
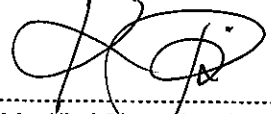


**Information Disclosure**  
**Allianz Ayudhya Assurance Public Company Limited**

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. Kitti Pintavirooj  
Position Director

Disclosed on 19 June 2020  
Annual Year 2019



1.1 The Company's History

1.2 Policy, Objective and Strategy for operating business

1.3 Nature of Business

1.4 Product Detail, Services and Product Mix

1.5.1 Process, Period, Documents and Method of Policy Benefit Payment

1.5.2 Contact and Responsible Unit of Complaint Case

2.1 Good Corporate Governance

2.2 Organization Chart

2.3 Management Structure (Name, Title and Responsibility)

- BoD
- BoM

2.4 Committees (Name, Title and Responsibility)

- Audit Committee
- Risk Committee
- Investment Committee
- Selection Committee
- Remuneration Committee
- Others

2.5 Selection of Appointment of Directors, Independent Directors and Executive Management

2.6 Remuneration Policy

3.1 Enterprise Risk Management and Asset (ERM)

3.2 Asset Liability Management (ALM)

4. Expected Insurance Risk that may impact financial of the Company, Reinsurance Management, linkage of Capital and Risk and Concentration Risk.

5. Value, Method and Assumptions for liability of Insurance Contract

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**ALLIANZ AYUDHYA ASSURANCE PUBLIC COMPANY LIMITED**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2019**



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

### What I have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in 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.

**Anothai Leekitwattana**  
Certified Public Accountant (Thailand) No. 3442  
Bangkok  
21 February 2020

Allianz Ayudhya Assurance Public Company Limited

Statement of Financial Position

As at 31 December 2019

	Notes	2019 Thousand Baht	2018 Thousand Baht
<b>Assets</b>			
Cash and cash equivalents	7,31	9,505,841	5,916,023
Premium due and uncollected, net	8	1,452,654	1,834,464
Accrued investment income		3,109,782	3,325,727
Reinsurance receivables	9,31	372,205	410,098
Investment receivables		126,081	42,695
Derivative assets	4,10	1,942,969	454,869
Investments assets			
Investments in securities, net	11,31,32	191,257,234	167,110,712
Loans, net	12	8,399,102	8,266,485
Investment assets held to cover linked liabilities	13	464,825	303,126
Premises and equipment, net	14	518,235	573,693
Intangible assets, net	15	527,271	604,073
Other assets	17,31	280,114	282,280
<b>Total assets</b>		<u>217,956,313</u>	<u>189,124,245</u>

..... Directors

The notes on pages 10 to 68 form an integral part of these financial statements.

Allianz Ayudhya Assurance Public Company Limited

Statement of Financial Position (Cont'd)

As at 31 December 2019

	Notes	2019 Thousand Baht	2018 Thousand Baht
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Insurance contract liabilities	18	177,406,115	165,966,837
Investment contract liabilities	19	3,741,806	3,478,037
Amount due to reinsurers	20,31	366,752	528,717
Investment payables		712,216	445,901
Derivative liabilities	10	-	113,680
Income tax payable		139,199	386,269
Accrued expenses	21,31	2,106,260	2,015,660
Employee benefits obligation	22	576,085	486,183
Provisions		80,770	106,378
Deferred tax liabilities	16	3,535,002	485,738
Other liabilities	23	2,009,203	589,108
<b>Total liabilities</b>		<u>190,673,408</u>	<u>174,602,508</u>
<b>Equity</b>			
Share capital			
Authorised share capital			
400,000,000 ordinary shares of 10 Baht each		<u>4,000,000</u>	<u>4,000,000</u>
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	24	400,000	400,000
Unappropriated		7,658,831	7,335,792
Other component of equity		16,274,074	3,835,945
<b>Total equity</b>		<u>27,282,905</u>	<u>14,521,737</u>
<b>Total liabilities and equity</b>		<u>217,956,313</u>	<u>189,124,245</u>

The notes on pages 10 to 68 form an integral part of these financial statements.

Allianz Ayudhya Assurance Public Company Limited  
Statement of Comprehensive Income  
For the year ended 31 December 2019

		2019	2018
		Thousand	Thousand
	Notes	Baht	Baht
<b>Revenues</b>			
Gross written premiums	31	32,231,697	32,624,654
<u>Less</u> premiums ceded	31	(864,712)	(773,926)
Net written premiums		31,366,985	31,850,728
<u>Less</u> unearned premium reserve increased from previous year		(323,679)	(278,554)
Net premium earned after reinsurance		31,043,306	31,572,174
Fee and commission income	31	162,261	154,930
Net investment income	26,31	7,338,892	6,792,687
Gains on investment		319,991	608,199
Gain (Losses) on fair value		32,647	(45,199)
Other income		85,030	48,621
<b>Total revenues</b>		<u>38,982,127</u>	<u>39,131,412</u>
<b>Expenses</b>			
Long-term technical reserve increased from previous year		10,727,914	12,569,819
Benefits payments and insurance claims expenses	31	17,871,245	16,122,594
<u>Less</u> benefits and claim paid recovery from reinsurers	31	(432,673)	(381,346)
Net benefits payment and insurance claims expenses		17,438,572	15,741,248
Commissions and brokerages		4,026,053	3,546,255
Other underwriting expenses		1,752,658	1,683,661
Operating expenses	27,31	2,578,297	2,408,077
Other expenses		-	121
<b>Total expenses</b>		<u>36,523,494</u>	<u>35,949,181</u>
<b>Profit before income tax</b>		2,458,633	3,182,231
Income tax	29	414,176	665,159
<b>Net income</b>		<u>2,044,457</u>	<u>2,517,072</u>

The notes on pages 10 to 68 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 2019

	2019	2018
	Thousand	Thousand
Notes	Baht	Baht
<b>Other comprehensive incomes (losses)</b>		
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Losses on remeasurements of post-employment benefit obligations	(35,148)	(8,731)
Income tax on item that will not be reclassified subsequently to profit or loss	7,030	1,746
Total items that will not be reclassified subsequently to profit or loss	<u>(28,118)</u>	<u>(6,985)</u>
<b>Items that will be reclassified subsequently to profit or loss</b>		
Change in fair value of available-for-sale investments	15,081,536	(3,259,556)
Change in fair value of cash flow hedges	754,688	186,471
Items in other comprehensive income transferred to profit or loss	(288,563)	(655,973)
Income tax on items that will be reclassified subsequently to profit or loss	(3,109,532)	774,479
Total items that will be reclassified subsequently to profit or loss	<u>12,438,129</u>	<u>(2,954,579)</u>
<b>Other comprehensive income (loss) for the year, net of income tax</b>	29 <u>12,410,011</u>	<u>(2,961,564)</u>
<b>Total comprehensive income (loss) for the year</b>	<u>14,454,468</u>	<u>(444,492)</u>
<b>Basic earning per share (Baht)</b>	30 <u>6.93</u>	<u>8.53</u>

The notes on pages 10 to 68 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 2019**

	Retained earnings		Other components of equity				Total equity
	Issued and paid-up share capital	Legal reserve	Unappropriated reserve	Change in fair value of available-for-sale investments	Change in fair value of cash flow hedges	Total other components of equity	
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	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	-	-	(1,427,800)	-	-	-	(1,427,800)
Distributions to shareholders of the Company	-	-	(1,427,800)	-	-	-	(1,427,800)
Dividends to shareholders of the Company (note 25)	-	-	(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	-	-	2,517,072	-	-	-	2,517,072
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	2,950,000	400,000	7,335,792	3,653,892	182,053	3,835,945	14,521,737

The notes on pages 10 to 68 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 2019**

	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 2019	2,950,000	400,000	7,335,792	3,653,892	182,053	3,835,945	14,521,737
Transaction with shareholders, recorded directly in equity	-	-	-	-	-	-	-
Distributions to shareholders of the Company	-	-	(1,693,300)	-	-	-	(1,693,300)
Dividends to shareholders of the Company (note 25)	-	-	(1,693,300)	-	-	-	(1,693,300)
Total transaction with shareholders, recorded directly in equity	-	-	(1,693,300)	-	-	-	(1,693,300)
Comprehensive income (loss) for the year	-	-	2,044,457	-	-	-	2,044,457
Net profit	-	-	2,044,457	-	-	-	2,044,457
Other comprehensive income (loss)	-	-	-	-	-	-	-
Change in fair value of cash flow hedges	-	-	-	-	603,750	603,750	603,750
Change in fair value of available-for-sale investments	-	-	-	12,065,229	-	12,065,229	12,065,229
Items in other comprehensive income transferred to profit or loss	-	-	-	(230,850)	-	(230,850)	(230,850)
Losses from remeasurements of post-employment benefit obligations	-	-	(28,118)	-	-	-	(28,118)
Total comprehensive income (loss) for the year	-	-	2,016,339	11,834,379	603,750	12,438,129	14,454,468
Balance as at 31 December 2019	2,950,000	400,000	7,658,831	15,488,271	785,803	16,274,074	27,282,905

The notes on pages 10 to 68 form an integral part of these financial statements.

