-	-	-	116,882	4,434,678	2.00 - 4.00
	<u>4,317,796</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,882</u>	<u>4,434,678</u>	

4 Risk management (Cont'd)

4.2 Financial risk management (Cont'd)

4.2.2 Interest rate risk (Cont'd)

Policy loans represent longs granted to the policyholders in an amount not exceeding the cash value of the policy. The loans carry interest rate are not more than 8% per annum, as approved by the office of the Insurance Commission.

4.2.3 Foreign currency risk

The Company is exposed to foreign currency risk relating to investment in securities for both fixed income and equity which are denominated in foreign currencies. The Company primarily utilises cross currency swap contracts to hedge such foreign currency risk arising from fixed incomes.

4.2.4 Equity risk

Equity risk is the risk arising from changes in the price of equities or common stock that may cause the fluctuations in the value of financial assets. The Company manages the risk by setting both internal investment limits and strictly complies with the Office of Insurance Commission limits to ensure that the risk is within the Company's risk appetite.

4.2.5 Liquidity risk

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by the Management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

The Company's financial assets mainly comprise cash and deposits at financial institutions and investments in securities which are highly liquid and are able to be sold quickly at close to their fair value when the Company wishes to raise funds.

The following tables shows information about the estimated timing of the net cash flows from the Company's insurance contract and investment contract liabilities. The analysis provided is by estimating timing of the amounts recognized in the statement of financial position.

	Estimated undiscounted net cash flows					Total Thousand Baht
	Carrying amount Thousand Baht	Less than 1 year Thousand Baht	1 - 5 years Thousand Baht	5 - 10 years Thousand Baht	More than 10 years Thousand Baht	
31 December 2018						
Ordinary life insurance	158,752,548	(2,920,331)	34,019,056	81,383,178	99,411,275	211,893,178
Pensions	1,505,923	(314,902)	(727,112)	139,337	4,601,080	3,698,403
Unit-linked	290,784	4,734	81,011	204,899	2,226,315	2,516,959
Total	160,549,255	(3,230,499)	33,372,955	81,727,414	106,238,670	218,108,540

4 Risk management (Cont'd)

4.2 Financial risk management (Cont'd)

4.2.5 Liquidity risk (Cont'd)

	Estimated undiscounted net cash flows					Total Thousand Baht
	Carrying amount Thousand Baht	Less than 1 year Thousand Baht	1 - 5 years Thousand Baht	5 - 10 years Thousand Baht	More than 10 years Thousand Baht	
31 December 2017						
Ordinary life insurance	146,537,705	(6,000,344)	25,618,241	79,166,577	104,041,987	202,826,461
Pensions	1,150,946	(284,998)	(677,638)	68,414	3,765,952	2,871,730
Unit-linked	96,140	(22,393)	(82,663)	(25,599)	433,726	303,071
Total	147,784,791	(6,307,735)	24,857,940	79,209,392	108,241,665	206,001,262

4.2.6 Fair values risk

Fair value risk is the risk arising from the change in value of financial instruments which occurs from the change in market value. The risk of financial loss from adverse movement in the value of assets owing to market factors including changes in interest and foreign exchange rates and equity prices. The Company has a risk management committee to approve all policies associated with the evaluation of fair value risk exposure. The Company uses various tools to manage its fair value exposure such as derivatives and hedging activities.

The details of fair value is described in Note 5.

5 Fair values

5.1 Fair value estimation

The table below presents 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 Company 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 Company shows the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

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5 Fair values (Cont'd)

5.1 Fair value estimation (Cont'd)

The following table presents the Company's financial assets and liabilities that are measured and recognized at fair value on the financial statement as at 31 December 2018.

	2018			
	Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	Total Thousand Baht
Financial assets				
Derivative assets	-	454,869	-	454,869
Investment in securities				
Held for trading				
Equity securities	2,074	-	-	2,074
Available-for-sale investments				
Debt securities	-	100,356,499	-	100,356,499
Equity securities	13,360,666	-	-	13,360,666
Foreign equity securities	6,539,010	-	-	6,539,010
Investment assets held to cover linked liabilities	-	303,126	-	303,126
Total	19,901,750	101,114,494	-	121,016,244
Financial liabilities				
Derivative liabilities	-	113,680	-	113,680
Total	-	113,680	-	113,680

The following table presents the fair values of the Company's financial assets that are not measured at fair value on the financial statement as at 31 December 2018.

	2018			
	Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	Total Thousand Baht
Financial assets				
Investment in securities				
Held-to-maturity investments				
Debt securities	-	45,165,412	-	45,165,412
Deposit at financial institutions with maturities over 3 months from acquisition date	4,900,000	-	-	4,900,000
Total	4,900,000	45,165,412	-	50,065,412

5 Fair values (Cont'd)

5.1 Fair value estimation (Cont'd)

The following table presents the Company's financial assets and liabilities that are measured and recognized at fair value on the financial statements as at 31 December 2017.

	(Reclassified)			Total Thousand Baht
	Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	
2017				
Financial assets				
Derivative assets	-	217,921	-	217,921
Investment in securities				
Available-for-sale investments				
Debt securities	-	93,975,615	-	93,975,615
Equity securities	10,268,287	-	-	10,268,287
Foreign equity securities	3,636,380	-	-	3,636,380
Investment assets held to cover linked liabilities	-	99,007	-	99,007
Total assets	13,904,667	94,292,543	-	108,197,210
Liabilities				
Derivative liabilities	-	33,494	-	33,494
Total Liabilities	-	33,494	-	33,494

The following table presents the fair values of the Company's financial assets that are not measured at fair value on the financial statement as at 31 December 2017.

	(Reclassified)			Total Thousand Baht
	Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	
2017				
Financial assets				
Investment in securities				
Held-to-maturity investments				
Debt securities	-	50,491,306	-	50,491,306
Deposit at financial institutions with maturities over 3 months from acquisition date	4,900,000	-	-	4,900,000
Total	4,900,000	50,491,306	-	55,391,306

There was no transfer between Levels 1 and 2 during the year.

There was no change in valuation techniques during the year.

5 Fair values (Cont'd)

5.2 Valuation techniques for assets and liabilities measured at fair value

The carrying amounts of the following financial assets and financial liabilities are considered to be approximate to their fair values: cash and cash equivalents, accrued investment income, premiums due and uncollected, reinsurance receivables, policy loans, other receivables, due to reinsurers, and other payables.

The fair value of deposits at financial institutions which have remaining terms to maturity of less than 90 days are based on carrying value. For those with remaining terms to maturity greater than 90 days, the fair value is estimated by using a discounted cash flow analysis based on current interest rates for the remaining period to maturity.

The fair value of mortgage loans and other loans which carry floating interest rates and are fully collateralised is taken to approximate the carrying value. The fair value of fixed interest rate loans is estimated by using discounted cash flow analysis based on current interest rates for the remaining years to maturity.

The Company has a general investment in limited companies which the Company's shareholding was insignificant. The Company has no controlling and decision making power in the invested companies resulting in difficulty in obtaining the information to support the fair value valuation in practice. These investments are not in the stock exchange and do not have any market prices which can be used as fair value. The Company also do not have any plan for selling these investments, so the Company did not assess the fair value for the general investment. Therefore, the Company cannot disclose the fair value of the general investment in the notes to the financial statements and have stated these investments at cost net allowance for impairment (if any).

The Company determines Level 2 fair values for debt securities using the prices on the last business day of the period provided by the Thai Bond Market Association which using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices of other quoted debt instruments of the counterparties.

The Company determines Level 2 fair values for unit trusts using the net asset value (NAV) on the last business day of the period provided by assets management companies.

The Company determines Level 2 for simple over-the-counter hedging derivatives which comprise cross currency swap and bond forward contracts based on broker quotes. The cross currency swap have been fair valued based on exchange rates that are quoted in an active market. The bond forward contracts have been fair valued based on forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for Level 2 derivatives.

