


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. Thomas Charles Wilson
Position Director
บริษัท อลิอันซ์ อายูธยา ประกันชีวิต
บริษัท อลิอันซ์ อายูธยา (ประเทศไทย) จำกัด
Sign _____
Name Mrs. Kitti Pintavirooj
Position Director

Disclosed on 30 March 2021
Annual Year 2020

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. Financial risk that may impact financial of the Company and Company risk management plan

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

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

7. Investment of the Company

8. Operating Result including Analysis and other Ratio

9. CAR Ratio

10. Financial Statement

ALLIANZ AYUDHYA ASSURANCE PUBLIC COMPANY LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2020



Independent Auditor's Report

To the shareholders of Allianz Ayudhya Assurance Public Company Limited

My opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Allianz Ayudhya Assurance Public Company Limited (the Company) as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRS).

What I have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- 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 significant accounting policies and other explanatory information.

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 Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions 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 TFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.



Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

PricewaterhouseCoopers ABAS Ltd.

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

Anothai Leekitwattana
Certified Public Accountant (Thailand) No. 3442
Bangkok
24 February 2021

Allianz Ayudhya Assurance Public Company Limited

Statement of Financial Position

As at 31 December 2020

	Notes	2020 Thousand Baht	2019 Thousand Baht
Assets			
Cash and cash equivalents, net	8,33	7,265,076	9,505,841
Premium due and uncollected, net	9	2,097,939	1,452,654
Accrued investment income		1,266,158	3,109,782
Reinsurance receivables	10,33	472,314	372,205
Investment receivables		750	126,081
Derivative assets	11	1,383,921	1,942,969
Investments assets			
Investments in securities, net	12,33,34	198,539,860	191,257,234
Loans and accrued interest income	13	9,761,947	8,399,102
Investment assets held to cover linked liabilities	14	632,844	464,825
Premises and equipment, net	15	644,745	518,235
Right-of-use assets	16	575,369	-
Intangible assets, net	17	381,908	527,271
Other assets	19,33	614,952	280,114
Total assets		223,637,783	217,956,313

..... Directors

The accompanying notes are an integral part of these financial statements.

Allianz Ayudhya Assurance Public Company Limited

Statement of Financial Position (Cont'd)

As at 31 December 2020

	Notes	2020 Thousand Baht	2019 Thousand Baht
Liabilities and equity			
Liabilities			
Insurance contract liabilities	20	180,871,206	177,406,115
Investment contract liabilities	21	4,017,023	3,741,806
Reinsurance payables	22, 33	557,240	366,752
Investment payables		-	712,216
Derivative liabilities	11	176,416	-
Income tax payable		635,766	139,199
Accrued expenses	23, 33	2,145,342	2,106,260
Employee benefits obligations	24	754,537	576,085
Provisions		79,896	80,770
Deferred tax liabilities, net	18	3,339,220	3,535,002
Other liabilities	25, 33	2,087,290	2,009,203
Total liabilities		<u>194,663,936</u>	<u>190,673,408</u>
Equity			
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	26	400,000	400,000
Unappropriated		9,415,446	7,658,831
Other components of equity		<u>16,208,401</u>	<u>16,274,074</u>
Total equity		<u>28,973,847</u>	<u>27,282,905</u>
Total liabilities and equity		<u>223,637,783</u>	<u>217,956,313</u>

The accompanying notes are an integral part of these financial statements.

Allianz Ayudhya Assurance Public Company Limited
Statement of Comprehensive Income
For the year ended 31 December 2020

		2020	2019
		Thousand	Thousand
	Notes	Baht	Baht
Revenues			
Gross written premiums	33	31,463,161	32,231,697
<u>Less</u> premiums ceded	33	<u>(1,011,341)</u>	<u>(864,712)</u>
Net written premiums		30,451,820	31,366,985
<u>Less</u> unearned premium reserve increased from previous year		<u>(260,049)</u>	<u>(323,679)</u>
Net premium earned after reinsurance		30,191,771	31,043,306
Fee and commission income	33	228,931	162,261
Net investment income	28,33	7,099,006	7,338,892
Gains on investment		546,301	319,991
Gains (Losses) on fair value		(1,221)	32,647
Other income		<u>74,820</u>	<u>85,030</u>
Total revenues		<u>38,139,608</u>	<u>38,982,127</u>
Expenses			
Long-term technical reserve increased from previous year		2,761,494	10,727,914
Benefits payments and insurance claims expenses	33	22,060,005	17,871,245
<u>Less</u> benefits payments and insurance claims expenses recovered from reinsurers	33	<u>(485,235)</u>	<u>(432,673)</u>
Net benefits payments and insurance claims expenses		21,574,770	17,438,572
Commissions and brokerages		3,874,715	4,026,053
Other underwriting expenses		1,803,766	1,752,658
Operating expenses	29,33	2,711,800	2,578,297
Impairment loss on equity instruments		1,395,491	-
Expected credit losses (reversal)	37	(31,437)	-
Finance cost		<u>14,469</u>	<u>-</u>
Total expenses		<u>34,105,068</u>	<u>36,523,494</u>
Profit before income tax		4,034,540	2,458,633
Income tax	31	<u>751,435</u>	<u>414,176</u>
Net profit		<u>3,283,105</u>	<u>2,044,457</u>

The accompanying notes are 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 2020

	2020	2019
	Thousand	Thousand
Notes	Baht	Baht
Other comprehensive incomes (losses)		
Items that will not be reclassified to profit or loss		
Losses on remeasurements of post-employment benefit obligations	(127,401)	(35,148)
Income tax on item that will not be reclassified to profit or loss	25,480	7,030
Total items that will not be reclassified to profit or loss	<u>(101,921)</u>	<u>(28,118)</u>
Items that will be reclassified subsequently to profit or loss		
Change in fair value of investments measured at fair value through other comprehensive income	(903,106)	15,081,536
Change in fair value of cash flow hedges	(501,368)	754,688
Change in cost of hedging	(267,930)	-
Items in other comprehensive income transferred to profit or loss	232,729	(288,563)
Income tax on items that will be reclassified subsequently to profit or loss	287,935	(3,109,532)
Total items that will be reclassified subsequently to profit or loss	<u>(1,151,740)</u>	<u>12,438,129</u>
Other comprehensive income (loss) for the year, net of income tax	31 <u>(1,253,661)</u>	<u>12,410,011</u>
Total comprehensive income (loss) for the year	<u><u>2,029,444</u></u>	<u><u>14,454,468</u></u>
Basic earning per share (Baht)	32 <u><u>11.13</u></u>	<u><u>6.93</u></u>

The accompanying notes are an integral part of these financial statements.

Allianz Ayudhya Assurance Public Company Limited
Statement of Changes in Equity
For the year ended 31 December 2020

	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 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							
Dividends to shareholders of the Company (note 27)	-	-	(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							
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 at 31 December 2019	2,950,000	400,000	7,658,831	15,488,271	785,803	16,274,074	27,282,905

The accompanying notes are 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 2020

	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 investments measured at FVOCI (or available-for-sale investments)			Change in cost of hedging Thousand Baht	Total other components of equity Thousand Baht	
				Thousand Baht	Thousand Baht	Thousand Baht			
Balance at 1 January 2020 - previously reported	2,950,000	400,000	7,658,831	15,488,271	785,803	-	16,274,074	27,282,905	
Retrospective adjustments from change in accounting policy (note 3)	-	-	(49,869)	1,086,067	(67,137)	67,137	1,086,067	1,036,198	
Balance at 1 January 2020 - restated	2,950,000	400,000	7,608,962	16,574,338	718,666	67,137	17,360,141	28,319,103	
Transaction with shareholders, recorded directly in equity	-	-	(1,374,700)	-	-	-	-	(1,374,700)	
Distributions to shareholders of the Company Dividends to shareholders of the Company (note 27)	-	-	(1,374,700)	-	-	-	-	(1,374,700)	
Total transaction with shareholders, recorded directly in equity	-	-	(1,374,700)	-	-	-	-	(1,374,700)	
Comprehensive income (loss) for the year	-	-	3,283,105	-	-	-	-	3,283,105	
Net profit	-	-	3,283,105	-	-	-	-	3,283,105	
Other comprehensive income (loss)	-	-	-	-	(401,094)	-	(401,094)	(401,094)	
Change in fair value of cash flow hedges	-	-	-	-	(401,094)	-	(401,094)	(401,094)	
Change in rematuring deferred cost of hedge	-	-	-	-	-	(214,344)	(214,344)	(214,344)	
Change in fair value of investments measured at FVOCI	-	-	-	(722,485)	-	-	(722,485)	(722,485)	
Items in other comprehensive income transferred to profit or loss	-	-	-	186,183	-	-	186,183	186,183	
Losses from remeasurements of post-employment benefit obligations	-	-	(101,921)	-	-	-	-	(101,921)	
Total comprehensive income (loss) for the year	-	-	3,181,184	(536,302)	(401,094)	(214,344)	(1,151,740)	2,029,444	
Balance at 31 December 2020	2,950,000	400,000	9,415,446	16,038,036	317,572	(147,207)	16,208,401	28,973,847	

The accompanying notes are an integral part of these financial statements.

Allianz Ayudhya Assurance Public Company Limited
Statement of Cash Flows
For the year ended 31 December 2020

	2020	2019
Notes	Thousand Baht	Thousand Baht
Cash flows from operating activities		
Premiums written	30,633,797	32,681,549
Cash paid relating to reinsurance	(206,797)	(393,850)
Interest received	7,954,204	7,135,124
Dividends received	610,059	877,558
Other income	95,475	81,642
Benefits payments and insurance claims expenses	(21,226,423)	(17,341,382)
Commissions and brokerages	(3,726,359)	(3,919,498)
Other underwriting expenses	(1,680,432)	(1,629,324)
Operating expenses	(2,518,267)	(2,440,306)
Income tax paid	(330,916)	(714,484)
Cash received from selling and redeeming investments in securities	58,424,796	18,168,363
Cash paid for purchasing investments in securities	(68,680,106)	(27,902,059)
Cash received from loans	163,588	4,457
Cash paid from loans	-	(79,924)
Deposits	(3,482)	(2,462)
Deposits at financial institutions	-	900,000
Net cash flow provided from (used in) operating activities	(490,863)	5,425,404
Cash flows from investing activities		
Cash flows provided		
Cash received from selling premises and equipment	1,396	9,833
Cash received from selling intangible assets	9,981	9
Cash flows used		
Cash paid for purchasing premises and equipment	(212,805)	(21,690)
Cash paid for purchasing intangible assets	(95,442)	(130,438)
Net cash flow used in investing activities	(296,870)	(142,286)
Cash flows from financing activities		
Cash flows used		
Cash paid for lease liabilities	(64,025)	-
Cash paid for finance cost	(8,951)	-
Dividends paid to shareholders of the Company	27 (1,374,700)	(1,693,300)
Net cash flow used in financing activities	(1,447,676)	(1,693,300)
Net increase in cash and cash equivalents	(2,235,409)	3,589,818
Cash and cash equivalents as at 1 January	9,505,841	5,916,023
Cash and cash equivalents as at 31 December	7,270,432	9,505,841
<u>Less</u> Allowance for expected credit loss	(5,356)	-
Cash and cash equivalents as at 31 December	8 7,265,076	9,505,841
Supplemental cash flows information		
Non-cash items		
Receivables from sold investments	750	126,081
Payables from bought investments	-	712,216

The accompanying notes are 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 898 Ploenchit Tower, 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.

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

The financial statements were approved by the Board of Directors on 24 February 2021.

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 (No. 2) B.E. 2562" dated on 4 April 2019 ("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 6.

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.

2.2 New financial reporting standards, amended 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 that are effective for accounting period beginning on or after 1 January 2020 and have significant impacts to the Company

a) Financial instruments

The new financial standards related to financial instruments are as follows:

TAS 32	Financial instruments: Presentation
TFRS 7	Financial instruments: Disclosures
TFRS 9	Financial instruments
TFRIC 16	Hedges of a net investment in a foreign operation
TFRIC 19	Extinguishing financial liabilities with equity instruments
The Accounting Guidance	Financial instruments and disclosures for insurance companies' accounting guidance

The new financial reporting standards related to financial instruments and the Accounting Guidance introduce new classification and measurement requirements for financial instruments as well as provide derecognition guidance on financial assets and financial liabilities. The new guidance also provides an option for the Company to apply hedge accounting to reduce accounting mismatch between hedged item and hedging instrument. In addition, the new rule provides detailed guidance on financial instruments issued by the Company whether it is a liability or an equity. Among other things, they require extensive disclosure on financial instruments and related risks. The classification affects the financial assets' measurement. The new guidance requires assessment of impairment of financial assets as well as contract assets and recognition of expected credit loss from initial recognition.