Allianz Ayudhya Assurance Public Company Limited

Statement of Cash Flows

For the year ended 31 December 2019

	2019	2018
Notes	Thousand Baht	Thousand Baht
<b>Cash flows from operating activities</b>		
Premiums written	32,681,549	32,313,104
Cash paid relating to reinsurance	(393,850)	(331,909)
Interest received	7,135,124	5,684,436
Dividends received	877,558	817,363
Other income	81,642	49,908
Benefits payments and insurance claims expenses	(17,341,382)	(15,739,588)
Commissions and brokerages	(3,919,498)	(3,513,194)
Other underwriting expenses	(1,629,324)	(1,683,660)
Operating expenses	(2,440,306)	(2,021,249)
Income tax paid	(714,484)	(443,366)
Cash received from selling and redeeming investments in securities	18,168,363	22,573,891
Cash paid for purchasing investments in securities	(27,902,059)	(34,656,380)
Cash received from loans	4,457	7,946
Cash paid from loans	(79,924)	(463,587)
Deposits	(2,462)	1,367
Deposits at financial institutions	900,000	-
<b>Net cash flow provided from operating activities</b>	<u>5,425,404</u>	<u>2,595,082</u>
<b>Cash flows from investing activities</b>		
Cash flows provided		
Cash received from selling premises and equipment	9,833	-
Cash received from selling intangible assets	9	-
Cash flows used		
Cash paid for purchasing premises and equipment	(21,690)	(45,613)
Cash paid for purchasing intangible assets	(130,438)	(384,388)
<b>Net cash flow used in investing activities</b>	<u>(142,286)</u>	<u>(430,001)</u>
<b>Cash flows from financing activities</b>		
Cash flows used		
Dividends paid to shareholders of the Company	25 (1,693,300)	(1,427,800)
<b>Net cash flow used in financing activities</b>	<u>(1,693,300)</u>	<u>(1,427,800)</u>
<b>Net increase in cash and cash equivalents</b>	3,589,818	737,281
Cash and cash equivalents as at 1 January	5,916,023	5,178,742
<b>Cash and cash equivalents as at 31 December</b>	7 <u>9,505,841</u>	<u>5,916,023</u>
<b>Supplemental cash flows information</b>		
Non-cash items		
Receivables from sold investments	126,081	42,695
Payables from bought investments	712,216	445,901

The notes on pages 10 to 68 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.

Major shareholders are CPRN (Thailand) Limited and Allianz Ayudhya Capital Public Company Limited. The Major shareholders were incorporated in Thailand and the ultimate parent company is Allianz SE which was incorporated in Germany.

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

The financial statements were approved by the Board of Directors on 21 February 2020.

## 2 Accounting policies

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

### 2.1 Basis of preparation

The financial statements have been 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 management to use of certain critical accounting estimates and to exercise its judgement in 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 5.

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

2 Accounting policies (Cont'd)

2.2 New financial reporting standards, revised financial reporting standards, and related interpretations that are relevant and have significant impacts to the Company

2.2.1 New and amended financial reporting standards are effective for annual periods beginning on or after 1 January 2019

- a) Thai Financial Reporting Standard no.15 (TFRS 15), Revenue from contracts with customers

The standard provides principle and approach of revenue recognition under five-step process. The underlying principle is that the entity will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It replaces the principles of transferring the significant risks and rewards of ownership of the goods or services to the buyer in accordance with TAS 11, Construction contracts, TAS 18, Revenue and related interpretations.

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

- b) Thai Financial Reporting Standard no.4 (TFRS 4) (revised 2018), Insurance contracts

TFRS 4 has been amended to provide insurance companies an optional temporary exemption from compliance with TFRS 9 and TFRS 7. Entities who choose to use the exemption must follow the 'financial instruments and disclosure for insurance companies' accounting guidelines issued by the Federation of Accounting Professions until TFRS 17 becomes effective.

The Company has temporary exempted from TFRS 9 Financial Instrument and TFRS 7 Financial Instruments: Disclosures for the accounting period after 1 January 2020 in according with the 'financial instruments and disclosure for insurance companies', accounting guideline issued by the Federation of Accounting Professions on 11 March 2019. This accounting guideline is a part of TFRS4 (revised 2018) Insurance Contracts which is effective for annual periods beginning on or after 1 January 2020. As the Company has not previously applied TFRS 9 Financial Instrument and the Company's activities are predominantly connected with insurance business. Insurance liabilities under TFRS 4 (revised 2018) Insurance Contracts as at 1 January 2018 were greater than 90% of the Company's total liabilities.

On 1 January 2020, the Company will apply the 'financial instruments and disclosure for insurance companies' accounting guideline. From the preliminary assessment, the management expect that the Company will be significantly affected on the following areas.

Classification and measurement

Classification and measurement of investments in equity instruments, previously classified as general investments and presented at cost less impairment, will be reclassified to available-for-sale investments and remeasured to fair value in accordance with the accounting policy disclosed in Note 2.6 and recognised with a corresponding adjustment as of 1 January 2020.

2 Accounting policies (Cont'd)

2.2 New financial reporting standards, revised financial reporting standards, and related interpretations that are relevant and have significant impacts to the Company (Cont'd)

2.2.1 New and amended financial reporting standards are effective for annual periods beginning on or after 1 January 2019 (Cont'd)

- b) Thai Financial Reporting Standard no.4 (TFRS 4) (revised 2018), Insurance contracts (Cont'd)

Impairment

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

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

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

Hedge accounting

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.

The Company's management has assessed that current accounting policy of derivative financial instruments with hedge accounting disclosed in note 2.7 does not significantly differ from the 'financial instruments and disclosure for insurance companies' accounting guideline to the Company.

2 Accounting policies (Cont'd)

2.2 New financial reporting standards, revised financial reporting standards, and related interpretations that are relevant and have significant impacts to the Company (Cont'd)

2.2.1 New and amended financial reporting standards are effective for annual periods beginning on or after 1 January 2019 (Cont'd)

- b) Thai Financial Reporting Standard no.4 (TFRS 4) (revised 2018), Insurance contracts (Cont'd)

Transitional impact

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

- Change in balance of general investment which will be changed subsequent measurement from at cost less impairment to at fair value through other comprehensive income.
- Change in method of impairment loss calculation of held-to-maturity investments in debt instruments and available-for-sale investments in debt instruments under the accounting guideline.

The Company's management is currently assessing the quantitative impact of the first-time adoption of the accounting guideline.

- c) Thai Financial Reporting Interpretation no.22 (TFRIC 22), Foreign currency transactions and advance consideration

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

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

2.2.2 New and amended financial reporting standards that are effective for accounting period beginning or after 1 January 2020

Certain new and amended financial reporting standards have been issued that are not mandatory for current period end 31 December 2019 reporting period and have not been early adopted by the Company.

- a) Financial instruments

The new financial standards relate to financial instruments are:

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

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



2 Accounting policies (Cont'd)

2.2 New financial reporting standards, revised financial reporting standards, and related interpretations that are relevant and have significant impacts to the Company (Cont'd)

2.2.2 New and amended financial reporting standards that are effective for accounting period beginning or after 1 January 2020 (Cont'd)

b) TFRS 16, Leases

Where the entity is a lessee, TFRS 16, Leases will result in almost all leases being recognised on the balance sheet as the distinction between operating and finance leases is removed. A right-of-use asset and a lease liability will be recognised, with exception on short-term and low-value leases.

On 1 January 2020, the Company will apply TFRS 16, leases and adjust cumulative impact to opening retained earnings (modified retrospective approach). From the preliminary impact assessment, the management expect that the Company will be affected by significant lease liabilities under rental lease agreement, previously classified as operating leases under TAS 17, Leases. The Company will recognise following items upon adoption of TFRS 16 including liabilities under lease agreements are recognised in accordance with the obligations and discounting to present values with incremental borrowing rates of the lessees and right-of-use assets are recognised equal to the present value of liabilities under the lease agreements and adjust opening retained earnings of the Company from the reversal of accrued lease expenses arising from the recognition of the rental expense under a straight-line method over the term of lease agreements.

c) Other new/amended standards

The new and amended financial reporting standards that will have impact on the Company are:

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

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

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

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

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

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

## 2 Accounting policies (Cont'd)

### 2.3 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)

### 2.4 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.

### 2.5 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.

### 2.6 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.

## 2 Accounting policies (Cont'd)

### 2.6 Investments in 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. 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.