6 Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements 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.

6.1 Insurance contract liabilities and investment contract liabilities

6.1.1 Long-term technical reserves and investment contract liabilities with discretionary participation features

The Company determines the long-term technical reserves and investment contract liabilities with discretionary participation features ("DPF") based on Net Premium Valuation method.

Process involved in determining assumptions

The Company determines assumptions in relation to mortality, morbidity and discount rate that were established at the time when insurance products were designed. These assumptions are locked-in and used for calculating the liabilities over the life of the contract. However, the Company revised the assumption of discount rates for the non-participating traditional insurance products as the locked-in discount rates of these products (at 5% - 6%) were higher than the Company's current study experience. Therefore, the Company has a policy to strengthen the reserves by adjusting the discount rates downwards. In 2018, a downward adjustment of 25 basis points (2017: 35 basis points) resulted in an additional expense of Baht 608 million (2017: Baht 895.6 million) reflected in the statement of comprehensive income.

Since the Company revised the assumption of discount rate for the non-participating traditional insurance products, the Company performed sensitivity analysis on the discount rate by decreasing 25 basis points (2017: 25 basis points) of discount rate, the liability will be increased approximately Baht 608 million (2017: Baht 642.8 million).

6.1.2 Short-term technical reserves

Short-term technical reserves consist of loss reserves and outstanding claims and premium reserves. The carrying amounts as at the reporting date are provided in note 20.

Process involved in determining assumptions

The Company determines the loss reserves and outstanding claims in accordance with the Company's claim assessment. The assumptions used in the estimation are intended to result in provisions which are sufficient to cover any liabilities arising out of insurance contracts to the extent that can be reasonably foreseen.

However, given the uncertainty in establishing a provision for insurance claims, it is likely that the final outcome could prove to be significantly different from the original liability established.

Provision is made at the reporting date for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not.

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

6.1 Insurance contract liabilities and investment contract liabilities (Cont'd)

6.1.2 Short-term technical reserves (Cont'd)

The Company uses "Chain-Ladder" method to estimate claims incurred but not reported. The Chain-ladder technique involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year.

6.1.3 Liabilities adequacy testing

The Company evaluates the adequacy of its insurance contract liabilities and investment contract liabilities with DPF quarterly. Significant judgment is exercised in developing best estimate assumptions. Liability adequacy is assessed by portfolio of contracts in accordance with the Company's manner of acquiring, servicing and measuring the profitability of its insurance contracts. The Company performs liability adequacy testing at company level.

6.2 Fair value of derivatives and other non-marketable financial instruments

The fair value of financial instruments that are not traded in an active market such as over-the-counter derivatives and other non-marketable financial instruments are determined by using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market condition existing at the end of each reporting period.

7 Capital risk management

Under the Life Insurance Act, the Company shall maintain its capital fund whilst undertaking life insurance business. The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern in order to protect policyholders and to provide returns for shareholders and benefits for other stakeholders.

In accordance with and the requirements of the Office of Insurance Commission, all insurers are required to maintain at least 140% of capital adequacy requirement (CAR). The Company's policy is to hold capital levels in excess of CAR.

8 Reclassification

The comparative amounts have reclassified to conform to the current period presentation of the current year as follow:

	1 January 2017		
	As previously reported Thousand Baht	Reclassification Thousand Baht	Reclassified Thousand Baht
Statement of financial position			
Cash and cash equivalents	11,173,970	(568)	11,173,402
Investment assets held to cover linked liabilities	1,732	568	2,300
Investment receivables	-	144,115	144,115
Other assets	352,221	(144,115)	208,106
Insurance contract liabilities	138,039,390	(568)	138,038,822
Investment contract liabilities	4,251,148	568	4,251,716

The comparative amounts have reclassified to conform to the current period presentation of the statement of financial position as current year as follow:

	31 December 2017		
	As previously reported Thousand Baht	Reclassification Thousand Baht	Reclassified Thousand Baht
Statement of financial position			
Cash and cash equivalents	5,181,609	(2,867)	5,178,742
Premiums due and uncollected	1,751,765	(114,799)	1,636,966
Investment assets held to cover linked liabilities	96,140	2,867	99,007
Insurance contract liabilities	152,309,871	(117,666)	152,192,205
Investment contract liabilities	3,864,111	2,867	3,866,978
Accrued expenses	2,060,138	(224,129)	1,836,009
Employee benefit obligations	210,353	224,129	434,482

The comparative amounts have reclassified to conform to the current period presentation of the statement of comprehensive income for the current year as follow:

	31 December 2017		
	As previously reported Thousand Baht	Reclassification Thousand Baht	Reclassified Thousand Baht
Statement of comprehensive income			
Revenues			
Net investment income	6,395,537	(29,745)	6,365,792
Other income	51,016	9,749	60,765
Expenses			
Other underwriting expenses	982,153	450,038	1,432,191
Operating expenses	3,107,452	(479,784)	2,627,668
Other expenses	-	9,750	9,750

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8 Reclassifications (Cont'd)

The comparative amounts have reclassified to conform to the current period presentation of the statement of cash flow for the current year as follow:

	31 December 2017		
	As previously reported	Reclassification	Reclassified
	Thousand Baht	Thousand Baht	Thousand Baht
Statement of cash flow			
Premiums written	31,937,119	(181,102)	31,756,017
Other underwriting expenses	(982,153)	(450,038)	(1,432,191)
Operating expenses	(2,529,784)	450,038	(2,079,746)
Investments in securities	(19,158,649)	19,158,649	-
Cash received from selling and redeeming investments in securities	-	3,306,915	3,306,915
Cash paid for purchasing investments in securities	-	(22,465,564)	(22,465,564)
Loans	(577,113)	577,113	-
Cash received from loans	-	5,708	5,708
Cash paid from loans	-	(404,018)	(404,018)
Deposits	332	-	332
cash and cash equivalents	(5,992,361)	(2,299)	(5,994,660)

9 Cash and cash equivalents

	(Reclassified)	
	2018	2017
	Thousand Baht	Thousand Baht
Cash on hand	61	123
Deposits at banks - call deposits	1,854,357	1,803,447
Deposits at banks - time deposits	-	650,000
Short-term investments	4,061,605	2,725,172
Total	5,916,023	5,178,742

As at 31 December 2018, cash and cash equivalents were denominated in foreign currencies amounting to Baht 115 million (2017: Baht 179 million).

10 Premium due and uncollected net

The balances of premium due and uncollected as at 31 December 2018 and 2017 were aged as follows:

	From direct insurance	
	2018	(Reclassified) 2017
	Thousand Baht	Thousand Baht
Within credit terms	1,790,196	1,602,104
Overdue:		
Less than 30 days	190,927	176,407
31 - 60 days	7,181	12,867
61 - 90 days	3,064	9,825
91 days - 1 year	7,864	3,451
Over 1 year	10,696	15,908
Total	2,009,928	1,820,562
<u>Less</u> Allowance for doubtful accounts	(175,464)	(183,596)
Premiums due and uncollected - net	<u>1,834,464</u>	<u>1,636,966</u>

In case of individual policies, premiums due and uncollected represent those amounts that are within the grace period, which is 30 days. For policies with cash values having amounts overdue longer than the grace period, the premiums due and uncollected will be settled by granting automatic policy loans. For policies without cash values and overdue longer than the grace period, the policies are lapsed.

In case of group policies, the credit term is 90 days. For overdue premium due and uncollected, the Company is processing the collection in accordance with the Company's policy.