TFRS 9 also introduces the new classification requirements of financial assets require the Company to assess both i) business model for holding the financial assets; and ii) cash flow characteristics of the asset whether the contractual cash flows represent solely payments of principal and interest (SPPI).

On 1 January 2020, the Company passes criteria of temporary exemption from TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures under TFRS 4 (revised 2018) Insurance Contracts. The Company is eligible to apply the 'Financial Instruments and Disclosure for Insurance Companies' accounting guidelines' ('The Accounting Guidance') as the Company has not previously applied TFRS 9 Financial Instrument and the Company's activities are predominantly connected with insurance business. Total carrying amount of liabilities connected with insurance contract under TFRS 4 (revised 2018) Insurance Contracts of Baht 152,192 million as at 1 January 2018 is greater than 90% of the total carrying amount of all its liabilities. After the date of eligibility assessment, there has been no change in the Company's activities that requires a reassessment of the eligibility assessment. Additional information on financial assets in relation to the election of the temporary option is illustrated per below:

For assessment of impact if the Company applied TFRS 9 – Financial Instruments, financial assets of the Company are separated into (i) financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI) in accordance with TFRS 9 and are not held for trading or managed on fair value basis and (ii) all financial assets other than those specified in (i).

The following table shows the fair value and change in fair value of these two groups of financial assets:

	2020	
	Ending Fair value Thousand Baht	Change in Fair value Thousand Baht
Financial assets		
Financial assets only give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates except for financial assets for trading as defined by TFRS 9 or financial assets managed by the Company and performance evaluated on a fair value basis	191,065,433	(1,139,345)
Cash flows that are not solely payments of principal and interest on the principal amount outstanding on specified dates	5,685,390	1,713,289
Financial assets managed by the Company and performance evaluated on a fair value basis	113,363	35,769
Other financial assets	15,659,577	(187,836)

As of 31 December 2020, financial assets qualifying as SPPI includes debt securities, other receivables, accrued investment income and cash and cash equivalents whereas the remaining includes equity securities and derivative financial instruments.

Certain financial assets included within the financial statements, including policy loans and accrued interest receivables, amount due from reinsurance and premium receivables amounting to Baht 12,324 million are not included above.

The impact from the first-time adoption has been disclosed in Note 3.

b) TFRS 16, Leases

Where the Company 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 has adopted the new lease standard in its financial statements. The impact from the first-time adoption has been disclosed in Note 3.

c) 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.

- d) 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.
- e) Amendment to TAS 23, Borrowing costs clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.
- f) Amendment to TAS 28, Investments in associates and joint ventures (long-term interests in associates and joint ventures) clarified the accounting for long-term interests in an associate or joint venture, which is in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. The Company must account for such interests under TFRS 9, Financial instruments before applying the loss allocation and impairment requirements in TAS 28, Investments in associates and joint ventures
- g) 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 Company should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored.
 - that the Company 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.

2.2.2 New and amended financial reporting standards that are effective for accounting period beginning or after 1 January 2021 and have significant impacts to the Company

The Company assesses the impact of certain amended financial reporting standards which are not yet effective for current reporting period as follows:

- a) Revised Conceptual Framework for Financial Reporting added the following key principals and guidance:
 - Measurement basis, including factors in considering difference measurement basis
 - Presentation and disclosure, including classification of income and expenses in other comprehensive income
 - Definition of a reporting entity, which maybe a legal entity, or a portion of an entity
 - Derecognition of assets and liabilities

The amendment also includes the revision to the definition of an asset and liability in the financial statements, and clarification to the prominence of stewardship in the objective of financial reporting.

- b) Amendment to TFRS 9, Financial instruments and TFRS 7, Financial instruments: disclosures amended to provide relief from applying specific hedge accounting requirements to the uncertainty arising from interest rate benchmark reform such as IBOR. The amendment also requires disclosure of hedging relationships directly affected by the uncertainty.

- c) Amendment to TAS 1, Presentation of financial statements and TAS 8, Accounting policies, changes in accounting estimates and errors amended to definition of materiality. The amendment allows for a consistent definition of materiality throughout the Thai Financial Reporting Standards and the Conceptual Framework for Financial Reporting. It also clarified when information is material and incorporates some of the guidance in TAS 1 about immaterial information.
- d) Amendment to TFRS 16, Leases amended to provide a practical expedient where lessees are exempted from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications. It applies to rent concessions that reduce lease payments due from 1 June 2020 to 30 June 2021. The amendment is effective for the annual accounting period beginning on or after 1 June 2020 where early application is permitted. The Company has chosen not to early apply the exemption for the current reporting period.

The Company's management is currently assessing the impact of initial adoption of this standard.

2.2.3 Amended financial reporting standards that are effective for accounting period beginning or after 1 January 2022 and have significant impacts to the Company

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

- a) Amendment to TFRS 16, Leases amended to include a practical expedient for leases that are modified as a direct consequence of IBOR reform (e.g. replacement of THBFIX as a benchmark interest rate due to the cancellation of LIBOR) for lessee to remeasure the lease liability by discounting the revised lease payments using a discount rate that reflects the change in the interest rate. An early application of the amendment is permitted.

The Company has chosen not to early apply the exemption for the current reporting period.

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.

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

For the year ended 31 December 2020

Classification and measurements

The Company classifies its financial assets as follows:

- Investments measured at fair value through profit or loss (FVPL)
- Investments measured at fair value through other comprehensive income (FVOCI)
- Investments measured at amortised cost
- Investments designated at fair value through profit or loss

On the adoption of the financial reporting standards related to financial instruments (TAS 32 and the Accounting Guidance), there are certain investments in financial instruments with puttable features having a contractual obligation for the issuer to repurchase or redeem those instruments for cash or another financial asset on exercise of a put or financial instruments that impose on the issuer an obligation to deliver to another party a pro rata share of the net assets of the issuer only on a liquidation. These instruments have been reclassified from investment in equity securities to investment in debt securities.

The Company presents its investments in Property Fund unit trusts / Real Estate Investment Trust units / Infrastructure Fund units / Infrastructure Trust units (the trust) established and registered in Thailand as equity investments and measures them at FVOCI following the TFAC's clarification, "Interpretation of investments in Property Fund unit trusts, Real Estate Investment Trust units, Infrastructure Fund units, and Infrastructure Trust units established and registered in Thailand" dated 25 June 2020. The trust is required to distribute benefits of not less than 90% of its adjusted net profit.

Initial recognition

The Company initially recognises a financial asset on trade date at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Recognition and derecognition

Regular way purchases, acquisitions and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Branch has transferred substantially all the risks and rewards of ownership.

Measurement after recognition

There are three measurement categories to classify the investments in securities:

Amortised cost: Investments in securities that are held to maturity are measured at amortised cost. Interest income from these investments in securities is included in net investment income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of comprehensive income.

FVOCI: Investments in securities that are held i) for maturity; and ii) for selling are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of interest income using the effective interest method, and foreign exchange gains and losses which are recognised in profit or loss. When the Investments in securities are derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income is included in net investment income. Impairment expenses are presented separately in the statement of comprehensive income.

FVPL: Investments in securities that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss that is subsequently measured at FVPL is recognised in profit or loss and presented net within gains/(losses) from fair value in the period in which it arises.

Impairment

The Company assesses expected credit losses on a forward looking basis for its debt securities carried at FVOCI and at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company always accounts for expected credit losses which involved a three-stage expected credit losses 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 losses 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 not 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 equals to full lifetime expected credit losses is to be recognised.

The expected credit loss will be recognised in profit or loss.

For impairment of equity instruments which classified as investments measured at fair value through other comprehensive income will be recognised in profit and loss immediately when there is evidence supports the impairment of the instruments. The Company will recognise allowance of losses in other comprehensive income and the carrying amount of financial assets which classified as equity instruments in the statement of financial position will not be decreased. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

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 recognised in profit or loss. For investments carried at amortised cost and investments measured at FVOCI, the reversal is recognised 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.

For the year ended 31 December 2019

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.

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 recognised directly in equity. Impairment losses and foreign exchange differences are recognised in profit or loss. When these investments are derecognized, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised 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. Unrealised gains and losses from changes in their fair value, and gains and losses on disposal of investments are recognised 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 recognised 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 recognised 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 recognised initially at fair value; attributable transaction costs are recognised 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 recognised 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.

For the year ended 31 December 2020

Hedge Accounting

The Company designates gains (losses) on cash flow hedges and gains (losses) on deferred cost of hedging. The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedge reserve is recognised in other components of equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within fair value gain/loss. The change in foreign currency basis spread or forward point that relates to the hedged item is recognised within other comprehensive income in the costs of hedging within other component of equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss when a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

For the year ended 31 December 2019

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 recognised 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 recognised in other comprehensive income and presented in change in fair value of cash flow hedges in other components of equity. Any ineffective portion is recognised 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 recognised 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 including policy 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 recognised 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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

Buildings	20 years
Computer	3 - 5 years
Office equipment, furniture and fitting	5 - 10 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 recognised 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 Amortisation 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 recognised in profit or loss as incurred.

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

No Amortisation is provided on computer software under installment.

Amortisation 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 recognised at cost incurred to acquire the right. The right is amortized over its estimated useful life within the utilization period of 3 years.

2.12 Impairment

The carrying amounts of the Company's non-financial 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 recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

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

Impairment losses recognised 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

For the year ended 31 December 2020

The Company leases building and equipment. Rental contracts are typically made for fixed periods of 2 to 3 years but may have extension options. Before 2020 financial year, leases of building and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2020, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease prepayments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise the underlying asset that the value does not exceed Baht 175,000 (EUR 5,000).

For the year ended 31 December 2019

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.

2.14 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 approval of renewal which the Company cannot terminate and cannot increase or decrease premium, including changes in other benefits 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 consistent with the approach for Risk-Based Capital report.

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 recognised 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.

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 recognised 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 recognised 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 recognised at cost.

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 recognised 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 recognised 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 recognised 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 recognised 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.

2.16 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 recognised 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 recognised 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 recognised 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 recognised 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.

Long service award

The Company has long service award compensation according to the years of service with the Company. The years of service will be counted since the first working day. The awarded employee must be the Company's employee on the benefit pay out date.

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.

c) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised 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 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 in relation to derivative contracts

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 recognised at its fair value as an asset with a corresponding liability for the repayment. The cash pledged is recognised at its fair value as an asset and the cash pledged will not be derecognised 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 recognised in profit or loss except to the extent that items recognised 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 recognised 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 recognised 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.

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 recognised 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.

2.24 Recognition of revenues and expenses

a) Premium written and premium earned

Short-term insurance contracts

Premium written is recognised 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 recognised as revenue proportionally over the period of coverage.

Long-term insurance contracts

First year premium written is recognised as revenue when the insurance policy is approved and premium is received. Renewal premium income is recognised 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 recognised 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 recognised in profit or loss when incurred.

c) Policy acquisition cost

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

d) Investment income

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

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

e) Other income and expenses

Other income and expenses are recognised on an accrual basis.

f) Lease payments

For the year ended 31 December 2019

Payments made under operating leases are recognised 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 Impacts from initial application of the new and revised financial reporting standards

This note explains the impact of the adoption of the financial reporting standards relate to financial instruments and the 'Financial Instruments and Disclosure for Insurance Companies' accounting guidelines (TAS 32 and the Accounting Guidance) and leases standard (IFRS 16) on the Company's financial statements. The new accounting policies applied from 1 January 2020 were disclosed in Note 2.6, 2.7 and 2.13.

The Company has adopted those accounting policies from 1 January 2020 by applying the modified retrospective approach. The comparative figures have not been restated. The reclassifications and the adjustments arising from the changes in accounting policies were therefore recognised in the statement of financial position as of 1 January 2020.