Equity securities which are not marketable, are classified as general investment, are stated at cost less any impairment losses (if any).

#### 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.

### 2.7 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.

**2 Accounting policies (Cont'd)**

**2.7 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.

**2.8 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.

**2.9 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. The gain or loss from changes in fair value is recognized in profit or loss when incurred.

**2.10 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.

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.

## 2 Accounting policies (Cont'd)

### 2.10 Premises and equipment (Cont'd)

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.

### 2.11 Intangible assets

#### 2.11.1 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.

#### 2.11.2 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.

## 2 Accounting policies (Cont'd)

### 2.12 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 there is a decline in the fair value of an available-for-sale financial asset which 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.

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.

### 2.13 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.

## 2 Accounting policies (Cont'd)

### 2.14 Insurance and investment contract

#### 2.14.1 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.

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.

#### 2.14.2 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.

2 Accounting policies (Cont'd)

2.14 Insurance and investment contract (Cont'd)

2.14.3 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 ability 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.

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.



2 Accounting policies (Cont'd)

2.14 Insurance and investment contract (Cont'd)

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

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.

Premium reserve

The premium reserves comprise 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 are calculated based on a pro-rata basis of the premium, based on the remaining duration of each policy using 1/365 method.

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.

## 2 Accounting policies (Cont'd)

### 2.14 Insurance and investment contract (Cont'd)

#### 2.14.4 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.

#### 2.14.5 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.

### 2.15 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.

2 Accounting policies (Cont'd)

2.16 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 1 January 2017 and 11 January 2017. The provident fund is funded by payments from employees and by contribution from the Company. The assets for which are held in separate funds 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.

## 2 Accounting policies (Cont'd)

### 2.16 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.

### 2.17 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.

### 2.18 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.

### 2.19 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.

**2 Accounting policies (Cont'd)**

**2.19 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.

**2.20 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.

**2.21 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.

**2.22 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.

**2.23 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.

2 Accounting policies (Cont'd)

2.24 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.

### 3 Risk management

#### 3.1 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.

##### 3.1.1 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.

##### 3.1.2 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 2019, 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 83 basis points (2018: 26 - 45 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.

##### 3.1.3 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.

##### 3.1.4 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.

3 Risk management (cont'd)

3.2 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.

3.2.1 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.

3.2.2 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 2019 and 2018 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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3 Risk management (cont'd)

3.2 Financial risk management (Cont'd)

	2019						
	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.)	
<b>Financial assets</b>							
Cash and cash equivalents	7,396,478	-	-	2,108,845	518	9,505,841	0.05 - 1.77
Investment in securities							
Bonds	2,651,048	18,945,335	88,109,975	-	-	109,706,358	2.13 - 6.40
Notes	1,704,832	7,022,022	4,324,363	-	-	13,051,217	2.56 - 6.11
Debentures	1,630,113	5,609,422	19,303,427	-	-	26,542,962	2.50 - 9.63
Deposits at financial institutions with original maturities more than 3 months	-	3,000,000	1,000,000	-	-	4,000,000	4.14 - 4.25
Loan							
Policy loans	3,692,282	3,578,477	1,112,647	-	-	8,383,406	4.00 - 8.00
Mortgage loans	-	1,866	56,068	1,360	-	59,294	5.00 - 19.00
	<u>17,074,753</u>	<u>38,157,122</u>	<u>113,906,480</u>	<u>2,110,205</u>	<u>518</u>	<u>171,249,078</u>	
<b>Financial liabilities</b>							
Unpaid policy benefits	4,040,161	-	-	-	834,060	4,874,221	2.00 - 4.00
	<u>4,040,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>834,060</u>	<u>4,874,221</u>	
	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.)	
<b>Financial assets</b>							
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>	
<b>Financial liabilities</b>							
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>	

3.2.2 Interest rate risk

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 the Insurance Commission.

3 Risk management (Cont'd)

3.2 Financial risk management (Cont'd)

3.2.3 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.

3.2.4 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.

3.2.5 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	
<b>31 December 2019</b>						
Ordinary life insurance	169,088,044	2,512,094	30,742,715	75,288,429	100,822,760	209,365,998
Pensions	1,898,340	(349,698)	(776,853)	205,482	5,321,921	4,400,852
Unit-linked	461,467	(34,248)	(61,873)	(12,761)	(343,631)	(452,513)
<b>Total</b>	<b>171,447,851</b>	<b>2,128,148</b>	<b>29,903,989</b>	<b>75,481,150</b>	<b>105,801,050</b>	<b>213,314,337</b>

### 3 Risk management (Cont'd)

#### 3.2.5 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	
<b>31 December 2018</b>						
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
<b>Total</b>	<b>160,549,255</b>	<b>(3,230,499)</b>	<b>33,372,955</b>	<b>81,727,414</b>	<b>106,238,670</b>	<b>218,108,540</b>

#### 3.2.6 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 4.

### 4 Fair value

#### 4.1 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.

4 Fair value (Cont'd)

4.1 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 2019.

	2019			Total Thousand Baht
	Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	
<b>Financial assets</b>				
Derivative assets	-	1,942,969	-	1,942,969
Investment in securities				
Held for trading				
Equity securities	846	-	-	846
Available-for-sale investments				
Debt securities	-	133,002,178	-	133,002,178
Equity securities	14,211,823	-	-	14,211,823
Foreign equity securities	7,187,706	-	-	7,187,706
Investment assets held to cover linked liabilities	464,825	-	-	464,825
<b>Total</b>	<b>21,865,200</b>	<b>134,945,147</b>	<b>-</b>	<b>156,810,347</b>
<b>Financial liabilities</b>				
Derivative liabilities	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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 2019.

	2019			Total Thousand Baht
	Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	
<b>Financial assets</b>				
Investment in securities				
Held-to-maturity investments				
Debt securities	-	36,732,838	-	36,732,838
Deposit at financial institutions with maturities over 3 months from acquisition date	4,000,000	-	-	4,000,000
General investments	-	-	1,361,130	1,361,130
<b>Total</b>	<b>4,000,000</b>	<b>36,732,838</b>	<b>1,361,130</b>	<b>42,093,968</b>

4 Fair value (Cont'd)

4.1 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 2018.

	2018			Total Thousand Baht
	Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	
<b>Financial assets</b>				
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
<b>Total</b>	<b>20,204,876</b>	<b>100,811,368</b>	<b>-</b>	<b>121,016,244</b>
<b>Financial liabilities</b>				
Derivative liabilities	-	113,680	-	113,680
<b>Total</b>	<b>-</b>	<b>113,680</b>	<b>-</b>	<b>113,680</b>

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			Total Thousand Baht
	Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	
<b>Financial assets</b>				
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
General investments	-	-	500,227	500,227
<b>Total</b>	<b>4,900,000</b>	<b>45,165,412</b>	<b>500,227</b>	<b>50,565,639</b>

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

There was no change in valuation techniques during the year.

#### 4 Fair value (Cont'd)

##### 4.2 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 determines Level 1 fair value for marketable equity securities is based on the latest bid price on the last business day of the reporting date.

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.

The fair value of significant general investments are based on dividend discount model technique using the net present value of dividends and terminal value expected to be received in the future. The fair value are within level 3 of the fair value hierarchy.

The Company has insignificant 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).

## 5 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.

### 5.1 Insurance contract liabilities and investment contract liabilities

#### 5.1.1 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 2019, a downward adjustment of 25 basis points (2018: 25 basis points) resulted in an additional expense of Baht 680 million (2018: Baht 608 million) reflected in the statement of comprehensive income.

#### 5.1.2 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 18.

##### 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.

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.

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

**5.1 Insurance contract liabilities and investment contract liabilities (Cont'd)**

**5.1.3 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.

**5.2 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.

**6 Capital risk management**

The Company maintains its capital fund in accordance with the requirements of the Office of Insurance Commission. The Company's objectives in managing capital are to ensure that it has appropriate financial resources to continue its business as a going concern in order to protect policyholders and to provide returns for shareholders and benefits for other stakeholders, and to optimize risk and return to add economic value over the Company's cost of capital. In order to maintain an appropriate capital structure, the Company may adjust the amount of dividends paid to shareholders or return capital to shareholders.