11 Reinsurance receivables

The details of reinsurance assets are as follows:

	2018	2017
	Thousand Baht	Thousand Baht
Due from reinsurance (Note 33)	410,098	313,049
Total reinsurance receivable	<u>410,098</u>	<u>313,049</u>

Aging analysis for due from reinsurers was as follows:

	2018	2017
	Thousand Baht	Thousand Baht
Within credit terms	410,098	313,049
Total	<u>410,098</u>	<u>313,049</u>

12 Derivative

The table below presents derivatives by objective for holding as follow:

	2018 Fair value		2017 Fair value	
	Assets Thousand Baht	Liabilities Thousand Baht	Assets Thousand Baht	Liabilities Thousand Baht
Held for hedge derivatives - Applied hedge accounting	454,869	113,680	217,921	33,494
Total derivatives	454,869	113,680	217,921	33,494

The details of derivative assets are as follow:

31 December 2018					Change in fair value for the nine- month period- ended 31 December 2018
Type of contract	Purpose	Number of contracts	Notional value Thousand Baht	Derivative book value Thousand Baht	Thousand Baht
Cross currency swap	To hedge foreign currency risk of investment in foreign currency	40	6,691,070	319,390	103,864
Bond forward	To hedge reinvestment risk	29	7,540,000	135,479	136,215
Total		69	14,231,070	454,869	240,079

31 December 2017					Change in fair value for the year- ended 31 December 2017
Type of contract	Purpose	Number of contracts	Notional value Thousand Baht	Derivative book value Thousand Baht	Thousand Baht
Cross currency swap	To hedge foreign currency risk of investment in foreign currency	22	3,230,970	215,525	200,891
Bond forward	To hedge reinvestment risk	2	400,000	2,396	2,396
Total		24	3,630,970	217,921	203,287

12 Derivative (Cont'd)

The details of derivative liabilities are as follow:

31 December 2018					Change in fair value for the nine- month period- ended
Type of contract	Purpose	Number of contracts	Notional value Thousand Baht	Derivative book value Thousand Baht	31 December 2018 Thousand Baht
Cross currency swap	To hedge foreign currency risk of investment in foreign currency	27	4,410,237	108,620	108,620
Bond forward	To hedge reinvestment risk	3	1,300,000	5,060	(5,090)
Total		30	5,710,237	113,680	103,530

31 December 2017					Change in fair value for the year- ended
Type of contract	Purpose	Number of contracts	Notional value Thousand Baht	Derivative book value Thousand Baht	31 December 2017 Thousand Baht
Bond forward	To hedge reinvestment risk	12	4,100,000	33,494	33,494
Total		12	4,100,000	33,494	33,494

As at 31 December 2018, the Company has hedged the risk on foreign currency offshore bonds and debentures by entering into cross currency swap contracts with local banks. The notional value of these hedges is U.S. Dollar 335 million (2017: U.S. Dollar 94 million).

The notional value is the amount used as a reference for calculation of the settlements made on the derivatives.

13 Investments in securities, net

The details of investments in securities as at 31 December 2018 and 2017 are as follows:

	2018		2017	
	Cost/ amortized cost Thousand Baht	Fair value Thousand Baht	Cost/ amortized cost Thousand Baht	Fair value Thousand Baht
Trading securities				
Equity securities	5,447	2,074	-	-
Add Unrealised loss	(3,373)	-	-	-
Total Trading securities, net	<u>2,074</u>	<u>2,074</u>	<u>-</u>	<u>-</u>
Available-for-sale investments				
Government and state enterprise debt securities	77,613,712	80,596,762	80,246,849	84,988,153
Private debt securities	8,856,667	9,066,154	5,583,258	5,806,133
Foreign debt securities	11,013,665	10,693,583	3,303,733	3,181,329
Equity securities	11,489,480	13,360,666	6,974,873	10,268,287
Foreign equity securities	6,974,214	6,539,010	3,474,871	3,636,380
Total	115,947,738	120,256,175	99,583,584	107,880,282
Add Unrealised gain	4,340,806		8,306,938	
Less Allowance for impairment	(32,369)		(10,240)	
Total available-for-sale investments, net	<u>120,256,175</u>	<u>120,256,175</u>	<u>107,880,282</u>	<u>107,880,282</u>
Held-to-maturity investments				
Government and state enterprise debt securities	39,051,963		42,623,431	
Private debt securities	2,858,648		3,274,018	
Deposits at financial institutions with original maturities more than 3 months	<u>4,900,000</u>		<u>4,900,000</u>	
Total held-to-maturity investments	<u>46,810,611</u>		<u>50,797,449</u>	
General investments				
Equity securities	<u>41,852</u>		<u>41,138</u>	
Total general investments	<u>41,852</u>		<u>41,138</u>	
Total investments in securities	<u>167,110,712</u>		<u>158,718,869</u>	

For the year ended 31 December 2018, the Company has recorded interest income and dividend income amounting to Baht 6,069 million and Baht 832 million, respectively. (2017: Baht 5,871 million and Baht 600 million).

For the year ended 31 December 2018, the Company received consideration from selling available-for-sale investments amounting to Baht 16,434 million (2017: Baht 2,691 million).

As at 31 December 2018, the Company had investment in securities deposited with the Office of Insurance Commission in order to comply with the Life Insurance Act with a fair value amounting to Baht 35,875 million (2017: Baht 32,957 million) (Note 34).

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13 Investments in securities, net (Cont'd)

The details of debt securities classified as at 31 December 2018 and 2017 are aged as follows:

	Cost							
	2018				2017			
	Maturing within			Total Thousand Baht	Maturing within			Total Thousand Baht
1 year Thousand Baht	1 - 5 years Thousand Baht	Over 5 years Thousand Baht	1 year Thousand Baht		1 - 5 years Thousand Baht	Over 5 years Thousand Baht		
Available-for-sale securities								
Government bonds and State Own Enterprise bonds*	-	6,688,018	70,925,694	77,613,712	-	6,597,115	73,649,734	80,246,849
Private enterprises securities	31,977	1,635,782	7,188,908	8,856,667	31,008	1,132,832	4,419,418	5,583,258
Foreign securities	-	2,060,615	8,953,050	11,013,665	-	35,570	3,268,163	3,303,733
Total	31,977	10,384,415	87,067,652	97,484,044	31,008	7,765,517	81,337,315	89,133,840
Add Unrealized gains on change in value of investments	188,339	1,706,449	977,667	2,872,455	(3,944)	295,452	4,550,268	4,841,776
Total available-for-sale securities	220,316	12,090,864	88,045,319	100,356,499	27,064	8,060,969	85,887,583	93,975,616
Held-to-maturity securities								
Government bonds and State Own Enterprise bonds	9,081,408	17,317,464	12,653,091	39,051,963	3,473,813	21,406,030	17,743,588	42,623,431
Private enterprises securities	-	2,389,009	469,639	2,858,648	446,465	2,356,766	470,787	3,274,018
Deposits at financial institutions with original maturities more than 3 months	900,000	3,000,000	1,000,000	4,900,000	-	3,900,000	1,000,000	4,900,000
Total held-to-maturity securities	9,981,408	22,706,473	14,122,730	46,810,611	3,920,278	27,662,796	19,214,375	50,797,449
Total investments in securities	10,201,724	34,797,337	102,168,049	147,167,110	3,947,342	35,723,765	105,101,958	144,773,065

* As at 31 December 2018, bonds of Baht 20 million (2017: Baht 20 million) have been deposited as a security with the registrar in accordance with the Life Insurance Act (No. 2) B.E 2551 (Note 34).