The impact of first-time adoption of new financial reporting standards on the statements of financial position are as follows:

		As at 31 December 2019 Previously reported	TAS 32 and the Accounting Guidance Adjustments and reclassifications	IFRS 16 Adjustments and reclassifications	As at 1 January 2020 Restated
	Notes	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Assets					
Cash and cash equivalents, net	A	9,505,841	(4,970)	-	9,500,871
Investments in securities, net	A, B	191,257,234	1,301,316	-	192,558,550
Loans, net	A	8,399,102	(646)	-	8,398,456
Right-of-use assets	C	-	-	319,529	319,529
Other Assets	A, C	280,114	(452)	(750)	278,912
Total assets		209,442,291	1,295,248	318,779	211,056,318
Liabilities and equity					
Liabilities					
Deferred tax liabilities, net	A, B	3,535,002	259,050	-	3,794,052
Other liabilities	C	2,009,203	-	318,779	2,327,982
Total liabilities		5,544,205	259,050	318,779	6,122,034
Equity					
Retained earnings	A	7,658,831	(49,869)	-	7,608,962
Other components of equity	A, B	16,274,074	1,086,067	-	17,360,141
Total Equity		23,932,905	1,036,198	-	24,969,103
Total Liabilities and Equity		29,477,110	1,295,248	318,779	31,091,137

Note:

- A) Adjustment on impairment of financial assets (Note 3.1)
- B) Impacts from changes in classification and measurement of financial assets (Note 3.1)
- C) Recognition of right-of-use assets and lease liabilities under IFRS 16 (Note 3.2)

3.1 Financial instruments

The total impact on the Company's retained earnings as of 1 January 2020 are as follows:

	<u>Thousand Baht</u>
Retained earnings as of 31 December 2019 (as previously reported)	7,658,831
Adjustments in relation to expected credit loss	(62,336)
Increase in deferred tax assets / deferred tax liabilities related to the above adjustments	<u>12,467</u>
Total adjustments to opening retained earnings from adoption of TAS 32 and the Accounting Guidance	<u>(49,869)</u>
Retained earnings as of 1 January 2020 after reflecting TAS 32 and the Accounting Guidance adoption	<u><u>7,608,962</u></u>

The impact of these changes on the Company's equity as of 1 January 2020 are as follows:

	Unit: Thousand Baht	
	Remeasurements of investments measured at fair value through other comprehensive income (FVOCI)	Effect on retained earnings
Balance as of 31 December 2019 (Previously reported)	16,274,074	7,658,831
Reclassification of equity investments from available-for-sale to FVOCI	-	-
Reclassification of debt investments from available-for-sale to FVOCI	-	-
Reclassification general investments to FVOCI	1,060,326	-
Fair value adjustments on Derivatives	(67,137)	-
Cost of hedging	67,137	-
Adjustments in relation to expected credit loss	<u>25,741</u>	<u>(49,869)</u>
Opening balance as of 1 January 2020 - TAS 32 and the Accounting Guidance adoption	<u><u>17,360,141</u></u>	<u><u>7,608,962</u></u>

Allianz Ayudhya Assurance Public Company Limited
Notes to Financial Statements
For the year ended 31 December 2020

On 1 January 2020, the management has assessed and classified its financial assets as follows:

	Cash and cash equivalents	Available-for-sale securities	General investments	Held-to-maturity securities	Trading securities	Investments measured at amortised cost	Investments measured at FVPL	Investments measured at FVOCI	Loans	Other assets
Financial assets										
Balance as at 31 December 2019 (Previously reported)	9,505,841	154,401,707	42,888	36,811,793	846	-	-	-	8,399,102	280,114
Fair value adjustments on derivatives	-	-	-	-	-	-	-	-	-	-
Adjustment in relation to expected credit loss	(4,970)	-	-	-	-	(24,090)	-	-	(646)	(452)
Reclassify equity investments from available-for-sale to FVOCI	-	(21,399,529)	-	-	-	-	-	21,399,529	-	-
Reclassify debt investments from available-for-sale to FVOCI	-	(133,002,178)	-	-	-	-	-	133,002,178	-	-
Reclassify general investments to FVOCI	-	-	(42,888)	-	-	-	-	1,368,294	-	-
Reclassify trading investments to FVPL	-	-	-	-	(846)	-	846	-	-	-
Reclassify investments from held-to-maturity to amortised cost	-	-	-	(36,811,793)	-	36,811,793	-	-	-	-
Opening balance - TAS 32 and the Accounting Guidance adoption	9,500,871	-	-	-	-	36,787,703	846	155,770,001	8,398,456	279,662

Impact of first-time adoption of new financial reporting standards related to financial instruments are as follows:

a) Impairment of financial assets

The new requirements on the impairment losses will lead to expected credit losses having to be considered and recognised at the initial recognition and subsequent period. The Company 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. As of 1 January 2020, the Company recognised impairment losses for deposits with bank and financial institution of Baht 4.97 million, loans of Baht 0.65 million, investment in securities of Baht 56.27 million and other receivable of Baht 0.45 million. The transition adjustment will be recognised as an adjustment to the opening balance of retained earnings, net of tax, of Baht 49.87 million.

b) Reclassification from available-for-sale investments to investments measured at fair value through other comprehensive income (FVOCI)

As of 1 January 2020, the Company elected to present in OCI changes in the fair value of all its equity investments and debt instruments previously classified as available-for-sale based on investment objectives. As a result, the Company's assets with a fair value of Baht 154,402 million were reclassified from available-for-sale investments to investments measured at FVOCI and fair value gains of Baht 15,488 million were reclassified from Unrealised gains (losses) on changes in fair value of investments to the Remeasurements of investments measured at fair value through other comprehensive income.

c) Reclassification from general investments to investments measured at fair value through other comprehensive income (FVOCI)

Currently, the Company has equity instruments measured at cost of Baht 42.88 million. These instruments have been reclassified and remeasured to fair value through other comprehensive income and recognised cumulative adjustment of Baht 1,325 million as of 1 January 2020 to other component of equity.

d) Reclassification from held-to-maturity investments to investments measured at amortised cost

Debenture and government bonds that would have previously been classified as held-to maturity are now classified at amortised cost. The Company intends to hold the assets to maturity. There was no difference between the previous carrying amount and the revised carrying amount of the investments. However, the Company recognised an increase of Baht 24.09 million in the loss allowance for these assets in opening retaining earnings.

3.2 Leases

On adoption of TFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of TAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2020. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2020 was 2.22%.

	Thousand Baht
Operating lease commitments disclosed as at 31 December 2019	174,890
(Less): impact from discounted using the lessee's incremental borrowing rate of at the date of initial application	(18,203)
(Less): contracts reassessed as service agreements / service portion included in leases	(40,280)
Add: adjustments as a result of a different treatment of extension and termination options	202,372
Lease liability recognised as at 1 January 2020	<u>318,779</u>

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepayment relating to that lease recognised in the statement of financial position as at 31 December 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	31 December 2020 Thousand Baht	1 January 2020 Thousand Baht
Buildings and improvements	563,943	317,817
Others	11,426	1,712
Total right-of-use assets	<u>575,369</u>	<u>319,529</u>

Practical expedients applied

In applying TFRS 16 for the first time for lease contracts existed before 1 January 2020, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2020 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease, and
- elect not to reassess whether a contract is, or contains a lease as defined under TFRS 16 at the date of initial application but relied on its assessment made applying TAS 17 and TFRIC 4 Determining whether an Arrangement contains a Lease.

4 Risk management

4.1 Insurance risk

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

The following topics summarize the Company's risk management.

4.1.1 Underwriting risk

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

This risk may arise from inadequacy of reinsurance, concentration or unexpected losses due to catastrophes and unforeseen events.

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 conditions to reflect the actual risk. Reinsurance is also used for transferring part of the underwriting risk.

4.1.2 Concentration

Concentrations of risk may arise where a particular event or a series of events could impact heavily upon multiple 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 2020, the discount interest rate 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 122 basis points (2019: 83 basis points). Management monitors the sensitivity to changes in rates on an ongoing basis. A decrease of 100 basis points from current market interest rates would not be a trigger to a liability adequacy test adjustment.

4.1.3 Mortality and Morbidity risk

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

4.1.4 Lapse risk

Risk that arises from policyholders discontinuing premium payment or surrendering prior to the maturity of this contract. The risk is mitigated by providing adequate training to reduce mis-selling and monitoring the persistency respectively.

4.2 Financial risk

The Company is exposed to a variety of financial risk: market risk (including foreign exchange rate risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain exposures. The Company does not hold or issue derivative financial instruments for speculative or trading purposes.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for hedged floating rate investments at the fixed foreign currency rate for the hedged purchases.

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

4.2.1 Market risk

a) Foreign exchange rate 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 income. Under the company's policy, the critical terms of the cross currency swap must align with the hedged items.

The Company only designates the spot component of foreign currency hedges. The spot component is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as the forward points. It is discounted, where material.

The changes in the forward element of the foreign currency forwards and foreign currency basis spread of the cross-currency interest swaps that relate to hedged items are deferred in the costs of hedging reserve.

Allianz Ayudhya Assurance Public Company Limited
Notes to Financial Statements
For the year ended 31 December 2020

The Company's exposure to foreign exchange rate risk as at 31 December 2020 and 2019, expressed in Baht is as follows:

	2020			2019		
	U.S. Dollar Thousand Baht	Euro Thousand Baht	Others Thousand Baht	U.S. Dollar Thousand Baht	Euro Thousand Baht	Others Thousand Baht
Cash and cash equivalent	14,440	-	147,830	11,317	-	49,827
Investment in securities						
- Foreign debt securities	16,743,981	547,261	5,688,990	13,239,181	-	-
- Foreign equity securities	-	420,962	-	1,750,909	1,515,312	3,971,312

Effects of hedge accounting on the financial position and performance

As of 31 December 2020, foreign currency-related hedging relationships of the Company are entirely designated as cash flow hedges. The Company has no foreign currency-related hedging instruments that are designated either as fair value hedge or net investment in foreign operation.

- i) The effects of the foreign currency-related hedging instruments on the Company's financial position and performance are as follows:

	<u>2020</u>
	<u>Cross-currency swaps</u>
	<u>Thousand Baht</u>
Carrying amount (asset)	721,718
Notional amount	12,128,465
Change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the year	-
Hedging gains or losses recognised in other comprehensive income during the year	(369,841)
Hedge ineffectiveness recognised in profit or loss	-
Reclassification adjustment from cash flow hedge reserve into profit or loss	-
Reclassification adjustment from cost of hedge reserve into profit or loss	-
Carrying amount (liability)	173,744
Notional amount	4,171,698
Change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the year	-
Hedging gains or losses recognised in other comprehensive income during the year	(261,451)
Hedge ineffectiveness recognised in profit or loss	-
Reclassification adjustment from cash flow hedge reserve into profit or loss	-
Reclassification adjustment from cost of hedge reserve into profit or loss	-

The Company separately presents certain hedging instrument according to its position at the end of the reporting year, either as derivative assets or derivative liabilities. While, the hedge ineffectiveness and reclassification adjustment are recognised as fair value gain/loss.

- ii) The effects of the foreign currency-related hedged item on the Company's financial position and performance are as follows:

	<u>2020</u>
	<u>Investment in debt securities</u>
	<u>Thousand Baht</u>
Change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the year	-
Remaining cash flow hedge reserve and the cost of hedge reserve for continuing hedges	(446,577)
Remaining cash flow hedge reserve and the cost of hedge reserve from any hedging relationships for which hedge accounting is no longer applied	-

- iii) The effects of the foreign currency-related cash flow hedge and cost of hedge on the Company's financial position and performance during the year are as follows:

	<u>2020</u>
	<u>Time-period related hedged items</u>
	<u>Thousand Baht</u>
<i>Cash flow hedge reserve</i>	
Beginning balance	321,218
Hedging gains or losses recognised in other comprehensive income during the year	(538,658)
Reclassification to profit or loss during the year	-
Closing balance	<u>(217,440)</u>
<i>Cost of hedge reserve</i>	
Beginning balance	(73,339)
Hedging gains or losses recognised in other comprehensive income during the year	(155,798)
Reclassification to profit or loss during the year	-
Closing balance	<u>(229,137)</u>

As of 31 December 2020, entire cash flow hedge and cost of hedge of the Company associated with the cross currency swaps that hedge time-period related hedged items.

Sensitivity

The Company calculates the impact on the sensitivity of exchange rates. However, the management considers that the Company has no significant effect.

b) 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.