**7 Cash and cash equivalents**

	<b>2019</b>	<b>2018</b>
	<b>Thousand Baht</b>	<b>Thousand Baht</b>
Cash on hand	518	61
Deposits at banks - call deposits	2,108,845	1,854,357
Short-term investments	7,396,478	4,061,605
<b>Total</b>	<b>9,505,841</b>	<b>5,916,023</b>

As at 31 December 2019, cash and cash equivalents were denominated in foreign currencies amounting to Baht 61.14 million (2018: Baht 115 million).



**8 Premium due and uncollected net**

The balances of premium due and uncollected as at 31 December 2019 and 2018 were aged as follows:

	<u>From direct insurance</u>	
	<u>2019</u>	<u>2018</u>
	<u>Thousand Baht</u>	<u>Thousand Baht</u>
Within credit terms	1,424,998	1,790,196
Overdue:		
Less than 30 days	160,031	190,927
31 - 60 days	1,049	7,181
61 - 90 days	11,569	3,064
91 days - 1 year	6,165	7,864
Over 1 year	5,936	10,696
Total	1,609,748	2,009,928
<u>Less</u> Allowance for doubtful accounts	(157,094)	(175,464)
Premiums due and uncollected - net	<u>1,452,654</u>	<u>1,834,464</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.

**9 Reinsurance receivables**

The details of reinsurance assets are as follows:

	<u>2019</u>	<u>2018</u>
	<u>Thousand Baht</u>	<u>Thousand Baht</u>
Due from reinsurance (Note 31)	372,205	410,098
Total reinsurance receivable	<u>372,205</u>	<u>410,098</u>

Aging analysis for due from reinsurers is as follows:

	<u>2019</u>	<u>2018</u>
	<u>Thousand Baht</u>	<u>Thousand Baht</u>
Within credit terms	372,205	410,098
Total	<u>372,205</u>	<u>410,098</u>

10 Derivatives

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

	2019 Fair value		2018 Fair value	
	Assets Thousand Baht	Liabilities Thousand Baht	Assets Thousand Baht	Liabilities Thousand Baht
Held for hedge derivatives - Applied hedge accounting	1,942,969	-	454,869	113,680
Total derivatives	1,942,969	-	454,869	113,680

The details of derivative assets are as follow:

31 December 2019					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 2019 Thousand Baht
Cross currency swap	To hedge foreign currency risk of investment in foreign currency	82	13,604,582	1,208,596	997,826
Bond forward	To hedge reinvestment risk	19	4,890,000	734,373	726,446
Total		101	18,494,582	1,942,969	1,724,272

31 December 2018					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 2018 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

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**10 Derivatives (Cont'd)**

The details of derivative liabilities are as follows:

31 December 2019					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 2019 Thousand Baht
Cross currency swap	To hedge foreign currency risk of investment in foreign currency	-	-	-	-
Bond forward	To hedge reinvestment risk	-	-	-	-
Total		-	-	-	-

31 December 2018					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 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

As at 31 December 2019, the Company 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 402 million and EUR Dollar 13 million (2018: U.S. Dollar 335 million).

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

11 Investments in securities, net

The details of investments in securities as at 31 December 2019 and 2018 are as follows:

	2019		2018	
	Cost/ amortized cost Thousand Baht	Fair value Thousand Baht	Cost/ amortized cost Thousand Baht	Fair value Thousand Baht
<b>Trading securities</b>				
Equity securities	5,447	846	5,447	2,074
Add Unrealised loss	(4,601)	-	(3,373)	-
<b>Total Trading securities, net</b>	<b>846</b>	<b>846</b>	<b>2,074</b>	<b>2,074</b>
<b>Available-for-sale investments</b>				
Government and state enterprise debt securities	92,188,847	107,098,730	77,613,712	80,596,762
Private debt securities	11,339,821	12,183,465	8,856,667	9,066,154
Foreign debt securities	12,960,076	13,719,983	11,013,665	10,693,583
Equity securities	11,376,754	14,211,823	11,489,480	13,360,666
Foreign equity securities	7,176,250	7,187,706	6,974,214	6,539,010
<b>Total</b>	<b>135,041,748</b>	<b>154,401,707</b>	<b>115,947,738</b>	<b>120,256,175</b>
Add Unrealised gain	19,426,298	-	4,340,806	-
Less Allowance for impairment	(66,339)	-	(32,369)	-
<b>Total available-for-sale investments, net</b>	<b>154,401,707</b>	<b>154,401,707</b>	<b>120,256,175</b>	<b>120,256,175</b>
<b>Held-to-maturity investments</b>				
Government and state enterprise debt securities	29,920,511		39,051,963	
Private debt securities	2,891,282		2,858,648	
Deposits at financial institutions with original maturities more than 3 months	4,000,000		4,900,000	
<b>Total held-to-maturity investments</b>	<b>36,811,793</b>		<b>46,810,611</b>	
<b>General investments</b>				
Equity securities	42,888		41,852	
<b>Total general investments</b>	<b>42,888</b>		<b>41,852</b>	
<b>Total Investment in securities</b>	<b>191,257,234</b>		<b>167,110,712</b>	

For the year ended 31 December 2019, the Company recorded interest income and dividend income amounting to Baht 6,337 million and Baht 1,119 million, respectively (2018: Baht 6,069 million and Baht 832 million, respectively).

For the year ended 31 December 2019, the Company received consideration from selling available-for-sale investments amounting to Baht 7,275 million (2018: Baht 16,434 million).

As at 31 December 2019, the Company had investment in securities deposited with the Office of Insurance Commission in order to comply with the Life Insurance Act with a book value amounting to Baht 44,603 million (2018: Baht 35,875 million) (Note 32).

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11 Investments in securities, net (Cont'd)

The details of debt securities classified as available-for-sale investments as at 31 December 2019 and 2018 are aged as follows:

	Cost												
	2019					2018							
	1 year Thousand Baht		1 - 5 years Thousand Baht		Over 5 years Thousand Baht	Total Thousand Baht		1 year Thousand Baht		1 - 5 years Thousand Baht		Over 5 years Thousand Baht	Total Thousand Baht
Available-for-sale securities													
Government bonds and State Own Enterprise bonds*	-	9,389,285	82,799,562	92,188,847	-	6,688,018	77,613,712						
Private enterprises securities	31,980	2,356,616	8,951,225	11,339,821	31,977	1,635,782	8,856,667						
Foreign securities	30,113	3,264,422	9,665,541	12,960,076	-	2,060,615	11,013,665						
Total	62,093	15,010,323	101,416,328	116,488,744	31,977	10,384,415	97,484,044						
Add Unrealized gains on change in value of investments	(760)	1,109,001	15,405,194	16,513,435	188,339	1,706,449	2,872,455						
Total available-for-sale securities	61,333	16,119,324	116,821,522	133,002,179	220,316	12,090,864	100,356,499						

\* As at 31 December 2019, government bonds amounting to Baht 20 million (2018: 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 32).

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11 Investments in securities, net (Cont'd)

The details of debt securities classified as held-to-maturity investments as at 31 December 2019 and 2018 are aged as follows:

	Cost							
	2019			2018				
	1 year Thousand Baht	1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Total Thousand Baht	1 year Thousand Baht	1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Total Thousand Baht
Held-to-maturity securities								
Government bonds and State Own Enterprise bonds	4,251,048	15,816,455	9,853,008	29,920,511	9,081,408	17,317,464	12,653,091	39,051,963
Private enterprises securities	902,852	1,520,000	468,430	2,891,282	-	2,389,009	469,639	2,858,648
Deposits at financial institutions with original maturities more than 3 months	-	3,000,000	1,000,000	4,000,000	900,000	3,000,000	1,000,000	4,900,000
<b>Total held-to-maturity securities</b>	<b>5,153,900</b>	<b>20,336,455</b>	<b>11,321,438</b>	<b>36,811,793</b>	<b>9,981,408</b>	<b>22,706,473</b>	<b>14,122,730</b>	<b>46,810,611</b>
<b>Total investments in securities</b>	<b>5,215,233</b>	<b>36,455,779</b>	<b>128,142,960</b>	<b>169,813,972</b>	<b>10,201,724</b>	<b>34,797,337</b>	<b>102,168,049</b>	<b>147,167,110</b>

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12 Loans, net

As at 31 December 2019 and 2018, the balance of loans and accrued interest are aged as follows:

Outstanding periods	2019						
	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	8,383,406	1,471,496	14,431	30	8,397,837	1,471,526	9,869,363
Overdue	-	-	-	-	-	-	-
Less than 3 months	-	-	1,265	19	1,265	19	1,284
Over 3 - 6 months	-	-	-	-	-	-	-
Over 6 - 12 months	-	-	-	-	-	-	-
Over 12 months	-	-	43,598	4,006	43,598	4,006	47,604
Total	8,383,406	1,471,496	59,294	4,055	8,442,700	1,475,551	9,918,251
Less Allowance for doubtful accounts	-	-	(43,598)	(4,006)	(43,598)	(4,006)	(47,604)
Loans and accrued interests, net	8,383,406	1,471,496	15,696	49	8,399,102	1,471,545	9,870,647

Allianz Ayudhya Assurance Public Company Limited  
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12 Loans, net (Cont'd)

As at 31 December 2019 and 2018, the balance of loans and accrued interest are aged as follows: (Cont'd)

Outstanding periods	2018					
	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	8,244,747	1,376,393	20,054	37	8,264,801	1,376,430
Overdue	-	-	-	-	-	-
Less than 3 months	-	-	1,683	12	1,683	12
Over 3 - 6 months	-	-	-	-	-	-
Over 6 - 12 months	-	-	-	-	-	-
Over 12 months	-	-	46,929	4,394	46,929	4,394
Total	8,244,747	1,376,393	68,666 (46,928)	4,443 (4,394)	8,313,413 (46,928)	1,380,836 (4,394)
Less: Allowance for doubtful accounts	-	-	-	-	-	-
Loans and accrued interests, net	8,244,747	1,376,393	21,738	49	8,266,485	1,376,442

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 2019, the Company had mortgage loans to staffs amounting to Baht 2 million (2018: Baht 3 million) with interest rates at 5% per annum (2018: 5% per annum) and were issued in accordance with the Company's welfare policy.



13 Assets held to cover linked liabilities

As at 31 December 2019 and 2018, details of assets held to cover linked liabilities are as follows:

	2019 Thousand Baht	2018 Thousand Baht
Investment in mutual fund - Debt securities	119,806	77,002
Investment in mutual fund - Equity	341,662	213,783
Cash at bank for purchasing investment	3,357	12,341
Total	<u>464,825</u>	<u>303,126</u>

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

	2019 Thousand Baht	2018 Thousand Baht
Beginning balance of the year	303,126	99,007
Additions	263,375	238,421
Disposals	(109,713)	(27,803)
Realized gain	3,219	252
Unrealized gain (loss) in profit or loss	1,461	(19,092)
Cash at bank for purchasing investment unit	3,357	12,341
Ending balance of the year	<u>464,825</u>	<u>303,126</u>

Allianz Ayudhya Assurance Public Company Limited  
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14 Premises and equipment, net

As at 31 December 2019 and 2018, the balance of premises and equipment are as follows:

	2019		2018		2019				2018				
	Beginning balance Thousand Baht	Ending balance Thousand Baht	Beginning balance Thousand Baht	Ending balance Thousand Baht	Cost Additions Thousand Baht	Disposals/ transfer Thousand Baht	Depreciation charges Thousand Baht	Disposals/ transfer Thousand Baht	Accumulated depreciation Disposals/ transfer Thousand Baht	Beginning balance Thousand Baht	Ending balance Thousand Baht	Premises and equipment beginning balance Thousand Baht	Premises and equipment ending balance Thousand Baht
Land	247,916	247,916	-	-	-	-	-	-	-	319,111	337,242	247,916	247,916
Building	513,040	504,546	(8,494)	504,546	-	(8,494)	23,247	(5,116)	-	210,062	242,294	193,929	167,304
Computer	289,402	296,461	(1,210)	296,461	8,269	(1,210)	33,428	(1,196)	-	137,307	139,692	79,340	54,167
Office equipment	159,733	157,600	(5,218)	157,600	3,085	(5,218)	7,554	(5,169)	-	3,360	3,385	22,426	17,908
Furniture	3,541	3,763	(94)	3,763	316	(94)	119	(94)	-	319,473	325,289	181	378
Fitting	349,157	352,179	(3,433)	352,179	6,455	(3,433)	9,089	(3,273)	-	813	924	29,684	26,890
Vehicles	1,030	1,030	-	1,030	-	-	111	-	-	-	-	217	106
Assets under installation	-	3,566	-	3,566	3,566	-	-	-	-	-	-	-	3,566
Total	1,563,819	1,567,061	(18,449)	1,567,061	21,691	(18,449)	73,548	(14,848)	-	990,126	1,048,826	573,693	518,235

	2019		2018		2019				2018				
	Beginning balance Thousand Baht	Ending balance Thousand Baht	Beginning balance Thousand Baht	Ending balance Thousand Baht	Cost Additions Thousand Baht	Disposals/ transfer Thousand Baht	Depreciation charges Thousand Baht	Disposals/ transfer Thousand Baht	Accumulated depreciation Disposals/ transfer Thousand Baht	Beginning balance Thousand Baht	Ending balance Thousand Baht	Premises and equipment beginning balance Thousand Baht	Premises and equipment ending balance Thousand Baht
Land	247,916	247,916	-	-	-	-	-	-	-	295,850	319,111	247,916	247,916
Building	513,040	513,040	(40,869)	513,040	32,676	(40,869)	23,261	-	-	217,410	210,062	217,190	193,929
Computer	297,595	289,402	(6,644)	289,402	7,998	(6,644)	33,503	(40,851)	-	135,004	137,307	80,185	79,340
Office equipment	158,379	159,733	(116)	159,733	-	(116)	8,805	(6,502)	-	3,350	3,360	23,375	22,426
Furniture	3,657	3,541	(557)	3,541	47,636	(557)	126	(116)	-	275,322	319,473	307	181
Fitting	302,078	349,157	-	349,157	-	-	44,709	(558)	-	703	813	26,756	29,684
Vehicles	1,030	1,030	-	1,030	-	-	110	-	-	-	-	327	217
Assets under installation	7,373	-	(7,373)	-	-	(7,373)	-	-	-	-	-	7,373	-
Total	1,531,068	1,563,819	(55,559)	1,563,819	88,310	(55,559)	110,514	(48,027)	-	927,639	990,126	603,429	573,693

As at 31 December 2019, the gross carrying amount of the fully depreciated assets still in use are Baht 641 million (2018: Baht 602 million).

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15 Intangible assets, net

Intangible assets as at 31 December 2019 and 2018 comprise of:

	2019													
	Cost						Accumulated Amortization						Intangible assets	
	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	Intangible assets beginning balance Thousand Baht	Intangible assets ending balance Thousand Baht				
Developed in-house Computer software	333,124	110,623	-	443,747	136,073	65,581	-	201,654	197,051	242,093				
Work-in-process	61,570	42,077	(60,746)	42,901	-	-	-	-	61,570	42,901				
Total	394,694	152,700	(60,746)	486,648	136,073	65,581	-	201,654	258,621	284,994				
Buying Computer software	212,442	38,483	(5,995)	244,930	113,657	18,316	(5,986)	125,987	98,785	118,943				
Total	212,442	38,483	(5,995)	244,930	113,657	18,316	(5,986)	125,987	98,785	118,943				
Right to utilise benefits	370,000	-	-	370,000	123,333	123,333	-	246,666	246,667	123,334				
Grand total	977,136	191,183	(66,741)	1,101,578	373,063	207,230	(5,986)	574,307	604,073	527,271				

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15 Intangible assets, net (Cont'd)

	2018											
	Cost					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	Disposal/ transfer Thousand Baht	Ending balance Thousand Baht		
Developed in-house Computer software	244,567	88,557	-	333,124	87,359	48,714	-	136,073	-	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	-	136,073	196,006	258,621
Buying Computer software	186,452	26,392	(402)	212,442	99,431	14,628	(402)	113,657	(402)	113,657	87,021	98,785
Total	186,452	26,392	(402)	212,442	99,431	14,628	(402)	113,657	(402)	113,657	87,021	98,785
Right to utilise benefits	-	370,000	-	370,000	-	123,333	-	123,333	-	123,333	-	246,667
Grand total	469,817	545,246	(37,927)	977,136	186,790	186,675	(402)	373,063	(402)	373,063	283,027	604,073

16 Deferred income tax

As at 31 December 2019 and 2018, deferred tax assets and liabilities are as follows:

	2019 Thousand Baht	2018 Thousand Baht
<b>Deferred tax assets:</b>		
Deferred tax asset to be recovered within 12 months	47,340	28,314
Deferred tax asset to be recovered after more than 12 months	801,416	1,094,592
	<u>848,756</u>	<u>1,122,906</u>
<b>Deferred tax liabilities:</b>		
Deferred tax liability to be recovered within 12 months	(56,591)	(8,071)
Deferred tax liability to be settled after more than 12 months	(4,327,167)	(1,600,573)
	<u>(4,383,758)</u>	<u>(1,608,644)</u>
<b>Deferred tax liabilities - net</b>	<u>(3,535,002)</u>	<u>(485,738)</u>

Deferred income tax is calculating from liability method on temporary differences and using tax rate of 20 percent (2018: 20 percent).