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14 Loans, net

As at 31 December 2018 and 2017, the balance of loans and accrued interest are aged as follows:

	2018						Total Thousand Baht
	Policy loans		Mortgage loans		Total		
	Principle Thousand Baht	Accrued interest Thousand Baht	Principle Thousand Baht	Accrued interest Thousand Baht	Principle Thousand Baht	Accrued interest Thousand Baht	
Outstanding periods							
Within credit terms	8,244,747	1,376,393	20,054	37	8,264,801	1,376,430	9,641,231
Overdue							
Less than 3 months	-	-	1,683	12	1,683	12	1,695
Over 3 - 6 months	-	-	-	-	-	-	-
Over 6 - 12 months	-	-	-	-	-	-	-
Over 12 months	-	-	46,929	4,394	46,929	4,394	51,323
Total	8,244,747	1,376,393	68,666	4,443	8,313,413	1,380,836	9,694,249
Less Allowance for doubtful accounts	-	-	(46,928)	(4,394)	(46,928)	(4,394)	(51,322)
Loans and accrued interests, net	8,244,747	1,376,393	21,738	49	8,266,485	1,376,442	9,642,927

14 Loans, net (Cont'd)

As at 31 December 2018 and 2017, the balance of loans and accrued interest are aged as follows: (Cont'd)

Outstanding periods	2017						Total Thousand Baht
	Policy loans		Mortgage loans		Total		
	Principle Thousand Baht	Accrued interest Thousand Baht	Principle Thousand Baht	Accrued interest Thousand Baht	Principle Thousand Baht	Accrued interest Thousand Baht	
Within credit terms	7,844,286	1,266,323	24,077	44	7,868,363	1,266,367	9,134,730
Overdue							
Less than 3 months	-	-	3,434	22	3,434	22	3,456
Over 3 - 6 months	-	-	-	-	-	-	-
Over 6 - 12 months	-	-	430	40	430	40	470
Over 12 months	-	-	48,671	4,557	48,671	4,557	53,228
Total	7,844,286	1,266,323	76,612	4,663	7,920,898	1,270,986	9,191,884
Less Allowance for doubtful accounts	-	-	(49,101)	(4,597)	(49,101)	(4,597)	(53,698)
Loans and accrued interests, net	7,844,286	1,266,323	27,511	66	7,871,797	1,266,389	9,138,186

Accrued interests are presented under "Accrued income on investments" on the statement of financial position.

Policy loans represent loans granted to the policyholders in an amount not exceeding the cash value of the policy. The loans carry interest rate are not more than 8% per annum, as approved by the Office of Insurance Commission.

Mortgage loans are loans secured by real estates. The Company stopped providing any new mortgage loans since 2010.

As at 31 December 2018, the Company had mortgage loans to staffs amounting to Baht 3 million (2017: Baht 5 million) with interest rates at 5% per annum (2017: 5% per annum) and were issued in accordance with the Company's welfare policy.

15 Assets held to cover linked liabilities

As at 31 December 2018 and 2017, assets held to cover linked liabilities as follows:

	2018	(Reclassified)
	Thousand Baht	2017
	Thousand Baht	Thousand Baht
Investment in mutual fund - Debt securities	77,002	15,969
Investment in mutual fund - Equity	213,783	80,171
Cash at bank for purchasing investment	12,341	2,867
Total	303,126	99,007

Reconciliation of change in balance of assets held to cover linked liabilities that are designated at fair value option as follow:

	2018	(Reclassified)
	Thousand Baht	2017
	Thousand Baht	Thousand Baht
Beginning balance of the year	99,007	1,732
Additions	238,421	95,292
Disposals	(27,803)	(5,058)
Realized gain	252	147
Unrealized gain in profit or loss	(19,092)	4,027
Cash at bank for purchasing investment	12,341	2,867
Ending balance of the year	303,126	99,007

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16 Premises and equipment, net

As at 31 December 2018 and 2017, the balance of premises and equipment are aged as follows:

	2018								Premises and equipment beginning balance Thousand Baht	Premises and equipment ending balance Thousand Baht
	Cost				Accumulated depreciation					
	Beginning balance Thousand Baht	Additions Thousand Baht	Disposals/ transfer Thousand Baht	Ending balance Thousand Baht	Beginning balance Thousand Baht	Depreciation charges Thousand Baht	Disposals/ transfer Thousand Baht	Ending balance Thousand Baht		
Land	247,916	-	-	247,916	-	-	-	-	247,916	247,916
Building	513,040	-	-	513,040	295,850	23,261	-	319,111	217,190	193,929
Computer	297,595	32,676	(40,869)	289,402	217,410	33,503	(40,851)	210,062	80,185	79,340
Office equipment	158,379	7,998	(6,644)	159,733	135,004	8,805	(6,502)	137,307	23,375	22,426
Furniture	3,657	-	(116)	3,541	3,350	126	(116)	3,360	307	181
Fitting	302,078	47,636	(557)	349,157	275,322	44,709	(558)	319,473	26,756	29,684
Vehicles	1,030	-	-	1,030	703	110	-	813	327	217
Assets under installation	7,373	-	(7,373)	-	-	-	-	-	7,373	-
Total	1,531,068	88,310	(55,559)	1,563,819	927,639	110,514	(48,027)	990,126	603,429	573,693

	2017								Premises and equipment beginning balance Thousand Baht	Premises and equipment ending balance Thousand Baht
	Cost				Accumulated depreciation					
	Beginning balance Thousand Baht	Additions Thousand Baht	Disposals/ transfer Thousand Baht	Ending balance Thousand Baht	Beginning balance Thousand Baht	Depreciation charges Thousand Baht	Disposals/ transfer Thousand Baht	Ending balance Thousand Baht		
Land	247,916	-	-	247,916	-	-	-	-	247,916	247,916
Building	513,040	-	-	513,040	272,582	23,268	-	295,850	240,458	217,190
Computer	252,388	55,981	(10,774)	297,595	201,846	26,337	(10,773)	217,410	50,542	80,185
Office equipment	157,464	9,759	(8,844)	158,379	135,345	8,397	(8,738)	135,004	22,119	23,375
Furniture	3,795	117	(255)	3,657	3,497	107	(254)	3,350	298	307
Fitting	299,692	13,110	(10,724)	302,078	272,788	10,286	(7,752)	275,322	26,904	26,756
Vehicles	1,650	-	(620)	1,030	1,212	111	(620)	703	438	327
Assets under installation	2,000	7,373	(2,000)	7,373	-	-	-	-	2,000	7,373
Total	1,477,945	86,340	(33,217)	1,531,068	887,270	68,506	(28,137)	927,639	590,675	603,429

As at 31 December 2018, the gross carrying amount of the fully depreciated assets still in use are Baht 602 million (2017: Baht 604 million).

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17 Intangible assets, net

Intangible assets as at 31 December 2018 and 2017 comprise of:

	Cost				2018 Accumulated Amortization				Intangible assets beginning balance Thousand Baht	Intangible assets ending balance Thousand Baht
	Beginning balance Thousand Baht	Additions Thousand Baht	Disposal/ transfer Thousand Baht	Ending balance Thousand Baht	Beginning balance Thousand Baht	Amortization charges Thousand Baht	Disposal/ transfer Thousand Baht	Ending balance Thousand Baht		
<u>Developed in-house</u>										
Computer software	244,567	88,557	-	333,124	87,359	48,714	-	136,073	157,208	197,051
Work-in-process	38,798	60,297	(37,525)	61,570	-	-	-	-	38,798	61,570
Total	283,365	148,854	(37,525)	394,694	87,359	48,714	-	136,073	196,006	258,621
<u>Buying</u>										
Computer software	186,452	26,392	(402)	212,442	99,431	14,628	(402)	113,657	87,021	98,785
Total	186,452	26,392	(402)	212,442	99,431	14,628	(402)	113,657	87,021	98,785
Right to utilise benefits	-	370,000	-	370,000	-	123,333	-	123,333	-	246,667
Grand total	469,817	545,246	(37,927)	977,136	186,790	186,675	(402)	373,063	283,027	604,073

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17 Intangible assets, net (Cont'd)