Effects of hedge accounting on the financial position and performance

As of 31 December 2020, interest rate-related hedging relationship of the Company is entirely designated as cash flow hedge. The Company has no interest rate-related hedging instruments that designate neither as fair value hedge nor net investment in foreign operation.

- i) The effects of the interest rate-related hedging instruments on the Company's financial position and performance are as follows:

	2020
	Bond forwards
	Thousand
	Baht
	<hr/>
Carrying amount (asset)	662,203
Notional amount	4,680,000
Change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the year	-
Hedging gains or losses recognised in other comprehensive income during the year	101,222
Hedge ineffectiveness recognised in profit or loss	-
Reclassification from cash flow hedge reserve into profit or loss	-
Reclassification from cost of hedge reserve into profit or loss	-
Carrying amount (liabilities)	2,672
Notional amount	300,000
Change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the year	-
Hedging gains or losses recognised in other comprehensive income during the year	(2,672)
Hedge ineffectiveness recognised in profit or loss	-
Reclassification from cash flow hedge reserve into profit or loss	-
Reclassification from cost of hedge reserve into profit or loss	-

The Company separately presents certain hedging instrument according to its position as of the end of the year, either as derivative assets or derivative liabilities. The hedge ineffectiveness and reclassification adjustment are recognised as fair value gain/loss.

- ii) The effects of the interest rate-related hedged item on the Company's financial position and performance are as follows:

	<u>2020</u>
	<u>Investment in debt securities Thousand Baht</u>
Change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the year	-
Remaining cash flow hedge reserve and the cost of hedge reserve for continuing hedges	659,531
Remaining cash flow hedge reserve and the cost of hedge reserve from any hedging relationships for which hedge accounting is no longer applied	-

- iii) The effects of the interest rate-related cash flow hedge and cost of hedge on the Company's financial position and performance during the year are as follows:

	<u>2020</u>
	<u>Transaction related hedged items Thousand Baht</u>
<i>Cash flow hedge reserve</i>	
Beginning balance	577,114
Hedging gains or losses recognised in other comprehensive income during the year	37,289
Reclassification to profit or loss during the year	-
Closing balance	<u>614,403</u>
<i>Cost of hedge reserve</i>	
Beginning balance	157,260
Hedging gains or losses recognised in other comprehensive income during the year	(112,132)
Reclassification to profit or loss during the year	-
Closing balance	<u>45,128</u>

Allianz Ayudhya Assurance Public Company Limited
Notes to Financial Statements
For the year ended 31 December 2020

As at 31 December 2020 and 2019, significant financial assets and liabilities classified by type of interest rates are summarised in the table below.

	2020								Interest rate (% p.a)
	Variable interest rate				Fixed interest rate				
	Within 1 year Thousand Baht	1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Within 1 year Thousand Baht	1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Non- interest bearing Thousand Baht	Total Thousand Baht	
As at 31 December 2020									
Financial assets									
Cash and cash equivalents	3,184,636	-	-	4,085,317	-	-	479	7,270,432	0.13 - 1.75
Investment in securities									
Bonds	-	-	-	3,269,460	19,389,925	87,544,494	-	110,203,879	1.88 - 6.4
Notes	-	-	-	4,061,423	3,165,183	4,691,694	-	11,918,300	2.56 - 4.52
Debentures	-	-	-	-	10,314,876	24,383,424	-	34,698,300	2.13 - 9.63
Deposits at financial institutions with original maturities more than 3 months	-	-	-	2,000,000	2,000,000	-	-	4,000,000	4.14 - 4.25
Derivative assets	-	-	-	-	535,646	126,557	-	662,203	1.6 - 3.78
Mortgage loans	-	-	303	-	815	51,298	-	52,416	5.0 - 19.0
	<u>3,184,636</u>	<u>-</u>	<u>303</u>	<u>13,416,200</u>	<u>35,406,445</u>	<u>116,797,466</u>	<u>479</u>	<u>168,805,529</u>	
Financial liabilities									
Derivative liabilities	-	-	-	-	(1,364)	(1,308)	-	(2,672)	1.6 - 3.78
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,364)</u>	<u>(1,308)</u>	<u>-</u>	<u>(2,672)</u>	

Allianz Ayudhya Assurance Public Company Limited
Notes to Financial Statements
For the year ended 31 December 2020

	2019						
	Fixed interest rates			Floating interest rate Thousand Baht	Non-Interest bearing Thousand Baht	Total Thousand Baht	Interest rate (% p.a.)
	Within 1 year Thousand Baht	1-5 years Thousand Baht	Over 5 years Thousand Baht				
Financial assets							
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	19,303,428	-	-	26,542,963	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
Derivative assets	63,984	552,646	117,743	-	-	734,373	3.30 - 3.75
Mortgage loans	-	1,866	56,068	1,360	-	59,294	5.00 - 19.00
	<u>13,446,455</u>	<u>35,131,291</u>	<u>112,911,577</u>	<u>2,110,205</u>	<u>518</u>	<u>163,600,046</u>	
Financial liabilities							
Derivative liabilities	-	-	-	-	-	-	
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	

The table below shows the interest rate sensitivity for the financial assets and financial liabilities held as at reporting date.

	2020	
	Impact to net profit	Impact to other components of equity
Interest rate - increase 1%*	29,194	(559,821)
Interest rate - decrease 1%*	(7,229)	658,454

* Holding all other variables constant

c) Equity risk

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

The table below summarises the impact of increases/decreases of equity indices on the Company's other components of equity and net profit for the period :

	Impact on post tax profit		Impact to other components of equity	
	2020	2019	2020	2019
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Equity price - Increase 1%	-	-	199,610	227,682
Equity price - Decrease 1%	-	-	(199,610)	(227,682)

* Holding all other variables constant

4.2.2 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.

Credit risk mostly arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL), derivative financial instruments as well as credit exposures to customers, including outstanding receivables.

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.

The Company's investments in debt instruments are considered to be low risk investments. The Company regularly monitors the credit ratings of the investments for credit deterioration.

Risk management

The Company has the credit risk management policy that is approved by the Risk Committee and consists of:

Risk assessment

- The Company's credit risk limitation, including the verification by the Risk Management Department.
- The Company's credit risk analysis through change on asset allocation, investment strategy and credit rating on an annual basis.

Risk reporting

Risk Management Department reports results to the Risk Committee at least on a quarterly basis. Risk Committee assesses the appropriateness of credit risk management and adjusts the credit risk management policy on an annual basis to be consistent with the Company's operation and industry.

Risk management

- Risk management and risk monitoring practices such as limit authorization process;
- The Company determines the credit risk rating grades, for example, the investment grade credit rating by referring the information obtained from at least one major rating agency on the reporting date, and determines the financial assets that are credit-impaired;
- Risk management policy for financial instruments that are considered to have low credit risk;

To determine whether a financial instrument has low credit risk, the Company considers the external rating of investment grade at the reporting date according to the Company's credit rating methodology. The loss allowance recognised during the year is limited to 12 months expected losses for financial instruments that are considered to have low credit risk.

- Policy for significant increases in credit risk since initial recognition when financial assets are more than 30 days past due.

At the reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition.

Quantitative criteria

The Company determines whether the probability of a default occurring on the financial instrument as at the reporting date has increased significantly since initial recognition.

Qualitative criteria

Significant changes in external market indicators of credit risk for a particular financial instrument are as follows:

- significant changes in the credit spread;
 - existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations;
 - an actual or expected significant change in the operating results of the borrower;
 - significant changes in the value of the collateral supporting the obligation which are expected to have an effect on the probability of a default occurring;
 - an actual or expected significant change in the financial instrument's external credit rating.
- Policy for the modification of contractual cash flows of financial assets;

If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognised, the Company assesses whether there has been a significant increase in the credit risk of the financial instrument by comparing (1) the risk of a default occurring at the reporting date (based on the modified contractual terms); and (2) the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

- Classification policy for a financial asset that has been modified while the loss allowance was measured at an amount equal to lifetime expected credit losses, has improved to the extent that the loss allowance reverts to being measured at an amount equal to 12-month expected credit losses;
- Policy for monitoring the loss allowance on financial assets that has been modified while the loss allowance was measured at an amount equal to lifetime expected credit losses.
- The Company monitors the verification of subsequently significant increase in credit risk on financial assets through the specific models for modified financial assets.

Collateral

The Company determines the policy and practices in order to reduce the credit risk and allows borrowers to pledge collaterals to guarantee their loans.

The Company assessed the value of collateral since the start date of a loan agreement. The main types of collateral held are as follows:

- Residencial real estate
- Commercial real estate

There have been no significant changes in the policy of pledging collaterals during the reporting period.

The following table shows the credit-impaired financial assets and the collateral held to reduce the credit risk.

	2020			
	Gross carrying amount Thousand Baht	Expected credit loss Thousand Baht	Net carrying amount Thousand Baht	Fair value of collateral Thousand Baht
Mortgage Loan	56,467	(47,845)	8,622	104,831
Total credit-impaired financial assets	<u>56,467</u>	<u>(47,845)</u>	<u>8,622</u>	<u>104,831</u>

The Company has 4 types of financial assets that are subject to the expected credit loss model:

- Cash and cash equivalents
- Mortgage loans
- Other receivables
- Debt investments measured at amortised cost and fair value through other comprehensive income

The expected credit loss is measured on either a 12-month or lifetime basis depending on whether the significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be a credit-impaired financial asset. The expected credit loss is the discounted product of probability of default, loss given default and exposure at default, defined as follows;

- The probability of default represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months or over the remaining lifetime of the obligation.
- The exposure at default is based on the amounts that the Company expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.
- The loss given default represents the Company's expectation of the extent of loss on a defaulted exposure. The loss given default varies by type of borrower, type and seniority of claim and availability of collateral or other credit support. The loss given default is calculated on a 12-month or over the remaining lifetime of the loan.

The expected credit loss is determined by projecting the probability of default, loss given default and exposure at default for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival. This effectively calculates an expected credit loss for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the expected credit loss calculation is the original effective interest rate (EIR).

Forward-looking economic information is also included in determining the next 12 months or over the remaining lifetime.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Mortgage loans

The company has mortgage loans measured at amortised cost and the loss allowance recognised during the year was therefore limited to 12 months expected losses for the loans that the credit risk does not significantly changed. Lifetime expected credit losses is recognised for the loans that the credit risk is significantly increased.

The reconciliations of loss allowances for loans measured at amortised cost for the year ended 31 December 2020 are as follows:

	<u>Thousand Baht</u>
As at 31 December 2019 - calculated under TAS 101	47,604
Amount restated through opening retained earnings	<u>646</u>
Opening loss allowance as at 1 January 2020	
- calculated under TAS 32 and the Accounting Guidance	48,250
Increase in loss allowance recognised in profit or loss during the year	-
Loans written off during the year as uncollectible	-
Unused amount reversed	<u>(405)</u>
As at 31 December 2020	<u>47,845</u>

The allowance of expected credit loss for loans by stage of risk are as follows:

	<u>31 December 2020</u>			Total Thousand Baht
	Loss allowance measured at amount equal to 12 months expected credit losses Thousand Baht	Loss allowance measured at amount equal to lifetime expected credit losses Thousand Baht	Loss allowance measured at amount equal to lifetime expected credit losses (credit-impaired financial assets) Thousand Baht	
Mortgage Loans				
Beginning balance	646	-	47,604	48,250
Changes occurred from classification	-	-	-	-
Changes occurred from measurement	<u>(355)</u>	-	<u>(50)</u>	<u>(405)</u>
Ending balance	<u>291</u>	-	<u>47,554</u>	<u>47,845</u>

Debt investments

The Company considers that all debt investments measured at amortised cost and FVOCI have low credit risk, and the loss allowance recognised during the year was therefore limited to 12 months expected losses. Management considers 'low credit risk' for bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations.