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

	2019			
	As at 1 January 2019 Thousand Baht	Increase (decrease) in profit (loss) Thousand Baht	Increase (decrease) in other comprehensive income Thousand Baht	As at 31 December 2019 Thousand Baht
<b>Deferred tax assets</b>				
Allowance for doubtful accounts	91,903	(2,108)	-	89,795
Provisions	279,098	(38,399)	-	240,699
Insurance reserves	429,343	(42,812)	-	386,531
Employee benefit obligations	46,420	52,955	7,030	106,405
Unrealized loss on derivative instruments	3,855	-	(3,855)	-
Unrealized loss on available-for-sale investments	272,287	-	(246,961)	25,326
<b>Total</b>	<u>1,122,906</u>	<u>(30,364)</u>	<u>(243,786)</u>	<u>848,756</u>
<b>Deferred tax liabilities</b>				
Unrealized gain on derivative instruments	(49,367)	-	(147,083)	(196,450)
Unrealized gain on available-for-sale investments	(1,185,760)	-	(2,711,633)	(3,897,393)
Premium due and uncollected	(365,446)	82,493	-	(282,953)
Others	(8,071)	1,109	-	(6,962)
<b>Total</b>	<u>(1,608,644)</u>	<u>83,602</u>	<u>(2,858,716)</u>	<u>(4,383,758)</u>
<b>Net</b>	<u>(485,738)</u>	<u>53,238</u>	<u>(3,102,502)</u>	<u>(3,535,002)</u>

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16 Deferred income tax (Cont'd)

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

	2018			As at 31 December 2018 Thousand Baht
	As at 1 January 2018 Thousand Baht	Increase (decrease) in profit (loss) Thousand Baht	Increase (decrease) in other comprehensive income Thousand Baht	
<b>Deferred tax assets</b>				
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
<b>Total</b>	<b>973,688</b>	<b>21,007</b>	<b>128,211</b>	<b>1,122,906</b>
<b>Deferred tax liabilities</b>				
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)
<b>Total</b>	<b>(2,215,237)</b>	<b>(41,421)</b>	<b>648,014</b>	<b>(1,608,644)</b>
<b>Net</b>	<b>(1,241,549)</b>	<b>(20,414)</b>	<b>776,225</b>	<b>(485,738)</b>

17 Other assets

Other assets as at 31 December 2019 and 2018 comprise:

	2019 Thousand Baht	2018 Thousand Baht
Cash collateral from derivative contracts	-	51,000
Other account receivables	86,918	69,491
Prepaid expenses	53,996	77,061
Others	139,200	84,728
<b>Total</b>	<b>280,114</b>	<b>282,280</b>

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

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18 Insurance contract liabilities

	2019		2018	
	Insurance contract liabilities Thousand Baht	Liabilities recovered from reinsurance Thousand Baht	Insurance contract liabilities Thousand Baht	Liabilities recovered from reinsurance Thousand Baht
Long-term technical reserves	167,709,402	-	167,709,402	-
Short-term technical reserves				
Loss reserves and outstanding claims				
- Reported claims	302,400	-	302,400	-
- Claims incurred but not reported	243,486	-	243,486	-
Total Loss reserves and outstanding claims	545,886	-	545,886	-
Unearned premium reserves	3,142,261	-	3,142,261	-
Total short-term technical reserves	3,688,147	-	3,688,147	-
Unpaid policy benefits	4,874,221	-	4,874,221	-
Due to insured	1,134,345	-	1,134,345	-
Total	177,406,115	-	177,406,115	-
			157,083,560	-
			209,812	-
			285,134	-
			494,946	-
			2,818,581	-
			3,313,527	-
			4,649,219	-
			920,531	-
			165,966,837	-
				157,083,560
				209,812
				285,134
				494,946
				2,818,581
				3,313,527
				4,649,219
				920,531
				165,966,837

18 Insurance contract liabilities (Cont'd)

18.1 Long-term technical reserves

	2019 Thousand Baht	2018 Thousand Baht
Beginning balances for the year	157,083,560	143,920,680
Reserves increased from new and inforce policies in the year	20,405,403	21,319,057
Reserves released for benefits payment under insurance policies, lapse and cancelled policies in the year	(10,462,683)	(8,761,452)
Change in assumption	683,122	605,275
Closing balances at the end of year	<u>167,709,402</u>	<u>157,083,560</u>

The assumptions used in actuarial estimation are as follows;

	2019 %	2018 %
Mortality, Morbidity, and Survival rate	100% of TMO1986, TMO1997, TMO2008, TMO2017, Annuity table 2009	100% of TMO1986, TMO1997, TMO2008, TMO2017, Annuity table 2009
Discount rate	2% - 6%	2% - 6%
Benefit paid to insured	100% of guarantee benefit	100% of guarantee benefit

18.2 Short-term technical reserves

18.2.1 Loss reserves and outstanding claims

The movement details are as follows:

	2019 Thousand Baht	2018 Thousand Baht
Beginning balances for the year	494,946	533,432
Claims incurred during the year	4,969,225	4,749,431
Claims paid during the year	(4,918,285)	(4,787,917)
Closing balances at the end of year	<u>545,886</u>	<u>494,946</u>

18.2.2 Aging of claim liabilities' repayment

	2019 Thousand Baht	2018 Thousand Baht
Expected repayment within 1 year	545,886	479,417
Expected repayment after 1 year	-	15,529
Total	<u>545,886</u>	<u>494,946</u>

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

	Change in Assumptions %	Impact to claim reserve and unallocated loss adjustment expense Thousand Baht	Impact on profit (loss) Thousand Baht	Impact on equity Thousand Baht
Expected loss ratio	0.5%	115,526	(115,526)	(115,526)
	(0.5)%	(115,526)	115,526	115,526



**18 Insurance contract liabilities (Cont'd)**

**18.2 Short-term technical reserves (Cont'd)**

**18.2.4 Claim Development Table**

**18.2.4.1 Claim development table before and net of reinsurance**

Incident Year / Reported Year	2013	2014	2015	2016	2017	2018	2019	Unit: Thousand Baht Total
Estimated claim:								
- At the end of the year	1,554,347	1,685,417	2,903,756	3,603,339	3,771,104	4,631,487	4,203,878	
- After 1 year	88,719	96,319	160,549	161,106	181,975	186,005	-	
- After 2 years	3,747	5,326	7,163	7,665	4,155	-	-	
- After 3 years	893	1,002	3,695	4,187	-	-	-	
- After 4 years	1,878	987	221	-	-	-	-	
- After 5 years	765	32	-	-	-	-	-	
- After 6 years	24	-	-	-	-	-	-	
Ultimate claim	1,650,403	1,789,452	3,076,012	3,777,655	3,960,800	4,827,816	4,733,489	23,815,627
Cumulative claim paid	(1,650,373)	(1,789,083)	(3,075,384)	(3,776,297)	(3,957,234)	(4,817,492)	(4,203,878)	(23,269,741)
Claim liabilities before reinsurance	30	369	628	1,358	3,566	10,324	529,611	545,886
Claim recoveries receivable								(372,205)
Claim liabilities after reinsurance								173,681

18 Insurance contract liabilities (Cont'd)

18.2 Short-term technical reserves (Cont'd)

18.2.5 Unearned premium reserve

	2019 Thousand Baht	2018 Thousand Baht
Beginning balances for the year	2,818,581	2,540,027
Premiums written for the year	9,408,042	8,440,872
Premiums earned in the year	(9,084,362)	(8,162,318)
Closing balances at the end of year	<u>3,142,261</u>	<u>2,818,581</u>

18.2.6 Unexpired risk reserve

No reserve for unexpired risks was established as at 31 December 2019 as the unexpired risk reserve estimated by the Company of Baht 2,131 million (2018: Baht 1,991 million) was lower than the unearned premium reserve.