	2017									
	Cost				Accumulated Amortization				Intangible assets beginning balance	Intangible assets ending balance
	Beginning balance	Additions	Disposal/ transfer	Ending balance	Beginning balance	Amortization charges	Disposal/ transfer	Ending balance		
Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	
<u>Developed in-house</u>										
Computer software	128,515	130,980	(14,928)	244,567	67,456	27,593	(7,690)	87,359	61,059	157,208
Work-in-process	59,571	35,922	(56,695)	38,798	-	-	-	-	59,571	38,798
Total	188,086	166,902	(71,623)	283,365	67,456	27,593	(7,690)	87,359	120,630	196,006
<u>Buying</u>										
Computer software	142,266	46,318	(2,132)	186,452	88,129	12,417	(1,115)	99,431	54,137	87,021
Total	142,266	46,318	(2,132)	186,452	88,129	12,417	(1,115)	99,431	54,137	87,021
Grand total	330,352	213,220	(73,755)	469,817	155,585	40,010	(8,805)	186,790	174,767	283,027

18 Deferred income tax assets (liabilities)

As at 31 December 2018 and 2017, deferred tax assets and liabilities were as follows:

	2018 Thousand Baht	(Reclassified) 2017 Thousand Baht
Deferred tax assets:		
Deferred tax asset to be recovered within 12 months	28,314	39,194
Deferred tax asset to be recovered after more than 12 months	1,094,592	934,494
	<u>1,122,906</u>	<u>973,688</u>
Deferred tax liabilities:		
Deferred tax liability to be settled after more than 12 months	(1,608,644)	(2,215,237)
	<u>(1,608,644)</u>	<u>(2,215,237)</u>
Deferred tax liabilities - net	<u>(485,738)</u>	<u>(1,241,549)</u>

Deferred income tax is calculating from the liability method on temporary differences and using tax rate of 20 percent (2017: 20 percent).

The movements in deferred tax assets and liabilities during the year are as follows:

	2018			
	As at 1 January 2018 Thousand Baht	Increase (decrease) in profit (loss) Thousand Baht	Increase (decrease) in other comprehensive income Thousand Baht	As at 31 December 2018 Thousand Baht
Deferred tax assets				
Allowance for doubtful accounts	83,883	8,020	-	91,903
Provisions	310,070	(30,972)	-	279,098
Insurance reserves	387,988	41,355	-	429,343
Employee benefit obligations	42,070	2,604	1,746	46,420
Unrealized loss on derivative instruments	6,699	-	(2,844)	3,855
Unrealized loss on available-for-sale investments	142,978	-	129,309	272,287
Total	<u>973,688</u>	<u>21,007</u>	<u>128,211</u>	<u>1,122,906</u>
Deferred tax liabilities				
Unrealized gain on derivative instruments	(43,584)	-	(5,783)	(49,367)
Unrealized gain on available-for-sale investments	(1,839,557)	-	653,797	(1,185,760)
Premium due and uncollected	(332,096)	(33,350)	-	(365,446)
Others	-	(8,071)	-	(8,071)
Total	<u>(2,215,237)</u>	<u>(41,421)</u>	<u>648,014</u>	<u>(1,608,644)</u>
Net	<u>(1,241,549)</u>	<u>(20,414)</u>	<u>776,225</u>	<u>(485,738)</u>

18 Deferred income tax assets (liabilities) (Cont'd)

The movements in deferred tax assets and liabilities during the year are as follows: (Cont'd)

	(Reclassified) 2017			
	As at 1 January 2017 Thousand Baht	Increase (decrease) in profit (loss) Thousand Baht	Increase (decrease) in other comprehensive income Thousand Baht	As at 31 December 2017 Thousand Baht
Deferred tax assets				
Allowance for doubtful accounts	83,638	245	-	83,883
Provisions	252,379	57,691	-	310,070
Insurance reserves	363,006	24,982	-	387,988
Employee benefit obligations	38,922	1,561	1,587	42,070
Unrealized loss on derivative instruments	-	-	6,699	6,699
Unrealized loss on available-for-sale investments	277,445	-	(134,467)	142,978
Total	1,015,390	84,479	(126,181)	973,688
Deferred tax liabilities				
Unrealized gain on derivative instruments	(1,168)	-	(42,416)	(43,584)
Unrealized gain on available-for-sale investments	(1,249,784)	-	(589,773)	(1,839,557)
Premium due and uncollected	(316,374)	(15,722)	-	(332,096)
Total	(1,567,326)	(15,722)	(632,189)	(2,215,237)
Net	(551,936)	68,757	(758,370)	(1,241,549)

19 Other assets

Other assets as at 31 December 2018 and 2017 comprise:

	2018 Thousand Baht	2017 Thousand Baht
Cash collateral from derivative contracts	51,000	-
Other account receivables	69,491	108,221
Prepaid expenses	77,061	63,461
Others	84,728	47,165
Total	282,280	218,847

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

20 Insurance contract liabilities

	2018			(Reclassified) 2017		
	Insurance contract liabilities Thousand Baht	Liabilities recovered from reinsurance Thousand Baht	Net Thousand Baht	Insurance contract liabilities Thousand Baht	Liabilities recovered from reinsurance Thousand Baht	Net Thousand Baht
Long-term technical reserves	157,083,560	-	157,083,560	143,920,680	-	143,920,680
Short-term technical reserves						
Loss reserves and outstanding claims						
- Reported claims	209,812	-	209,812	277,409	-	277,409
- Claims incurred but not reported	285,134	-	285,134	256,023	-	256,023
Total Loss reserves and outstanding claims	494,946	-	494,946	533,432	-	533,432
Unearned premium reserves	2,818,581	-	2,818,581	2,540,027	-	2,540,027
Total short-term technical reserves	3,313,527	-	3,313,527	3,073,459	-	3,073,459
Unpaid policy benefits	4,649,219	-	4,649,219	4,434,678	-	4,434,678
Due to insured	920,531	-	920,531	763,388	-	763,388
Total	165,966,837	-	165,966,837	152,192,205	-	152,192,205

20 Insurance contract liabilities (Cont'd)

20.1 Long-term technical reserves

	2018	2017
	Thousand Baht	Thousand Baht
Beginning balances for the year	143,920,680	130,332,657
Reserves increased from new and inforce policies in the year	21,319,057	21,008,702
Reserves released for benefits payment under insurance policies, lapse and cancelled policies in the year	(8,761,452)	(8,316,288)
Change in assumption	605,275	895,609
Closing balances at the end of year	<u>157,083,560</u>	<u>143,920,680</u>

The assumptions used in actuarial estimation are as follows;

	2018	2017
	%	%
Mortality, Morbidity, and Survival rate	100% of TMO1986, TMO1997, TMO2008, TMO2017, Annuity table 2009	100% of TMO1986, TMO1997, TMO2008, Annuity table 2009
Discount rate	2% - 6%	2% - 6%
Benefit paid to insured	100% of guarantee benefit	100% of guarantee benefit

20.2 Short-term technical reserves

20.2.1 Loss reserves and outstanding claims

The movement details are belows:

	2018	2017
	Thousand Baht	Thousand Baht
Beginning balances for the year	533,432	488,472
Claims incurred during the year	4,749,431	4,199,766
Claims paid during the year	(4,787,917)	(4,154,806)
Closing balances at the end of year	<u>494,946</u>	<u>533,432</u>

20.2.2 Aging of claim liabilities' repayment

	2018	2017
	Thousand Baht	Thousand Baht
Expected repayment within 1 year	479,417	516,003
Expected repayment after 1 year	15,529	17,429
Total	<u>494,946</u>	<u>533,432</u>

20 Insurance contract liabilities (Cont'd)

20.2 Short-term technical reserves (Cont'd)

20.2.3 The sensitivities of assumptions to the key variables in respect of insurance contract liabilities

	Change in Assumptions %	Impact to claim reserve and uncollected loss adjustment expense Thousand Baht	Impact on profit (loss) Thousand Baht	Impact on equity Thousand Baht
Expected loss ratio	0.5% (0.5)%	107,874 (107,874)	(107,874) 107,874	(107,874) 107,874