The reconciliations of loss allowances for other financial assets measured at amortised cost for the year ended 31 December 2020 are as follows:

	Debenture Thousand Baht	Government bond Thousand Baht	Treasury bill Thousand Baht	Total Thousand Baht
As at 31 December 2019 - calculated under TAS 101	-	-	-	-
Amount restated through opening retained earnings	15,144	-	8,946	24,090
Opening loss allowance as at 1 January 2020	-	-	-	-
- calculated under TAS 32 and accounting guidance	15,144	-	8,946	24,090
Increase in loss allowance recognised in profit or loss during the year	-	-	-	-
Written off during the year as uncollectible	-	-	-	-
Unused amount reversed	(13,104)	-	(2,772)	(15,876)
As at 31 December 2020	2,040	-	6,174	8,214

The allowance of expected credit loss for investment in debt instruments measured at amortised cost by stage of risk are as follows:

	31 December 2020			Total Thousand Baht
	Loss allowance measured at amount equal to 12 months expected credit losses Thousand Baht	Loss allowance measured at amount equal to lifetime expected credit losses Thousand Baht	Loss allowance measured at amount equal to lifetime expected credit losses (credit-impaired financial assets) Thousand Baht	
Investment in debt instruments measured at amortised cost				
Beginning balance	24,090	-	-	24,090
Changes occurred from classification	-	-	-	-
Changes occurred from measurement	(14,343)	-	-	(14,343)
New financial assets purchased or originated	-	-	-	-
Derecognised financial assets	(1,533)	-	-	(1,533)
Write-off	-	-	-	-
Recovery	-	-	-	-
Ending balance	8,214	-	-	8,214

Debt investments measured at fair value through other comprehensive income

Debt investments measured at fair value through other comprehensive income (FVOCI) include listed and unlisted debt securities. The loss allowance is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

The reconciliation of loss allowances for debt investments measured at FVOCI as at 31 December 2020 are as follows:

	Debt investments measured at FVOCI Thousand Baht
As at 31 December 2019	-
Amount restated through opening retained earnings	32,178
Opening loss allowance as at 1 January 2020	
- calculated under TAS 32 and Accounting Guidance	32,178
Increase in loss allowance recognised in profit or loss during the year	-
Written off during the year as uncollectible	-
Unused amount reversed	(15,653)
As at 31 December 2020	16,525

The allowance of expected credit loss for investment in debt investments measured at FVOCI by stage of risk are as follows:

	31 December 2020			Total Thousand Baht
	Loss allowance measured at amount equal to 12 months expected credit losses Thousand Baht	Loss allowance measured at amount equal to lifetime expected credit losses Thousand Baht	Loss allowance measured at amount equal to lifetime expected credit losses (credit-impaired financial assets) Thousand Baht	
Investment in debt instruments measured at FVOCI				
Beginning balance	32,178	-	-	32,178
Changes occurred from classification	-	-	-	-
Changes occurred from measurement	(13,783)	-	-	(13,783)
New financial assets purchased or originated	3,200	-	-	3,200
Derecognised financial assets	(5,070)	-	-	(5,070)
Ending balance	16,525	-	-	16,525

Financial assets measured at fair value through profit or loss

The Company is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

Credit risk exposure

The maximum credit risk exposure is considered to be the statement of financial position carrying amount or, for non-derivative off-statement of financial position transaction and financial guarantee, their contractual nominal amounts. The exposure to credit risk of the Company equals their carrying amount in the statement of financial position as at reporting date.

4.2.3 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.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. At the end of the reporting period the Company held deposits at call of Baht 4,085 million (2019: Baht 2,109 million) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, the Company's treasury department maintains flexibility in funding under committed credit lines.

Management monitors cash and cash equivalents on the basis of expected cash flows. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary, monitoring balance sheet liquidity ratios and maintaining financing plans.

Allianz Ayudhya Assurance Public Company Limited
Notes to Financial Statements
For the year ended 31 December 2020

The tables below analyse the maturity of financial liabilities grouping based on their contractual maturities. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Estimated net undiscounted cash flows					
	Book value Thousand Baht	Less than 1 year Thousand Baht	1 - 5 years Thousand Baht	5 - 10 years Thousand Baht	Over 10 years Thousand Baht	Total Thousand Baht
As at 31 December 2020						
Lease liabilities	588,971	75,548	285,911	232,149	-	593,608
Total financial liabilities that is not derivatives	588,971	75,548	285,911	232,149	-	593,608
Derivative financial Instruments applied hedge accounting						
Derivative hedge foreign exchange risk						
<i>Gross currency swaps (U.S. Dollar)</i>						
Notional value	173,744	-	623,640	3,227,816	320,242	4,171,698
Average foreign exchange rate			31.18	30.61	31.00	
Derivative hedge interest rate risk						
<i>Bond forward contracts</i>						
Notional value	2,672	125,752	240,314	-	-	366,066
Average price		125,752	80,105	-	-	
Total derivative financial instruments applied hedge accounting	176,416	125,752	863,954	3,227,816	320,242	4,537,764
Total	765,387	201,300	1,149,865	3,459,965	320,242	5,065,306

Allianz Ayudhya Assurance Public Company Limited
Notes to Financial Statements
For the year ended 31 December 2020

The tables below analyse the maturity of hedged items that impact to profit or loss, grouping based on their contractual maturities

	Within 3 months Thousand Baht	3 months - 1 year Thousand Baht	1 - 5 years Thousand Baht	5 - 10 years Thousand Baht	Over 10 years Thousand Baht	Total Thousand Baht
As at 31 December 2020						
Cross currency swaps						
Cash inflow	-	-	7,287,102	8,200,119	812,942	16,300,163
Cash outflow	-	-	(7,287,102)	(8,200,119)	(812,942)	(16,300,163)
Net cash flow	-	-	-	-	-	-
Bond forward contracts						
Settlement price	(301,711)	(1,219,782)	(3,658,586)	-	-	(5,180,079)

4.2.4 Fair value risk

Fair value risk is the risk arising from the change in the market value of financial instruments. 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 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 are described in Note 5.

5 Fair value

5.1 Fair value estimation

The following table shows fair values and carrying amounts of financial assets and liabilities by category, excluding those with the carrying amount approximates fair value.

	Fair value through profit or loss (FVPL) Thousand Baht	Fair value through other comprehensive income (FVOCI) Thousand Baht	Amortised cost Thousand Baht	Total carrying amount Thousand Baht	Fair value Thousand Baht
As at 31 December 2020					
Assets					
<i>Financial assets measured at fair value (FV)</i>					
Debt securities	113,363	153,322,882	-	153,436,245	153,436,245
Equity securities	-	14,275,656	-	14,275,656	14,275,656
Assets held to cover linked liabilities	632,844	-	-	632,844	632,844
Derivative assets	-	1,383,921	-	1,383,921	1,383,921
<i>Financial assets not measured at fair value</i>					
Cash and cash equivalents	-	-	7,270,432	7,270,432	7,270,432
Debt securities	-	-	26,836,173	26,836,173	30,349,537
Deposits at financial institutions with original maturities more than 3 months	-	-	4,000,000	4,000,000	4,000,000
Mortgage loans, net	-	-	8,912	8,912	8,912
Accrued investment income	-	-	1,266,158	1,266,158	1,266,158
Others	-	-	532,902	532,902	532,902
Total assets	746,207	168,982,459	39,914,577	209,643,243	213,156,607
Liabilities					
<i>Financial liabilities measured at fair value</i>					
Derivative liabilities	-	176,416	-	176,416	176,416
<i>Financial liabilities not measured at fair value</i>					
Others	-	-	1,339,878	1,339,878	1,339,878
Total liabilities	-	176,416	1,339,878	1,516,294	1,516,294

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.

Allianz Ayudhya Assurance Public Company Limited
Notes to Financial Statements
For the year ended 31 December 2020

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.

	2020			Total Thousand Baht
	Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	
Financial assets				
Derivative assets	-	1,383,921	-	1,383,921
Investment in securities				
Investments measured at fair value through other comprehensive income				
Debt securities	5,634,985	147,687,897	-	153,322,882
Equity securities	13,394,082	-	881,574	14,275,656
Investments designated at fair value				
Debt securities	113,363	-	-	113,363
Investment assets held to cover linked liabilities	-	632,844	-	632,844
Total	19,142,430	149,704,662	881,574	169,728,666
Financial liabilities				
Derivative liabilities	-	176,416	-	176,416
Total	-	176,416	-	176,416

The following table presents the Company's financial assets and liabilities that are measured and recognised at fair value on the financial statements as at 31 December 2019.

	2019			Total Thousand Baht
	Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	
Financial assets				
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
Total	21,400,375	135,409,972	-	156,810,347
Financial liabilities				
Derivative liabilities	-	-	-	-
Total	-	-	-	-

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

There was no change in valuation techniques during the year.

5.2 Valuation techniques for assets and liabilities measured at fair value

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

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

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

The Company 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.

Level 3 fair value measurement

The following table presents the changes in level 3 financial instruments for the year ended 31 December 2020.

	31 December 2020 Thousand Baht
Beginning balance	1,368,294
Gain on remeasuring investments measured at fair value through other comprehensive income	(486,720)
Closing balance	881,574

Valuation techniques used to derive Level 3 fair values

Management has put a process of performing the valuations of financial assets required for financial reporting purposes, including Level 3 fair values. Appropriate valuation techniques and unobservable inputs are selectively used based on the characteristic of financial assets. The valuation of Level 3 fair value is reviewed and approved by management for financial reporting purposes.

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.

6 Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

6.1 Insurance contract liabilities and investment contract liabilities

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

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

Process involved in determining assumptions

The Company determines assumptions in relation to mortality, morbidity and discount rate that were established at the time when insurance products were designed. These assumptions are locked-in and used for calculating the liabilities over the life of the contract. In 2019, 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 of 25 basis points and resulted in an additional expense of Baht 680 million reflected in the statement of comprehensive income. No assumption revision of discount rates for the non-participating traditional insurance products.

6.1.2 Short-term technical reserves

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

Process involved in determining assumptions

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

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

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

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

6.1.3 Liabilities adequacy testing

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

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

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

6.3 Determination of lease terms

Critical judgement in determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Most extension options on buildings and improvements lease has been included in the lease liability, because the Company considers i) the underlying asset condition and/or ii) insignificant cost to replace the leased assets.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstance affecting this assessment occur, and that it is within the control of the Company.

6.4 Determination of discount rate applied to leases

The Company determines the incremental borrowing rate as follows:

- Where possible, use recent third-party financing received by the individual lessee as a starting point, adjusting to reflect changes in its financing conditions.
- Make adjustments specific to the lease, e.g. term, country, currency and security.

6.5 Impairment of investments

The loss allowances for financial assets are based on assumptions about default risk and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs used in the impairment calculation, based on the Company's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period.

7 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.

8 Cash and cash equivalents

	2020	2019
	Thousand Baht	Thousand Baht
Cash on hand	479	518
Deposits at banks - call deposits	4,085,317	2,108,845
Short-term investments	3,184,636	7,396,478
Expected credit losses	(5,356)	-
Total	7,265,076	9,505,841

As at 31 December 2020, cash and cash equivalents were denominated in foreign currencies amounting to Baht 162.27 million (2019: Baht 61.14 million).

9 Premium due and uncollected net

The balances of premium due and uncollected as at 31 December 2020 and 2019 were aged as follows:

	From direct insurance	
	2020	2019
	Thousand Baht	Thousand Baht
Within credit terms	2,345,065	1,424,998
Overdue:		
Less than 30 days	10,930	160,031
31 - 60 days	2,033	1,049
61 - 90 days	14,156	11,569
91 days - 1 year	9,166	6,165
Over 1 year	6,170	5,936
Total	2,387,520	1,609,748
<u>Less</u> Allowance for doubtful accounts	<u>(289,581)</u>	<u>(157,094)</u>
Premiums due and uncollected - net	2,097,939	1,452,654

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.