18.3 Unpaid policy benefits

	2019 Thousand Baht	2018 Thousand Baht
Death benefits	139,685	82,738
Dividend	4,002,749	3,897,964
Others	731,787	668,517
Total	<u>4,874,221</u>	<u>4,649,219</u>

18.4 Due to insured

	2019 Thousand Baht	2018 Thousand Baht
Uncashed cheques	683,536	589,580
Premiums received during underwriting	450,638	330,760
Others	171	191
Total	<u>1,134,345</u>	<u>920,531</u>

**19 Investment contract liabilities**

	<b>2019</b>	<b>2018</b>
	<b>Thousand Baht</b>	<b>Thousand Baht</b>
Investment contract liabilities with discretionary participation features	3,276,981	3,174,910
Unit-linked contract liabilities	464,825	303,127
<b>Total</b>	<b>3,741,806</b>	<b>3,478,037</b>

Investment contract liabilities with discretionary participation features

	<b>2019</b>	<b>2018</b>
	<b>Thousand Baht</b>	<b>Thousand Baht</b>
Beginning balance for the year	3,174,910	3,767,971
Reserves increased from in-force policies in the year	209,808	244,133
Reserves released for benefits payment, lapse, and cancelled policies during the year	(107,738)	(837,194)
<b>Closing balance at the end of year</b>	<b>3,276,981</b>	<b>3,174,910</b>

**20 Amount due to reinsurers**

	<b>2019</b>	<b>2018</b>
	<b>Thousand Baht</b>	<b>Thousand Baht</b>
Due to reinsurers (Note 31)	366,752	528,717
<b>Total</b>	<b>366,752</b>	<b>528,717</b>

**21 Accrued expenses**

	<b>2019</b>	<b>2018</b>
	<b>Thousand Baht</b>	<b>Thousand Baht</b>
Accrued commission expenses	387,940	376,753
Accrued production cost	691,200	596,001
Accrued administration expenses	413,479	300,205
Accrued agency overhead	313,426	504,577
Others	300,215	238,124
<b>Total</b>	<b>2,106,260</b>	<b>2,015,660</b>

22 Employee benefits

	2019 Thousand Baht	2018 Thousand Baht
<b>Statement of Financial Position</b>		
Short - term employee benefits	212,782	220,211
Long - term employee benefits	44,061	32,574
Retirement benefits	319,242	233,398
Employment benefit obligation	<u>576,085</u>	<u>486,183</u>

22.1 Employee benefits obligation

The amounts recognized in profit or loss are as follows:

	2019 Thousand Baht	2018 Thousand Baht
<u>Defined benefits obligation</u>		
Prior year service costs	48,182	-
Current service costs	22,517	20,208
Interest cost	10,607	16,422
Total expenses	<u>81,306</u>	<u>36,630</u>
<u>Commitment from defined benefit plans</u>		
Present value of employee benefits obligations	<u>319,242</u>	<u>233,398</u>
<u>Changes in the present value of employee benefits</u>		
As at 1 January	233,398	210,353
Prior year service costs	48,182	-
Current service costs	22,517	20,208
Interest cost	10,607	16,422
<u>Less</u> Benefits paid	(30,610)	(22,316)
Loss on actuarial remeasurement	35,148	8,731
As at 31 December	<u>319,242</u>	<u>233,398</u>

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

	2019	2018
Discount rate (per annum)	2.3%	2.9%
Salary increase rate (per annum)	6.0%	6.0%
Retirement ages (years)	60	60
Turnover rate	12.0%	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	
	2019	2018	2019	2018	2019	2018
	Percentage	Percentage	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Discount rate	0.5%	0.5%	(16,044)	(10,645)	17,411	11,797
Salary increase rate	0.25%	0.25%	9,355	6,402	(9,033)	(6,030)
Turnover rate	1.0%	1.0%	(14,803)	(9,314)	16,809	10,629

22 Employee benefits (Cont'd)

22.1 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.

	2019	2018
Weighted average duration of the defined benefit obligation (years)	13.4	12.7
Maturity analysis of undiscounted benefits expected to be paid (Thousand Baht)		
Benefits expected to be paid within 1 year	4,517	11,140
Benefits expected to be paid between 1 - 5 years	79,030	82,872
Benefits expected to be paid more than 5 years	684,667	438,548

22.2 Long term employee benefits - Share-based compensation

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

During the year 2019, there was 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 2019, the number of shares sold to employees under these plans was 460 shares (2018: 557 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.

22 Employee benefits (Cont'd)

22.2 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	
	2019 Number of shares	2018 Number of shares	2019 Number of shares	2018 Number of shares
As at 1 January	7,635	7,303	557	-
Granted/Transferred in	2,815	2,020	460	557
Exercised	(1,661)	-	-	-
Forfeited/Transferred out	-	(1,688)	-	-
As at 31 December	8,789	7,635	1,017	557

The total recognized compensation in other employee benefits for the year ended 31 December 2019 amounting to Baht 25 million (2018: Baht 47 million) and the total compensation liabilities under "Employee benefits" amounting to Baht 44 million (2018: Baht 33 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.

23 Other liabilities

	2019 Thousand Baht	2018 Thousand Baht
Cash collateral from derivative contract	1,626,100	167,400
Other creditors	166,132	199,778
Others	216,971	221,930
Total	2,009,203	589,108

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

24 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.

**25 Dividends**

At the extraordinary general meeting of the shareholders of the Company held on 23 August 2019, the shareholders approved the appropriation of dividend payment of Baht 5.74 per share, on 295 million shares, amounting to Baht 1,693.3 million. (2018: 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.) On 3 July 2019, the Office of Insurance Commission endorsed for distribution of profit for the year 2018 for dividend payments within an amount of Baht 1,696 million (2018: 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) Therefore, the Company appropriated the dividend of Baht 5.74 per share on 295 million shares, amounting to Baht 1,693.3 million and the dividend payment was made on 19 September 2019 (2018: 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).

**26 Net investment income**

	Note	2019 Thousand Baht	2018 Thousand Baht
<b>Dividend income</b>			
Other related parties	31	64,524	51,214
Other parties		1,054,163	781,141
		<u>1,118,687</u>	<u>832,355</u>
<b>Interest income</b>			
Other related parties	31	4,780	2,176
Other parties		6,332,280	6,066,365
		<u>6,337,060</u>	<u>6,068,541</u>
<b>Investment expenses</b>		<u>(116,855)</u>	<u>(108,209)</u>
Total		<u>7,338,892</u>	<u>6,792,687</u>

**27 Operating expenses**

	2019 Thousand Baht	2018 Thousand Baht
Employee expenses not relating to underwriting expenses and loss adjustment expenses (Note 28)	1,173,183	1,104,314
Property and equipment expenses not relating to underwriting expenses	349,273	339,204
Tax expenses	189,714	172,366
Bad debt and doubtful debt expenses	146,457	158,477
Other operating expenses	719,670	633,716
Total	<u>2,578,297</u>	<u>2,408,077</u>

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28 Employee expenses

	2019	2018
	<u>Thousand Baht</u>	<u>Thousand Baht</u>
Salary and wages	1,064,590	987,275
Social securities	12,314	12,491
Provident fund	64,909	62,911
Other employee benefits	633,467	538,270
Total employee expenses	<u>1,775,280</u>	<u>1,600,947</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 two fund managers to manage the funds in accordance with terms and conditions as prescribed in the Ministerial Regulations.

29 Income tax expenses

	2019	2018
	<u>Thousand Baht</u>	<u>Thousand Baht</u>
Current tax on profit for the year	479,503	556,035
Prior year tax adjustment	(12,089)	88,710
Increase in deferred tax (Note 16)	(53,238)	20,414
Income taxes for the year	<u>414,176</u>	<u>665,159</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:

	2019	2018
	<u>Thousand Baht</u>	<u>Thousand Baht</u>
Profit before tax	2,458,633	3,182,231
Income tax rate	20%	20%
Tax calculated at tax rate	491,727	636,446
Impact:		
Income not subject to tax	(131,221)	(76,450)
Expenses not deductible for tax purposes	67,492	17,229
Additional deduction for tax purposes	(1,733)	(776)
Prior year tax adjustment	(12,089)	88,710
Income taxes for the year	<u>414,176</u>	<u>665,159</u>

The effective tax rate for 2019 is 17% (2018: 21%). 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 16.