20 Insurance contract liabilities (Cont'd)

20.2 Short-term technical reserves (Cont'd)

20.2.4 Claim Development Table

20.2.4.1 Claim development table before and net of reinsurance

Incident Year / Reported Year	Unit: Thousand Baht							Total
	2012	2013	2014	2015	2016	2017	2018	
Estimated claim:								
- At the end of the year	1,466,048	1,546,639	2,634,630	2,870,494	3,532,528	3,715,754	5,024,274	
- After 1 year	86,369	87,847	157,332	158,950	159,600	176,847	-	
- After 2 years	8,302	3,695	5,356	7,072	5,147	-	-	
- After 3 years	2,913	893	1,731	1,677	-	-	-	
- After 4 years	633	1,878	885	-	-	-	-	
- After 5 years	285	219	-	-	-	-	-	
- After 6 years	370	-	-	-	-	-	-	
Ultimate claim	1,564,988	1,641,390	2,800,562	3,041,782	3,701,543	3,902,848	5,500,201	22,153,314
Cumulative claim paid	(1,564,920)	(1,641,171)	(2,799,934)	(3,038,193)	(3,697,275)	(3,892,601)	(5,024,274)	(21,658,368)
Claim liabilities before reinsurance	68	219	628	3,589	4,268	10,247	475,927	494,946
Claim recoveries receivable								(401,098)
Claim liabilities After reinsurance								<u>93,848</u>

20 Insurance contract liabilities (Cont'd)

20.2 Short-term technical reserves (Cont'd)

20.2.5 Unearned premium reserve

	2018 Thousand Baht	2017 Thousand Baht
Beginning balances for the year	2,540,027	2,412,172
Premiums written for the year	8,440,872	7,647,265
Premiums earned in the year	(8,162,318)	(7,519,410)
Closing balances at the end of year	<u>2,818,581</u>	<u>2,540,027</u>

20.2.6 Unexpired risk reserve

No reserve for unexpired risks was established as at 31 December 2018 as the unexpired risk reserve estimated by the Company of Baht 1,991 million (2017: Baht 1,634 million) was lower than the unearned premium reserve.

20.3 Unpaid policy benefits

	2018 Thousand Baht	2017 Thousand Baht
Death benefits	82,738	116,857
Dividend	3,897,964	3,603,428
Others	668,517	714,393
Total	<u>4,649,219</u>	<u>4,434,678</u>

20.4 Due to insured

	2018 Thousand Baht	(Reclassified) 2017 Thousand Baht
Uncashed cheques	589,580	522,492
Premiums received during underwriting	330,760	240,673
Others	191	222
Total	<u>920,531</u>	<u>763,387</u>

21 Investment contract liabilities

	2018 Thousand Baht	(Reclassified) 2017 Thousand Baht
Investment contract liabilities with discretionary participation features	3,174,910	3,767,971
Unit-linked contract liabilities	303,127	99,007
Total	3,478,037	3,866,978

Investment contract liabilities with discretionary participation features

	2018 Thousand Baht	2017 Thousand Baht
Beginning balance for the year	3,767,971	4,249,416
Reserves increased from inforce policies in the year	244,133	325,856
Reserves released for benefits payment, lapse, and cancelled policies in the year	(837,194)	(807,301)
Closing balance at the end of year	3,174,910	3,767,971

22 Amount due to reinsurers

	2018 Thousand Baht	2017 Thousand Baht
Due to reinsurers (Note 33)	528,717	525,926
Total	528,717	525,926

23 Employee benefits

	2018 Thousand Baht	(Reclassified) 2017 Thousand Baht
Statement of Financial Position		
Short - term employee benefits	220,211	224,129
Long - term employee benefits	32,574	-
Retirement benefits	233,398	210,353
Employment benefit obligation	<u>486,183</u>	<u>434,482</u>

23.1 Employee benefits obligation

The amounts recognized in profit or loss are as follows:

	2018 Thousand Baht	2017 Thousand Baht
<u>Defined benefits obligation</u>		
Current service costs	20,208	15,245
Interest cost	16,422	1,045
Total expenses	<u>36,630</u>	<u>16,290</u>
<u>Commitment from defined benefit plans</u>		
Present value of employee benefits obligations	<u>233,398</u>	<u>210,353</u>
<u>Changes in the present value of employee benefits</u>		
As at 1 January	210,353	194,608
Current service costs	20,208	15,245
Interest cost	16,422	1,045
<u>Less</u> Benefits paid	(22,316)	(8,483)
Loss on actuarial remeasurement	8,731	7,938
As at 31 December	<u>233,398</u>	<u>210,353</u>

Significant assumptions used in the actuarial calculation are summarised as follows:

	2018	2017
Discount rate	2.9%	2.9%
Salary increase rate	6.0%	6.0%
Retirement ages	60	60
Turnover rate	13.0%	13.0%

Sensitivity analysis on key assumptions changes are as follows:

	Change in assumptions		Impact on employees benefits obligation			
			Increase in assumption		Decrease in assumption	
	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2017 Thousand Baht
Discount rate	0.5%	0.5%	(10,645)	(9,642)	11,797	10,505
Salary increase rate	0.25%	0.25%	6,402	5,736	(6,030)	(5,468)
Turnover rate	1.0%	1.0%	(9,314)	(8,807)	10,629	9,787

23 Employee benefits (Cont'd)

23.1 Employee benefits obligation (Cont'd)

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 recognized within the statement of financial position.

	<u>2018</u>	<u>2017</u>
Weighted average duration of the defined benefit obligation (years)	12.7	12.8
Maturity analysis of undiscounted benefits expected to be paid (Thousand Baht)		
Benefits expected to be paid within 1 year	11,140	21,344
Benefits expected to be paid between 1 - 5 years	82,872	68,324
Benefits expected to be paid more than 5 years	438,548	375,910

23.2 Long term employee benefits - Share-based compensation

The Company has share-based compensation in accordance with Allianz Group policy using the share of Allianz SE, a listed company in Frankfurt am Main in XETRA trading.

During the year 2018, there is a share-based compensation plan to employee. The details are as below:

Employee Stock Purchase Plan (ESPP)

The Allianz Group offers Allianz SE shares in 20 countries to entitled employees at favourable conditions. The offer provides to the eligible employees one matching share (or fractions) for three purchased shares. The shares have three years restriction period which will be held and administered in a central omnibus account during the period.

During the year ended 31 December 2018, the number of shares sold to employees under these plans was 557 shares (2016: 0 shares).

Restricted stock unit (RSU)

The Allianz Equity Incentive (AEI) is a long-term equity-based plan granting Restricted Stock Units (RSU) provided to executives. The AEI are granted once a year and have a four-year vesting period from the time of their grant. The plan participant is required to formally accept the grant during a defined period. Failure to do so will result in forfeiture of the grant. Any value can be realized if the plan participant remains employed within the Allianz Group or under certain conditions.

23 Employee benefits (Cont'd)

23.2 Long term employee benefits - Share-based compensation (Cont'd)

Performance criteria are set by the Board of Directors and will measure the performance of the Company.

	RSU		ESPP	
	2018 Number of shares	2017 Number of shares	2018 Number of shares	2017 Number of shares
As at 1 January	7,303	6,071	-	-
Granted/Transferred in	2,020	1,990	557	-
Exercised	-	-	-	-
Forfeited/Transferred out	(1,688)	(758)	-	-
As at 31 December	7,635	7,303	557	-

The total recognized compensation in other employee benefits for the year ended 31 December 2018 amounting to Baht 43 million (2017: Baht 0 million) and the total compensation liabilities under "Employee benefits" amounting to Baht 33 million (2017: Baht 0 million). The company uses projected cash flow technique to calculate the fair value of this share-based payment plan. The key assumptions for valuations are expected share price and employee turn-over rate.