10 Reinsurance receivables

The details of reinsurance assets are as follows:

	2020 Thousand Baht	2019 Thousand Baht
Due from reinsurance (Note 33)	472,314	372,205
Total reinsurance receivable	<u>472,314</u>	<u>372,205</u>

Aging analysis for due from reinsurers is as follows:

	2020 Thousand Baht	2019 Thousand Baht
Within credit terms	472,314	372,205
Total	<u>472,314</u>	<u>372,205</u>

11 Derivatives

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

	2020 Fair value		2019 Fair value	
	Assets Thousand Baht	Liabilities Thousand Baht	Assets Thousand Baht	Liabilities Thousand Baht
Held for hedge derivatives				
- Applied hedge accounting	1,383,921	176,416	1,942,969	-
Total derivatives	<u>1,383,921</u>	<u>176,416</u>	<u>1,942,969</u>	<u>-</u>

The details of derivative assets are as follow:

31 December 2020					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 2020 Thousand Baht
Cross currency swap	To hedge foreign currency risk of investment in foreign currency	75	12,128,465	721,718	(369,841)
Bond forward	To hedge reinvestment risk	25	4,680,000	662,203	101,222
Total		<u>100</u>	<u>16,808,465</u>	<u>1,383,921</u>	<u>(268,619)</u>
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		<u>101</u>	<u>18,494,582</u>	<u>1,942,969</u>	<u>1,724,272</u>

Allianz Ayudhya Assurance Public Company Limited
Notes to Financial Statements
For the year ended 31 December 2020

The details of derivative liabilities are as follows:

31 December 2020					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 2020 Thousand Baht
Cross currency swap	To hedge foreign currency risk of investment in foreign currency	36	4,171,698	173,744	261,451
Bond forward	To hedge reinvestment risk	4	300,000	2,672	2,672
Total		40	4,471,698	176,416	264,123

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		-	-	-	-

As at 31 December 2020, 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 489 million, EUR Dollar 13 million and SGD Dollar 2 million (2019: U.S. Dollar 402 million and EUR Dollar 13 million).

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

12 Investments in securities, net

The details of investments in securities as at 31 December 2020 and 2019 are as follows:

	2020	
	Cost/ amortised cost Thousand Baht	Fair value Thousand Baht
Investments measured at fair value through other comprehensive income		
Government and state enterprise debt securities	92,635,060	107,515,395
Private debt securities	21,635,834	22,827,256
Foreign debt securities	21,721,647	22,980,231
Equity securities	12,598,894	13,854,693
Foreign equity securities	371,550	420,963
Total	148,962,985	167,598,538
<u>Add</u> Unrealised gain	18,635,553	
Total Investments measured at fair value through other comprehensive income	<u>167,598,538</u>	<u>167,598,538</u>
Investments measured at amortised cost		
Government and state enterprise debt securities	23,119,014	
Private debt securities	3,717,159	
Deposits at financial institutions with original maturities more than 3 months	4,000,000	
Total	30,836,173	
<u>Less</u> Expected Credit Losses	(8,214)	
Total investments measured at amortised cost	<u>30,827,959</u>	
Investments designated at fair value through profit or loss		
Foreign debt securities	77,594	113,363
<u>Add</u> Unrealised gain	35,769	
Total Investments designated at fair value through profit or loss	<u>113,363</u>	<u>113,363</u>
Total investments in securities, net	<u>198,539,860</u>	

Allianz Ayudhya Assurance Public Company Limited
Notes to Financial Statements
For the year ended 31 December 2020

	2019	
	Cost/ amortised cost Thousand Baht	Fair value Thousand Baht
Trading securities		
Equity securities	5,447	846
<u>Less</u> Unrealised loss	(4,601)	-
Total Trading securities, net	846	846
Available-for-sale investments		
Government and state enterprise debt securities	92,188,847	107,098,730
Private debt securities	11,339,821	12,183,465
Foreign debt securities	12,960,076	13,719,983
Equity securities	11,376,754	14,211,823
Foreign equity securities	7,176,250	7,187,706
Total	135,041,748	154,401,707
<u>Add</u> Unrealised gain	19,426,298	-
<u>Less</u> Allowance for impairment	(66,339)	-
Total available-for-sale investments, net	154,401,707	154,401,707
Held-to-maturity investments		
Government and state enterprise debt securities	29,920,511	
Private debt securities	2,891,282	
Deposits at financial institutions with original maturities more than 3 months	4,000,000	
Total held-to-maturity investments	36,811,793	
General investments		
Equity securities	42,888	
Total general investments	42,888	
Total investments in securities, net	191,257,234	

For the year ended 31 December 2020, the Company recorded interest income and dividend income amounting to Baht 6,291 million and Baht 928 million, respectively (2019: Baht 6,337 million and Baht 1,119 million, respectively).

For the year ended 31 December 2020, the Company received consideration from selling available-for-sale investments amounting to Baht 15,896 million (2019: Baht 7,275 million).

As at 31 December 2020, 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 43,783 million (2019: Baht 44,603 million) (Note 34).

12.1 Investment measured at fair value through other comprehensive income

a) Expected credit loss

	2020	
	Fair value Thousand Baht	Expected credit losses recognised in other comprehensive income Thousand Baht
Investments in debt securities which credit risk has not significantly increased (Stage 1)	153,322,882	(16,525)
Investment in debt securities which credit risk has significantly increased (Stage 2)	-	-
Credit-impaired investments in debt securities (Stage 3)	-	-
Total	153,322,882	(16,525)

b) Amounts recognised in profit or loss and other comprehensive income

The following gains/(losses) were recognised in profit or loss and other comprehensive income during the year as follows:

	2020 Thousand Baht	2019 Thousand Baht
Gains/(losses) recognised in other comprehensive income	(903,106)	15,081,536
Gains/(losses) reclassified from other comprehensive income to profit or loss on the sale of investments measured at FVOCI	(232,729)	288,563
Interests from debt securities measured at FVOCI recognised in profit or loss	4,249,319	3,709,312
Dividends from equity securities measured at FVOCI recognised in profit or loss	927,877	1,118,687
(Reversal of) expected credit losses for debt securities measured at fair value through other comprehensive income recognised in profit or loss	(15,653)	-

Allianz Ayudhya Assurance Public Company Limited
Notes to Financial Statements
For the year ended 31 December 2020

c) The maturity of investment in securities measured at fair value through other comprehensive income

The details of investment in securities measured at fair value through other comprehensive income as at 31 December 2020 and 2019 are aged as follows:

	2020						2019					
	Maturing within			Maturing within			Maturing within			Maturing within		
	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	1 year Thousand Baht	1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Total Thousand Baht
Investment in securities measured at fair value through other comprehensive income												
Government bonds and State Own Enterprise bonds	-	11,220,931	81,363,934	92,584,865	-	-	-	-	-	-	-	-
Private enterprises securities	61,423	3,559,403	18,015,008	21,635,834	-	-	-	-	-	-	-	-
Foreign securities	-	6,703,498	9,060,109	15,763,607	-	-	-	-	-	-	-	-
Total	61,423	21,483,832	108,439,051	129,984,306								
Add Unrealised gains on change in value of investments	(1,254)	1,778,162	15,876,277	17,653,185	-	-	-	-	-	-	-	-
Total investment in securities measured at fair value through other comprehensive income	60,169	23,261,994	124,315,328	147,637,491								

Allianz Ayudhya Assurance Public Company Limited
Notes to Financial Statements
For the year ended 31 December 2020

d) The maturity of debt securities classified as available-for-sale investments

The details of debt securities classified as available-for-sale investments as at 31 December 2020 and 2019 are aged as follows:

	2020				2019			
	Maturing within				Maturing within			
	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
Private enterprises securities	-	-	-	-	31,980	2,356,616	8,951,225	11,339,821
Foreign securities	-	-	-	-	30,113	3,264,422	9,665,541	12,960,076
Total					62,093	15,010,323	101,416,328	116,488,744
Add Unrealised gains on change in value of investments	-	-	-	-	(760)	1,109,001	15,405,193	16,513,434
Total available-for-sale securities	-	-	-	-	61,333	16,119,324	116,821,521	133,002,178

12.2 Investment measured at amortised cost

a) Expected credit loss

	2020		
	Gross carrying value Thousand Baht	Expected credit losses Thousand Baht	Carrying value Thousand Baht
Investments in debt securities which credit risk has not significantly increased (Stage 1)	30,836,173	(8,124)	30,827,959
Investment in debt securities which credit risk has significantly increased (Stage 2)	-	-	-
Credit-impaired investments in debt securities (Stage 3)	-	-	-
Total	<u>30,836,173</u>	<u>(8,214)</u>	<u>30,827,959</u>

Allianz Ayudhya Assurance Public Company Limited
Notes to Financial Statements
For the year ended 31 December 2020

b) The maturity of investment in securities measured at amortised cost

The details of investment in securities measured at amortised cost as at 31 December 2020 and 2019 are aged as follows:

	2020				2019			
	1 year		1 - 5 years		1 year		1 - 5 years	
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	
Investment in securities measured at amortised cost								
Government bonds and State Own Enterprise bonds*	6,269,460	8,668,994	8,180,560	23,119,014	-	-	-	-
Private enterprises securities	1,000,000	2,717,159	-	3,717,159	-	-	-	-
Deposits at financial institutions with original maturities more than 3 months	2,000,000	2,000,000	-	4,000,000	-	-	-	-
Total	9,269,460	13,386,153	8,180,560	30,836,173	-	-	-	-
Less Expected credit loss	(483)	(3,741)	(3,990)	(8,214)	-	-	-	-
Total investment in securities measured at amortised cost	9,268,977	13,382,412	8,176,570	30,827,959	-	-	-	-

* As at 31 December 2020, government bonds amounting to Baht 20 million (2019: Baht 20 million) have been deposited as a security with the registrar in accordance with the Life Insurance Act (No. 2) B.E 2551 (Note 34).

Allianz Ayudhya Assurance Public Company Limited
Notes to Financial Statements
For the year ended 31 December 2020

c) The maturity of investment in securities classified as held-to-maturity investments

The details of investment in securities classified as held-to-maturity investments as at 31 December 2020 and 2019 are aged as follows:

	Cost													
	2020					2019								
	1 year		1 - 5 years		Over 5 years	Total		1 year		1 - 5 years		Over 5 years	Total	
Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht		Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht		Thousand Baht	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	-	-	-
Private enterprises securities	-	-	-	-	-	-	902,852	1,520,000	468,430	2,891,282	-	-	-	-
Deposits at financial institutions with original maturities more than 3 months	-	-	-	-	-	-	-	3,000,000	1,000,000	4,000,000	-	-	-	-
Total held-to-maturity securities	-	-	-	-	-	-	5,153,900	20,336,455	11,321,438	36,811,793	-	-	-	-

12.3 Investments designated at fair value through profit or loss

a) Amounts recognised in profit or loss

	2020	2019
	Thousand Baht	Thousand Baht
Fair value gains (losses) on debt securities designated at fair value through profit or loss recognised in other gains/(losses)	35,769	-

Allianz Ayudhya Assurance Public Company Limited
Notes to Financial Statements
For the year ended 31 December 2020

- b) The maturity of Investments designated at fair value through profit or loss

The details of Investments designated at fair value through profit or loss as at 31 December 2020 and 2019 are aged as follows:

	Cost												
	2020					2019							
	1 year Thousand Baht		1 - 5 years Thousand Baht		Over 5 years Thousand Baht	Total Thousand Baht		1 year Thousand Baht		Maturing within 1 - 5 years Thousand Baht		Over 5 years Thousand Baht	Total Thousand Baht
Investments designated at fair value through profit or loss													
Foreign securities	24,272		53,322		-		77,594		-				-
Add Unrealised gains on change in value of investments	6,186		29,583		-		35,769		-				-
Total Investments designated at fair value through profit or loss	30,458		82,905		-		113,363		-				-

Allianz Ayudhya Assurance Public Company Limited
Notes to Financial Statements
For the year ended 31 December 2020

As at 31 December 2020 and 2019, the balance of loans and accrued interest are aged as follows: (Cont'd)

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	Principle Thousand Baht	Accrued interest* Thousand Baht	Total Thousand Baht	Total 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	

* As at 31 December 2019, 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 2020, the Company had mortgage loans to staffs amounting to Baht 0.86 million (2019: Baht 2 million) with interest rates at 5% per annum (2019: 5% per annum) and were issued in accordance with the Company's welfare policy.