**Allianz Ayudhya Assurance Public Company Limited**  
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**29 Income tax expenses (Cont'd)**

Tax effect from other comprehensive income

	2019			2018		
	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
<b>31 December</b>						
Unrealized gain (loss) from available-for-sale securities	19,360,339	(3,872,068)	15,488,271	4,567,365	(913,473)	3,653,892
Actuarial loss from employment benefit plan	(63,580)	12,715	(50,865)	(28,432)	5,686	(22,746)
Unrealized gain (loss) from hedging instruments	982,252	(196,449)	785,803	227,565	(45,512)	182,053
<b>Total</b>	<b>20,279,011</b>	<b>(4,055,802)</b>	<b>16,223,209</b>	<b>4,766,498</b>	<b>(953,299)</b>	<b>3,813,199</b>
<b>1 January</b>						
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
<b>Total</b>	<b>4,766,498</b>	<b>(953,299)</b>	<b>3,813,199</b>	<b>8,504,287</b>	<b>(1,729,524)</b>	<b>6,774,763</b>
<b>Movement during the year</b>						
Unrealized gain (loss) from available-for-sale securities	14,792,973	(2,958,595)	11,834,378	(3,915,529)	783,106	(3,132,423)
Actuarial loss from employment benefit plan	(35,148)	7,030	(28,118)	(8,731)	1,746	(6,985)
Unrealized gain (loss) from hedging instruments	754,688	(150,937)	603,751	186,471	(8,627)	177,844
<b>Total</b>	<b>15,512,513</b>	<b>(3,102,502)</b>	<b>12,410,011</b>	<b>(3,737,789)</b>	<b>776,225</b>	<b>(2,961,564)</b>

**30 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.

	2019	2018
Net profit for the year attributable to ordinary shareholders of the Company (Thousand Baht)	2,044,457	2,517,072
Number of ordinary shares outstanding (Thousand shares)	295,000	295,000
Basic earnings per share (Baht per share)	6.93	8.53

These are no potential dilutive ordinary shares in issue for the years ended 31 December 2019 and 2018.

31 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, 16.10% shareholding
Allianz SE, Singapore Branch	Singapore	Related company of ultimate parent
Allianz Technology SE	Germany	Related company of ultimate parent
Allianz Global Benefits GmbH	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 General Insurance Company (Malaysia) Berhad p.l.c	Malaysia	Related company of ultimate parent
Allianz Malaysia Berhad p.l.c	Malaysia	Related company of ultimate parent
AWP Services (Thailand) Co. Ltd.	Thailand	Related company of ultimate parent
Allianz Technology (Thailand) Company Limited	Thailand	Related company of ultimate parent
CPRN (Thailand) Limited	Thailand	Major shareholder, 34.75% shareholding
Allianz Ayudhya Capital Public Company Limited	Thailand	Major shareholder, 31.97% shareholding and common director
Bangkok Broadcasting & Television Company Limited	Thailand	Related company of major shareholders
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
Allianz Ayudhya General Insurance Public Company Limited	Thailand	Related company of major shareholders and common director

31 Related party transactions (Cont'd)

Significant transactions for the year ended 31 December 2019 and 2018 with key management and related parties were as follows:

	<u>2019</u> <u>Thousand Baht</u>	<u>2018</u> <u>Thousand Baht</u>
<b>Gross premiums written</b>		
Major shareholder	46	33
Other related parties	275,164	243,929
<b>Premiums ceded</b>		
Ultimate parent	99,607	114,362
Other related parties	573,209	446,366
<b>Fees and commission income</b>		
Ultimate parent	17,008	22,822
Other related parties	115,410	92,296
<b>Net investment income</b>		
Other related parties	3,433	2,176
<b>Benefits payments and insurance claims expenses</b>		
Other related parties	281,707	264,998
<b>Benefits and claim paid recovery from reinsurers</b>		
Ultimate parent	76,664	92,209
Other related parties	264,817	222,661
<b>Operation expenses</b>		
Ultimate parent	45,907	23,131
Other related parties	563,113	476,374
<b>Key management personnel compensation</b>		
Short-term benefits	173,070	164,775
Post-employment benefits	5,118	6,177
<b>Total</b>	<u>178,188</u>	<u>170,952</u>

31 Related party transactions (Cont'd)

Important items with key executives and related party transactions for the years ended 31 December 2019 and 2018 were as follows: (Cont'd)

**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 2.65 million Singapore dollar. The term of the agreement was for 1 year from 1 January 2019 to 31 December 2019. The payments were 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 0.83 million (2018: EUR 0.96 million). The agreement is continuous contract from 1 January 2019 subject to six months notice of cancellation by either party.
- (c) The Company has entered into lease and service agreements for offices and equipment with a related company from July 2018 to July 2021, from March 2019 to March 2022 and from November 2017 to November 2020 with monthly rental and service fees of Baht 0.20 million (excluding VAT), Baht 3.62 million (excluding VAT) and Baht 0.15 million (excluding VAT), respectively.

As at 31 December 2019 and 2018, the Company had commitments from entering into long-term agreements for rental and services with related parties as follows:

	2019	2018
	<u>Thousand Baht</u>	<u>Thousand Baht</u>
<b>Operating lease commitments</b>		
Within one year	47,294	10,739
After one year but within five years	55,445	5,301
<b>Total</b>	<u>102,739</u>	<u>16,040</u>

**Investments in related parties**

Investments in related parties as at 31 December 2019 and 2018 and dividends received for the year ended 31 December 2019 and 2018 were as follows:

	Book value		Dividend income	
	2019	2018	2019	2018
	<u>Thousand Baht</u>	<u>Thousand Baht</u>	<u>Thousand Baht</u>	<u>Thousand Baht</u>
Investments - equity securities	188,659	88,447	64,524	51,214
<b>Total</b>	<u>188,659</u>	<u>88,447</u>	<u>64,524</u>	<u>51,214</u>

31 Related party transactions (Cont'd)

Significant balances with related parties as at 31 December 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
	<u>Thousand Baht</u>	<u>Thousand Baht</u>
<b>Cash and cash equivalents</b>		
Other related parties	1,325,772	496,224
<b>Reinsurance receivables</b>		
Ultimate parent	43,190	41,800
Other related parties	263,605	278,112
<b>Other assets</b>		
Ultimate parent	67,635	48,805
Other related parties	19,547	18,500
<b>Amount due to reinsurers</b>		
Ultimate parent	17,945	38,915
Other related parties	300,475	346,186
<b>Accrued expenses</b>		
Ultimate parent	22,511	4,624
Other related parties	219,552	208,644

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

32.1 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 2019 and 2018 comprises as follows:

	<u>2019</u>		<u>2018</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>
<b>Held-to-maturity investments</b>				
Government bonds	20,101	20,000	20,183	20,000

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

32.2 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:

	2019		2018	
	Book value Thousand Baht	Face value Thousand Baht	Book value Thousand Baht	Face value Thousand Baht
<b>Available-for-sale investments</b>				
Government bonds	25,222,250	17,840,000	19,437,439	16,640,000
State enterprise bonds	9,384,826	8,220,000	6,231,629	5,800,000
<b>Total</b>	<b>34,607,076</b>	<b>26,060,000</b>	<b>25,669,068</b>	<b>22,440,000</b>
<b>Held-to-maturity investments</b>				
Government bonds	7,795,197	7,147,000	7,503,091	7,147,000
State enterprise bonds	2,201,048	2,200,000	2,703,013	2,700,000
<b>Total</b>	<b>9,996,245</b>	<b>9,347,000</b>	<b>10,206,104</b>	<b>9,847,000</b>

33 Asset-backed

As of 31 December 2019 and 2018, 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 as follows:

	2019		2018	
	Book value Thousand Baht	Appraisal value Thousand Baht	Book value Thousand Baht	Appraisal value Thousand Baht
Deposits with financial institutions	4,446,201	4,446,201	5,897,326	5,897,325
Equity securities	21,443,263	22,768,219	19,943,602	20,331,724
Debt securities	173,210,449	176,159,883	146,308,531	148,978,360
<b>Total</b>	<b>199,099,913</b>	<b>203,374,303</b>	<b>172,149,459</b>	<b>175,207,409</b>

**34 Commitments with non-related parties**

**34.1 Commitments from operating lease and service agreements**

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

	<b>2019</b>	<b>2018</b>
	<b>Thousand Baht</b>	<b>Thousand Baht</b>
Due within 1 year	45,132	15,570
Due more than 1 year but not later than 5 years	27,019	20,732
<b>Total</b>	<b>72,151</b>	<b>36,302</b>

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.

**34.2 Investment commitments**

As at 31 December 2019, the Company had commitments to invest in several series of bills of exchange issued by banks amounting to Baht 638 million (2018: Baht 1,467 million). These investments have a duration up to 2023 (2018: up to 2023) and are payable based on the contract terms. The timing of the commitments are as follows:

	<b>2019</b>	<b>2018</b>
	<b>Thousand Baht</b>	<b>Thousand Baht</b>
Within one year	514,004	828,752
More than year but not later than five years	124,000	638,004
<b>Total</b>	<b>638,004</b>	<b>1,466,756</b>