24 Accrued expenses

	(Reclassified)	
	2018 Thousand Baht	2017 Thousand Baht
Accrued commission expenses	376,753	333,545
Accrued production cost	596,001	605,405
Accrued administration expenses	300,205	300,645
Accrued agency overhead	504,577	438,559
Others	238,124	157,855
Total	2,015,660	1,836,009

25 Other liabilities

	2018	2017
	Thousand Baht	Thousand Baht
Cash collateral from derivative contract	167,400	136,300
Other creditors	199,778	179,272
Others	221,930	148,008
Total	589,108	463,580

Cash collateral from derivative contracts is cash collateral which financial institutions have pledged under the derivative contracts with the Company.

26 Legal reserve

Under the Public Limited Company Act., B.E. 2535, the Company is required to set aside as a legal reserve at least 5 % of its net profit after accumulated deficit brought forward (if any) until the reserve is not less than 10 percent of the registered capital. The legal reserve is non-distributable.

27 Dividends

At the annual general meeting of the shareholders of the Company held on 9 April 2018, the shareholders approved the appropriation of dividend payment of Baht 5.57 per share, on 295 million shares, amounting to Baht 1,643.2 million. (2017: At the annual general meeting of the shareholders of the Company held on 20 April 2017, the shareholders approved the appropriation of dividend payment of Baht 6.52 per share, on 295 million shares, amounting to Baht 1,923.4 million.) On 23 May 2018, the Office of Insurance Commission endorsed for distribution of profit for the year 2017 for dividend payments within an amount of Baht 1,430 million (2017: On 29 June 2017, the Office of Insurance Commission endorsed for distribution of profit for the year 2016 for dividend payments within an amount of Baht 1,923.4 million) Therefore, the Company appropriated the dividend of Baht 4.84 per share on 295 million shares, amounting to Baht 1,427.8 million and the dividend payment was made on 20 June 2018.

28 Net investment income

	Note	2018 Thousand Baht	2017 Thousand Baht
Dividend income			
Other related parties	33	51,214	37,989
Other parties		<u>781,141</u>	<u>561,979</u>
		<u>832,355</u>	<u>599,968</u>
Interest income			
Other related parties	33	2,176	841
Other parties		<u>6,066,365</u>	<u>5,870,620</u>
		<u>6,068,541</u>	<u>5,871,461</u>
Investment expenses		<u>(108,209)</u>	<u>(105,637)</u>
Total		<u><u>6,792,687</u></u>	<u><u>6,365,792</u></u>

29 Operating expenses

	2018	(Reclassified) 2017
	<u>Thousand Baht</u>	<u>Thousand Baht</u>
Employee expenses not relating to underwriting expenses and loss adjustment expenses (Note 30)	1,104,314	1,045,190
Property and equipment expenses not relating to underwriting expenses	339,204	303,599
Tax expenses	172,366	164,171
Bad debt and doubtful debt expenses	158,477	155,155
Other operating expenses	633,716	959,553
Total	<u><u>2,408,077</u></u>	<u><u>2,627,668</u></u>

30 Employee expenses

	2018	2017
	<u>Thousand Baht</u>	<u>Thousand Baht</u>
Salary and wages	987,275	970,166
Social securities	12,491	11,821
Provident fund	62,911	57,430
Other employee benefits	538,270	439,301
Total employee expenses	<u><u>1,600,947</u></u>	<u><u>1,478,718</u></u>

The Company established a provident fund in accordance with the Provident Fund Act B.E. 2530. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 2% to 15% of their basic salaries and by the Company at rates ranging from 5% to 10% of the employees' basic salaries. The Company appointed a fund manager to manage the fund in accordance with terms and conditions as prescribed in the Ministerial Regulations.

31 Income tax expenses

	2018	2017
	Thousand Baht	Thousand Baht
Current tax on profit for the year	556,035	433,748
Prior year tax adjustment	88,710	(1,200)
Increase in deferred tax (Note 18)	20,414	(68,757)
Income taxes for the year	<u>665,159</u>	<u>363,791</u>

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the Thailand basic tax rate as follows:

	2018	2017
	Thousand Baht	Thousand Baht
Profit before tax	3,182,231	2,008,238
Income tax rate	20%	20%
Tax calculated at tax rate	636,446	401,648
Impact:		
Income not subject to tax	(76,451)	(49,118)
Expenses not deductible for tax purposes	17,229	14,659
Additional deduction for tax purposes	(776)	(3,133)
Taxable revenue	-	935
Prior year tax adjustment	88,711	(1,200)
Income taxes for the year	<u>665,159</u>	<u>363,791</u>

The effective tax rate for 2018 is 21% (2017: 18%). There was no significant transaction being income not subject to tax and expenses not deductible for tax purpose.

The additional information related to deferred tax are provided in Note 18.

Allianz Ayudhya Assurance Public Company Limited
Notes to Financial Statements
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31 Income tax expenses (Cont'd)

Tax effect from other comprehensive income

	2018			2017		
	Before Tax Thousand Baht	Tax benefit (expense) Thousand Baht	Net of tax Thousand Baht	Before Tax Thousand Baht	Tax benefit (expense) Thousand Baht	Net of tax Thousand Baht
31 December						
Unrealized gain (loss) from available-for-sale securities	4,567,365	(913,473)	3,653,892	8,482,894	(1,696,579)	6,786,315
Actuarial loss from employment benefit plan	(28,432)	5,686	(22,746)	(19,701)	3,940	(15,761)
Unrealized gain (loss) from hedging instruments	227,565	(45,512)	182,053	41,094	(36,885)	4,209
Total	4,766,498	(953,299)	3,813,199	8,504,287	(1,729,524)	6,774,763
1 January						
Unrealized gain (loss) from available-for-sale securities	8,482,894	(1,696,579)	6,786,315	4,861,690	(972,338)	3,889,352
Actuarial loss from employment benefit plan	(19,701)	3,940	(15,761)	(11,764)	2,353	(9,411)
Unrealized gain (loss) from hedging instruments	41,094	(36,885)	4,209	16,440	(1,168)	15,272
Total	8,504,287	(1,729,524)	6,774,763	4,866,366	(971,153)	3,895,213
Movement during the year						
Unrealized gain (loss) from available-for-sale securities	(3,915,529)	783,106	(3,132,423)	3,621,204	(724,241)	2,896,963
Actuarial loss from employment benefit plan	(8,731)	1,746	(6,985)	(7,937)	1,587	(6,350)
Unrealized gain (loss) from hedging instruments	186,471	(8,627)	177,844	24,654	(35,717)	(11,063)
Total	(3,737,789)	776,225	(2,961,564)	3,637,921	(758,371)	2,879,550

32 Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

	2018	2017
Net profit for the year attributable to ordinary shareholders		
Of the company(Thousand Baht)	2,517,072	1,644,447
Number of ordinary shares outstanding (Thousand shares)	295,000	295,000
Basic earnings per share (Baht per share)	8.53	5.57

These are no potential dilutive ordinary shares in issue for the years ended 31 December 2018 and 2017.

33 Related party transactions

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In considering the relationship between a related person or party transactions which may be required to consider the details of the relationship rather than the legal relationship.