14 Assets held to cover linked liabilities

As at 31 December 2020 and 2019, details of assets held to cover linked liabilities are as follows:

	2020	2019
	Thousand Baht	Thousand Baht
Investment in mutual fund - Debt securities	167,236	119,806
Investment in mutual fund - Equity	462,089	341,662
Cash at bank for purchasing investment	3,519	3,357
Total	632,844	464,825

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

	2020	2019
	Thousand Baht	Thousand Baht
Beginning balance of the year	464,825	303,126
Additions	358,429	263,375
Disposals	(153,438)	(109,713)
Realised gain (loss)	(10,007)	3,219
Unrealised gain (loss) in profit or loss	(27,127)	1,461
Cash at bank for purchasing investment unit	162	3,357
Ending balance of the year	632,844	464,825

16 Right-of-use assets

	Building and improvement Thousand Baht	Others Thousand Baht	Total Thousand Baht
At 1 January 2020			
Cost	353,007	1,712	354,719
<u>Less</u> Accumulated amortisation	(35,190)	-	(35,190)
Net book amount	<u>317,817</u>	<u>1,712</u>	<u>319,529</u>
For the year ended 31 December 2020			
Beginning net book amount as of 1 January 2020	317,817	1,712	319,529
Additions	321,736	11,730	333,466
Amortisation charge	(75,610)	(2,016)	(77,626)
Net closing net book amount	<u>563,943</u>	<u>11,426</u>	<u>575,369</u>
At 31 December 2020			
Cost	674,743	13,442	688,185
<u>Less</u> Accumulated amortisation	(110,800)	(2,016)	(112,816)
Net book amount	<u>563,943</u>	<u>11,426</u>	<u>575,369</u>

Allianz Ayudhya Assurance Public Company Limited
Notes to Financial Statements
For the year ended 31 December 2020

17 Intangible assets, net

Intangible assets as at 31 December 2020 and 2019 comprise of:

	2020											
	Cost					Accumulated Amortization					Intangible assets	
	Beginning balance Thousand Baht	Additions Thousand Baht	Disposal / Write off Thousand Baht	Transfer in (out) Thousand Baht	Ending balance Thousand Baht	Beginning balance Thousand Baht	Amortisation charges Thousand Baht	Disposal/ transfer Thousand Baht	Transfer in (out) Thousand Baht	Ending balance Thousand Baht	Intangible assets beginning balance Thousand Baht	Intangible assets ending balance Thousand Baht
Developed in-house Computer software	443,747	57,366	(14,112)	39,943	526,944	201,654	87,920	(5,073)	-	284,501	242,093	242,443
Work-in-process	42,901	32,153	-	(41,159)	33,895	-	-	-	-	-	42,901	33,895
Total	486,648	89,519	(14,112)	(1,216)	560,839	201,654	87,920	(5,073)	-	284,501	284,994	276,338
Buying Computer software	224,930	5,923	(18,220)	1,216	233,849	125,987	19,708	(17,416)	-	128,279	118,943	105,570
Total	224,930	5,923	(18,220)	1,216	233,849	125,987	19,708	(17,416)	-	128,279	118,943	105,570
Right to utilise benefits	370,000	-	-	-	370,000	246,666	123,334	-	-	370,000	123,334	-
Grand total	1,101,578	95,442	(32,332)	-	1,164,688	574,307	230,962	(22,489)	-	782,780	527,271	381,908

Allianz Ayudhya Assurance Public Company Limited
Notes to Financial Statements
For the year ended 31 December 2020

	2019											
	Cost						Accumulated Amortization					
	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		
<u>Developed in-house</u>												
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		
<u>Buying</u>												
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		

18 Deferred income tax

As at 31 December 2020 and 2019, deferred tax assets and liabilities are as follows:

	2020 Thousand Baht	2019 Thousand Baht
Deferred tax assets:		
Deferred tax asset to be recovered within 12 months	134,725	47,340
Deferred tax asset to be recovered after more than 12 months	1,299,667	801,416
	<u>1,434,392</u>	<u>848,756</u>
Deferred tax liabilities:		
Deferred tax liability to be recovered within 12 months	(415,318)	(56,591)
Deferred tax liability to be settled after more than 12 months	(4,358,294)	(4,327,167)
	<u>(4,773,612)</u>	<u>(4,383,758)</u>
Deferred tax liabilities - net	<u>(3,339,220)</u>	<u>(3,535,002)</u>

Deferred income tax is calculating from liability method on temporary differences and using tax rate of 20 percent (2019: 20 percent).

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

	2020			
	As at 1 January 2020 Thousand Baht	Increase (decrease) in profit (loss) Thousand Baht	Increase (decrease) in other comprehensive income Thousand Baht	As at 31 December 2020 Thousand Baht
Deferred tax assets				
Allowance for doubtful accounts	89,795	7,927	-	97,722
Provisions	240,699	(72,031)	-	168,668
Insurance reserves	386,531	50,532	-	437,063
Employee benefit obligations	106,405	2,840	25,480	134,725
Unrealised loss on derivative instruments	-	-	43,906	43,906
Cost of Hedge	23,226	-	22,718	45,944
Unrealised loss on available-for-sale investments	25,326	288,977	71,392	385,695
Expected Credit Losses	6,032	(6,287)	3,130	2,875
Lease liabilities	-	117,794	-	117,794
Total	<u>878,014</u>	<u>389,752</u>	<u>166,626</u>	<u>1,434,392</u>
Deferred tax liabilities				
Unrealised gain on derivative instruments	(179,665)	-	56,368	(123,297)
Cost of Hedge	(40,011)	-	30,868	(9,143)
Unrealised gain on available-for-sale investments	(4,162,475)	-	59,553	(4,102,922)
Premium due and uncollected	(282,953)	(132,365)	-	(415,318)
Right of use assets	-	(115,074)	-	(115,074)
Others	(6,962)	(896)	-	(7,858)
Total	<u>(4,672,066)</u>	<u>(248,335)</u>	<u>146,789</u>	<u>(4,773,612)</u>
Net	<u>(3,794,052)</u>	<u>141,417</u>	<u>313,415</u>	<u>(3,339,220)</u>

Allianz Ayudhya Assurance Public Company Limited
Notes to Financial Statements
For the year ended 31 December 2020

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

	2019			As at 31 December 2019 Thousand Baht
	As at 1 January 2019 Thousand Baht	Increase (decrease) in profit (loss) Thousand Baht	Increase (decrease) in other comprehensive income Thousand Baht	
Deferred tax assets				
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
Unrealised loss on derivative instruments	3,855	-	(3,855)	-
Unrealised loss on available-for-sale investments	272,287	-	(246,961)	25,326
Total	1,122,906	(30,364)	(243,786)	848,756
Deferred tax liabilities				
Unrealised gain on derivative instruments	(49,367)	-	(147,083)	(196,450)
Unrealised 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)
Total	(1,608,644)	83,602	(2,858,716)	(4,383,758)
Net	(485,738)	53,238	(3,102,502)	(3,535,002)

19 Other assets

Other assets as at 31 December 2020 and 2019 comprise:

	2020 Thousand Baht	2019 Thousand Baht
Cash collateral from derivative contracts	351,700	-
Other account receivables	128,515	86,918
<u>Less</u> Expected Credit Losses	(512)	-
Net other account receivables	128,003	86,918
Prepaid expenses	62,709	53,996
Others	72,540	139,200
Total	614,952	280,114

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

Allianz Ayudhya Assurance Public Company Limited
Notes to Financial Statements
For the year ended 31 December 2020

20 Insurance contract liabilities

	2020			2019		
	Insurance contract liabilities Thousand Baht	Liabilities recovered from reinsurance Thousand Baht	Net Thousand Baht	Insurance contract liabilities Thousand Baht	Liabilities recovered from reinsurance Thousand Baht	Net Thousand Baht
Long-term technical reserves	170,363,700	-	170,363,700	167,709,402	-	167,709,402
Short-term technical reserves						
Loss reserves and outstanding claims						
- Reported claims	341,109	-	341,109	302,400	-	302,400
- Claims incurred but not reported	301,426	-	301,426	243,486	-	243,486
Total Loss reserves and outstanding claims	642,535	-	642,535	545,886	-	545,886
Unearned premium reserves	3,402,310	-	3,402,310	3,142,261	-	3,142,261
Total short-term technical reserves	4,044,845	-	4,044,845	3,688,147	-	3,688,147
Unpaid policy benefits	5,181,980	-	5,181,980	4,874,221	-	4,874,221
Due to insured	1,280,681	-	1,280,681	1,134,345	-	1,134,345
Total	180,871,206	-	180,871,206	177,406,115	-	177,406,115

20.1 Long-term technical reserves

	2020 Thousand Baht	2019 Thousand Baht
Beginning balances for the year	167,709,402	157,083,560
Reserves increased from new and inforce policies in the year	18,935,798	20,405,403
Reserves released for benefits payment under insurance policies, lapse and cancelled policies in the year	(16,281,500)	(10,462,683)
Change in assumption	-	683,122
Closing balances at the end of year	170,363,700	167,709,402

The assumptions used in actuarial estimation are as follows;

	2020 %	2019 %
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

20.2 Short-term technical reserves

20.2.1 Loss reserves and outstanding claims

The movement details are as follows:

	2020 Thousand Baht	2019 Thousand Baht
Beginning balances for the year	545,886	494,946
Claims incurred during the year	4,909,414	4,969,225
Claims paid during the year	(4,812,765)	(4,918,285)
Closing balances at the end of year	<u>642,535</u>	<u>545,886</u>

20.2.2 Aging of claim liabilities' repayment

	2020 Thousand Baht	2019 Thousand Baht
Expected repayment within 1 year	642,535	545,886
Expected repayment after 1 year	-	-
Total	<u>642,535</u>	<u>545,886</u>

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

	Change in Assumptions %	Impact to claim reserve and unallocated loss adjustment expense Thousand Baht	Impact on profit (loss) Thousand Baht	Impact on equity Thousand Baht
Expected loss ratio	0.5% (0.5%)	152,891 (152,891)	(152,891) 152,891	(152,891) 152,891

20.2.4 Claim Development Table

20.2.4.1 Claim development table before and net of reinsurance

Incident Year / Reported Year	Unit: Thousand Baht							Total
	2014	2015	2016	2017	2018	2019	2020	
Estimated claim:								
- At the end of the year	1,684,038	1,834,797	3,612,637	3,853,093	4,376,917	4,699,488	3,938,018	
- After 1 year	1,780,357	1,931,634	3,774,755	4,031,702	4,571,314	4,923,826	-	
- After 2 years	1,785,683	1,938,735	3,782,071	4,035,937	4,581,104	-	-	
- After 3 years	1,786,685	1,942,381	3,786,175	4,038,202	-	-	-	
- After 4 years	1,787,611	1,942,668	3,786,438	-	-	-	-	
- After 5 years	1,787,644	1,944,027	-	-	-	-	-	
- After 6 years	1,787,711	-	-	-	-	-	-	
Ultimate claim	1,787,788	1,944,109	3,786,812	4,039,003	4,585,818	4,938,143	4,550,607	25,632,280
Cumulative claim paid	(1,787,711)	(1,944,027)	(3,786,438)	(4,038,202)	(4,581,104)	(4,923,826)	(3,938,018)	(24,999,326)
	77	82	374	801	4,714	14,317	612,589	632,954
Other claim								9,581
Claim liabilities before reinsurance								642,535
Claim recoveries								-
Claim liabilities after reinsurance								642,535

20.2.5 Unearned premium reserve

	2020 Thousand Baht	2019 Thousand Baht
Beginning balances for the year	3,142,261	2,818,581
Premiums written for the year	10,136,043	9,408,042
Premiums earned in the year	(9,875,994)	(9,084,362)
Closing balances at the end of year	3,402,310	3,142,261

20.2.6 Unexpired risk reserve

No reserve for unexpired risks was established as at 31 December 2020 as the unexpired risk reserve estimated by the Company of Baht 2,354 million (2019: Baht 2,131 million) was lower than the unearned premium reserve.