Relationships with key management and related parties were as follows:

Name of entities	Country of incorporation/ nationality	Nature of relationships
Key management personnel	Thai/foreigners	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Company
Allianz SE	Germany	Ultimate parent, 24.99% shareholding
Allianz SE, Singapore Branch	Singapore	Related company of ultimate parent
Allianz Technology SE	Germany	Related company of ultimate parent
Allianz Investment Management Singapore Pte. Ltd.	Singapore	Related company of ultimate parent
Allianz Global Investors Singapore Limited	Singapore	Related company of ultimate parent
Allianz Technology (Thailand) Company Limited	Thailand	Related company of ultimate parent
CPRN (Thailand) Limited	Thailand	Immediate parent, 37.66% shareholding
Sri Ayudhya Capital Public Company Limited	Thailand	Major shareholder, 20.17% shareholding and common director
Bangkok Broadcasting & Television Company Limited	Thailand	Shareholders, 2.79% shareholding and common director
Bank of Ayudhya Public Company Limited	Thailand	Related company of major shareholders
Krungsri Asset Management Company Limited	Thailand	Related company of major shareholders and common director
Krungsri Securities Public Company Limited	Thailand	Related company of major shareholders
Ayudhya Development Leasing Company Limited	Thailand	Related company of major shareholders
Ayudhya Capital Auto Lease Public Company Limited	Thailand	Related company of major shareholders
BBTV Equity Company Limited	Thailand	Related company of major shareholders
Siam City Cement Public Company Limited	Thailand	Related company of major shareholders and common director
Eastern Star Real Estate Public Company Limited	Thailand	Related company of major shareholders and common director
Allianz General Insurance Public Company Limited	Thailand	Related company of ultimate parent and common director
Sri Ayudhya General Insurance Public Company Limited	Thailand	Related company of major shareholders and common director

33 Related party transactions (Cont'd)

Significant transactions for the year ended 31 December 2018 and 2017 with key management and related parties were as follows:

	2018	2017
	<u>Thousand Baht</u>	<u>Thousand Baht</u>
Gross premiums written		
Major shareholder	33	35
Other related parties	243,929	217,409
Premiums ceded		
Ultimate parent	114,362	108,626
Other related parties	446,366	349,868
Fees and commission income		
Ultimate parent	22,822	19,786
Other related parties	92,296	87,930
Interest income		
Other related parties	2,176	841
Insurance claim expenses		
Other related parties	264,998	237,278
Insurance claims expenses recovered from reinsurers		
Ultimate parent	92,209	72,073
Other related parties	222,661	132,187
Operation expenses		
Ultimate parent	23,131	26,528
Other related parties	476,374	537,668
Key management personnel compensation		
Short-term benefits	164,775	134,585
Post-employment benefits	6,177	5,689
Total	<u>170,952</u>	<u>140,274</u>

33 Related party transactions (Cont'd)

Important items with key executives and related party transactions for the year ended 31 December 2018 and 2017 as follows:

Significant agreements with related parties

- (a) The Company entered into an agreement with a related company whereby the related company will provide the support services to the Company. The Company was charged a service fee of 4.15 million Singapore dollar. The term of the agreement is for 1 year from 1 January 2018 to 31 December 2018. The payments are made on quarterly basis. Either party may terminate this agreement at any time by giving 6 months prior written notice to another party.
- (b) The Company entered into an agreement with ultimate parent whereby ultimate parent will provide the support services to the Company. The Company was charged a service fee of EUR 0.96 million (2017: EUR 0.63 million). The term of the agreement is for 1 year from 1 January 2018 to 31 December 2018. Either party may terminate this agreement at any time by giving 6 months prior written notice to another party.
- (c) The Company has entered into lease and service agreements for offices and equipment with a related company from July 2018 to July 2022, from March 2016 to March 2019 and from November 2017 to November 2020 with monthly rental and service fees of Baht 0.20 million (excluding VAT), Baht 3.27 million (excluding VAT) and Baht 0.15 million (excluding VAT), respectively.

As at 31 December 2018 and 2017, the Company had commitments from entering into long-term agreements for rental and services with related parties as follows:

	2018	2017
	<u>Thousand Baht</u>	<u>Thousand Baht</u>
Operating lease commitments		
Within one year	10,739	42,084
After one year but within five years	5,301	9,833
Total	<u>16,040</u>	<u>51,917</u>

Investments in related parties

Investments in related parties as at 31 December 2018 and 2017 and dividends received for the year ended 31 December 2018 and 2017 were as follows:

	Book value		Dividend income	
	2018	2017	2018	2017
	<u>Thousand Baht</u>	<u>Thousand Baht</u>	<u>Thousand Baht</u>	<u>Thousand Baht</u>
Investments – equity securities	88,447	77,970	51,214	37,989
Total	<u>88,447</u>	<u>77,970</u>	<u>51,214</u>	<u>37,989</u>

33 Related party transactions (Cont'd)

Significant balances with related parties as at 31 December 2018 and 2017 were as follows:

	<u>2018</u> <u>Thousand Baht</u>	<u>2017</u> <u>Thousand Baht</u>
Cash and cash equivalents		
Other related party	496,224	500,514
Reinsurance receivables		
Ultimate parent	41,800	14,912
Other related parties	278,112	207,359
Other assets		
Ultimate parent	48,805	-
Other related parties	18,500	53,481
Reinsurance payables		
Ultimate parent	38,915	37,972
Other related parties	346,186	283,023
Accrued expenses		
Ultimate parent	4,624	5,895
Other related parties	208,644	71,952

34 Securities placed with the Registrar and securities reserved with the Registrar

34.1 Securities placed with the Registrar

The Company placed securities with the Registrar, Office of Insurance Commission, as required by the Life Insurance Act. (No.2) B.E. 2551. Deposit with Registrar as at 31 December 2018 and 2017 comprises as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Book value</u> <u>Thousand</u> <u>Baht</u>	<u>Face value</u> <u>Thousand</u> <u>Baht</u>	<u>Book value</u> <u>Thousand</u> <u>Baht</u>	<u>Face value</u> <u>Thousand</u> <u>Baht</u>
Held-to-maturity investments				
Government bonds	20,183	20,000	20,258	20,000

34 Securities placed with the Registrar and securities reserved with the Registrar (Cont'd)

34.2 Securities reserved with the Registrar

The Company placed investments in debt securities for life policy reserve with the Registrar in accordance with Section 24 of the Life Assurance Act B.E. 2535 and amendment Act (No.2) B.E. 2551 were as follows:

	2018		2017	
	Book value Thousand Baht	Face value Thousand Baht	Book value Thousand Baht	Face value Thousand Baht
Available-for-sale investments				
Government bonds	19,437,439	16,640,000	14,311,114	12,140,000
State enterprise bonds	6,231,629	5,800,000	-	-
Total	<u>25,669,068</u>	<u>22,440,000</u>	<u>14,311,144</u>	<u>12,140,000</u>
Held-to-maturity investments				
Government bonds	7,503,091	7,147,000	10,911,953	10,457,000
State enterprise bonds	2,703,013	2,700,000	7,734,299	7,300,000
Total	<u>10,206,104</u>	<u>9,847,000</u>	<u>18,646,252</u>	<u>17,757,000</u>

35 Asset-backed

As of 31 December 2018 and 2017, the Company pledged investments in restricted securities with the Registrar as asset-backed in accordance with Section 27/4 of the Life Assurance Act B.E. 2535 and amendment Act (No.2) B.E. 2551 were as follows:

	2018		2017	
	Book value Thousand Baht	Appraisal value Thousand Baht	Book value Thousand Baht	Appraisal value Thousand Baht
Deposits with financial institutions	5,897,326	5,897,325	6,451,524	6,451,524
Equity securities	19,943,602	20,331,724	13,945,805	14,301,654
Debt securities	146,308,531	148,978,360	142,577,978	146,358,122
Total	<u>172,149,459</u>	<u>175,207,409</u>	<u>162,975,307</u>	<u>167,111,300</u>

36 Commitments with non-related parties

36.1 Commitments form operating lease and service agreements

The Company has payment obligations of operating leases for offices and vehicles and service agreements as follows:

	2018	2017
	Thousand Baht	Thousand Baht
Due within 1 year	15,570	15,450
Due more than 1 year but not later than 5 years	20,732	9,922
Total	36,302	25,372

The Company has entered into several lease agreements in respect of office space and service agreements. The maximum period of the agreements remains up to 2022.

36.2 Investment commitments

As at 31 December 2018, the Company had commitments to invest in several series of bills of exchange issued by banks amounting to Baht 1,467 million (2017: Baht 2,360 million). These investments have a duration up to 2023 (2017: up to 2023) and are payable based on the contract terms. The timing of the commitments are as follows:

	2018	2017
	Thousand Baht	Thousand Baht
Within one year	828,752	893,070
More than year but not later than five years	638,004	1,453,756
More than five years	-	13,000
Total	1,466,756	2,359,826