20.3 Unpaid policy benefits

	2020 Thousand Baht	2019 Thousand Baht
Death benefits	93,704	139,685
Dividend	4,199,520	4,002,749
Others	888,756	731,787
Total	5,181,980	4,874,221

20.4 Due to insured

	2020	2019
	<u>Thousand Baht</u>	<u>Thousand Baht</u>
Uncashed cheques	793,840	683,536
Premiums received during underwriting	486,680	450,638
Others	161	171
Total	<u>1,280,681</u>	<u>1,134,345</u>

21 Investment contract liabilities

	2020	2019
	<u>Thousand Baht</u>	<u>Thousand Baht</u>
Investment contract liabilities with discretionary participation features	3,384,179	3,276,981
Unit-linked contract liabilities	632,844	464,825
Total	<u>4,017,023</u>	<u>3,741,806</u>

Investment contract liabilities with discretionary participation features

	2020	2019
	<u>Thousand Baht</u>	<u>Thousand Baht</u>
Beginning balance for the year	3,276,981	3,174,910
Reserves increased from in-force policies in the year	192,568	209,808
Reserves released for benefits payment, lapse, and cancelled policies during the year	(85,370)	(107,737)
Closing balance at the end of year	<u>3,384,179</u>	<u>3,276,981</u>

22 Amount due to reinsurers

	2020	2019
	<u>Thousand Baht</u>	<u>Thousand Baht</u>
Due to reinsurers (Note 33)	557,240	366,752
Total	<u>557,240</u>	<u>366,752</u>

23 Accrued expenses

	2020	2019
	<u>Thousand Baht</u>	<u>Thousand Baht</u>
Accrued commission expenses	431,819	387,940
Accrued production cost	759,585	691,200
Accrued administration expenses	344,781	413,479
Accrued agency overhead	500,084	313,426
Others	109,073	300,215
Total	<u>2,145,342</u>	<u>2,106,260</u>

24 Employee benefits

	2020	2019
	Thousand Baht	Thousand Baht
Statement of Financial Position		
Short - term employee benefits	234,069	212,782
Long - term employee benefits	93,290	44,061
Retirement benefits	427,178	319,242
Employment benefit obligation	<u>754,537</u>	<u>576,085</u>

24.1 Employee benefits obligation

The amounts recognised in profit or loss are as follows:

	2020	2019
	Thousand Baht	Thousand Baht
<u>Defined benefits obligation</u>		
Prior year service costs	-	48,182
Current service costs	27,476	22,517
Interest cost	12,303	10,607
Total expenses	<u>39,779</u>	<u>81,306</u>
<u>Commitment from defined benefit plans</u>		
Present value of employee benefits obligations	<u>427,178</u>	<u>319,242</u>
<u>Changes in the present value of employee benefits</u>		
As at 1 January	319,242	233,398
Prior year service costs	-	48,182
Current service costs	27,476	22,517
Interest cost	12,303	10,607
<u>Less</u> Benefits paid	(6,324)	(30,610)
<u>Less</u> Curtailments during the year	(52,920)	-
Loss on actuarial remeasurement	127,401	35,148
As at 31 December	<u>427,178</u>	<u>319,242</u>

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

	2020	2019
Discount rate (per annum)	0.39%-2.89%	2.3%
Salary increase rate (per annum)	4.0%-9.0%	6.0%
Retirement ages (years)	60	60
Turnover rate	0.0%-14.0%	12.0%

Sensitivity analysis on key assumptions changes are as follows:

	Change in assumptions		Impact on employees benefits obligation			
			Increase in assumption		Decrease in assumption	
	2020	2019	2020	2019	2020	2019
	Percentage	Percentage	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Discount rate	0.5%	0.5%	(21,936)	(16,044)	23,615	17,411
Salary increase rate	0.25%	0.25%	15,180	9,355	(14,726)	(9,033)
Turnover rate	1.0%	1.0%	(26,410)	(14,803)	29,491	16,809

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period has been applied as when calculating the pension liability recognised within the statement of financial position.

	<u>2020</u>	<u>2019</u>
Weighted average duration of the defined benefit obligation (years)	15.3	13.4
Maturity analysis of undiscounted benefits expected to be paid (Thousand Baht)		
Benefits expected to be paid within 1 year	31,840	4,517
Benefits expected to be paid between 1 - 5 years	76,751	79,030
Benefits expected to be paid more than 5 years	1,108,282	684,667

24.2 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 2020, 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 2020, the number of shares sold to employees under these plans was 645 shares (2019: 460 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.

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

	RSU		ESPP	
	2020 Number of shares	2019 Number of shares	2020 Number of shares	2019 Number of shares
As at 1 January	8,789	7,635	1,017	557
Granted/Transferred in	10,625	2,815	645	460
Exercised	(3,117)	(1,661)	-	-
Forfeited/Transferred out	-	-	-	-
As at 31 December	<u>16,297</u>	<u>8,789</u>	<u>1,662</u>	<u>1,017</u>

The total recognised compensation in other employee benefits for the year ended 31 December 2020 amounting to Baht 32 million (2019: Baht 25 million) and the total compensation liabilities under "Employee benefits" amounting to Baht 81 million (2019: Baht 44 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.

Allianz SE Free Share Program

In 2020, the Allianz Group has offered one Allianz SE Share ("Free Share") to all Eligible Employees in 42 countries worldwide. All employees who has been in employment with Allianz from 1 August 2020 and still being with Allianz until 6 October 2020 are eligible for the Free Share. AZ Board members are not eligible. The shares will be held for 3 years as vesting period.

For the year ended 31 December 2020, the amount of Free Shares accepted by employees was 602 shares.

24.3 Long term employee benefits – Long service award

The Company has long service award compensation according to the years of service with the Company. The years of service will be counted since the first working day. The awarded employee must be the Company's employee on the benefit pay out date.

25 Other liabilities

	2020 Thousand Baht	2019 Thousand Baht
Cash collateral from derivative contract	957,800	1,626,100
Other creditors	305,436	166,132
Lease liabilities	588,971	-
Others	235,083	216,971
Total	2,087,290	2,009,203

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

The maturity analysis of lease liabilities are aged as follows:

Maturing	2020 Thousand Baht
Within 1 year	73,048
Between 1 to 2 years	73,717
Between 2 to 3 years	75,827
Between 3 to 4 years	71,335
Between 4 to 5 years	61,282
Later than 5 years	233,762
Total	588,971
Including: - Principal	640,435
- Interest	(51,464)

For the year ended 31 December 2020, interest expense on lease liabilities amounted to Baht 8.95 million is recorded as "Finance cost" in the statement of comprehensive income.

26 Legal reserve

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

27 Dividends

At the annual general meeting of the shareholders of the Company held on 16 July 2020, the shareholders approved the appropriation of dividend payment of Baht 4.66 per share, on 295 million shares, amounting to Baht 1,374.7 million and the dividend payment was made on 31 July 2020. (2019: 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 and the dividend payment was made on 19 September 2019).

28 Net investment income

	Note	2020 Thousand Baht	2019 Thousand Baht
Dividend income			
Other related parties	33	4,346	64,524
Other parties		923,531	1,054,163
		<u>927,877</u>	<u>1,118,687</u>
Interest income			
Other related parties	33	2,455	4,780
Other parties		6,288,813	6,332,280
		<u>6,291,268</u>	<u>6,337,060</u>
Investment expenses		<u>(120,139)</u>	<u>(116,855)</u>
Total		<u>7,099,006</u>	<u>7,338,892</u>

29 Operating expenses

	2020 Thousand Baht	2019 Thousand Baht
Employee expenses not relating to underwriting expenses and loss adjustment expenses (Note 30)	1,250,298	1,173,183
Property and equipment expenses not relating to underwriting expenses	459,419	349,273
Tax expenses	226,523	189,714
Bad debt and doubtful debt expenses	290,833	146,457
Other operating expenses	484,727	719,670
Total	<u>2,711,800</u>	<u>2,578,297</u>

30 Employee expenses

	2020 Thousand Baht	2019 Thousand Baht
Salary and wages	1,452,884	1,406,789
Social securities	9,861	12,314
Provident fund	67,836	64,909
Other employee benefits	301,626	291,267
Total employee expenses	<u>1,832,207</u>	<u>1,775,279</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.

31 Income tax expenses

	2020 Thousand Baht	2019 Thousand Baht
Current tax on profit for the year	925,366	479,503
Prior year tax adjustment	(32,514)	(12,089)
Increase in deferred tax (Note 18)	(141,417)	(53,238)
Income taxes for the year	<u>751,435</u>	<u>414,176</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:

	2020 Thousand Baht	2019 Thousand Baht
Profit before tax	4,034,540	2,458,633
Income tax rate	20%	20%
Tax calculated at tax rate	806,908	491,727
Impact:		
Income not subject to tax	(47,507)	(131,221)
Expenses not deductible for tax purposes	24,598	67,492
Additional deduction for tax purposes	(50)	(1,733)
Prior year tax adjustment	(32,514)	(12,089)
Income taxes for the year	<u>751,435</u>	<u>414,176</u>

The effective tax rate for 2020 is 19% (2019: 17%). There was no significant transaction being income not subject to tax and expenses not deductible for tax purpose.

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

Tax effect from other comprehensive income

	2020			2019		
	Before Tax Thousand Baht	Tax benefit (expense) Thousand Baht	Net of tax Thousand Baht	Before Tax Thousand Baht	Tax benefit (expense) Thousand Baht	Net of tax Thousand Baht
31 December						
Change in fair value of available-for-sale securities	(903,106)	180,621	(722,485)	15,081,536	(3,016,307)	12,065,229
Unrealised gain (loss) from available-for-sale securities	232,729	(46,546)	186,183	(288,563)	57,713	(230,850)
Actuarial loss from employment benefit plan	(127,401)	25,480	(101,921)	(35,148)	7,030	(28,118)
Unrealised gain (loss) from hedging instruments	(501,368)	100,274	(401,094)	754,688	(150,938)	603,750
Unrealised gain (loss) from deferred cost of hedge	(267,930)	53,586	(214,344)	-	-	-
Total	<u>(1,567,076)</u>	<u>313,415</u>	<u>(1,253,661)</u>	<u>15,512,513</u>	<u>(3,102,502)</u>	<u>12,410,011</u>

32 Basic earnings per share

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

	2020	2019
Net profit for the year attributable to ordinary shareholders of the Company (Thousand Baht)	3,283,105	2,044,457
Number of ordinary shares outstanding (Thousand shares)	295,000	295,000
Basic earnings per share (Baht per share)	11.13	6.93

These are no potential dilutive ordinary shares in issue for the years ended 31 December 2020 and 2019.

33 Related party transactions

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

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

Relationships with key management and related parties were as follows:

Name of entities	Country of incorporation/ nationality	Nature of relationships
Key management personnel	Thai/foreigners	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Company
Allianz SE	Germany	Ultimate parent, 16.10% shareholding
Allianz SE, Singapore Company	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

Allianz Ayudhya Assurance Public Company Limited
Notes to Financial Statements
For the year ended 31 December 2020

Name of entities	Country of incorporation/ nationality	Nature of relationships
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

Significant transactions for the year ended 31 December 2020 and 2019 with key management and related parties were as follows:

	2020	2019
	Thousand Baht	Thousand Baht
Gross premiums written		
Major shareholder	6	46
Other related parties	285,501	275,164
Premiums ceded		
Ultimate parent	92,692	99,607
Other related parties	635,810	573,209
Fees and commission income		
Ultimate parent	24,417	17,008
Other related parties	170,266	115,410
Interest income		
Other related parties	2,455	4,780
Benefits payments and insurance claims expenses		
Other related parties	297,489	281,707
Benefits and claim paid recovery from reinsurers		
Ultimate parent	88,942	76,664
Other related parties	271,772	264,817
Operation expenses		
Ultimate parent	85,619	45,907
Other related parties	569,907	563,113
Key management personnel compensation		
Short-term benefits	172,403	173,070
Post-employment benefits	5,625	5,118
Total	178,028	178,188

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 2.16 million Singapore dollar. The term of the agreement was for 1 year from 1 January 2020 to 31 December 2020. 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 0.88 million (2019: EUR 0.83 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 2020 and 2019, the Company had commitments from entering into long-term agreements for rental and services with related parties as follows:

	2020	2019
	Thousand Baht	Thousand Baht
Operating lease commitments		
Within one year	-	47,294
After one year but within five years	-	55,445
Total	-	102,739

Investments in related parties

Investments in related parties as at 31 December 2020 and 2019 and dividends received for the year ended 31 December 2020 and 2019 were as follows:

	Book value		Dividend income	
	2020	2019	2020	2019
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Investments - equity securities	1,003,446	188,659	4,346	64,524
Total	1,003,446	188,659	4,346	64,524

Allianz Ayudhya Assurance Public Company Limited
Notes to Financial Statements
For the year ended 31 December 2020

Significant balances with related parties as at 31 December 2020 and 2019 were as follows:

	2020	2019
	Thousand Baht	Thousand Baht
Cash and cash equivalents		
Other related parties	2,462,288	1,325,772
Reinsurance receivables		
Ultimate parent	31,468	43,190
Other related parties	362,861	263,605
Other assets		
Ultimate parent	113,363	67,635
Other related parties	25,084	19,547
Amount due to reinsurers		
Ultimate parent	-	17,945
Other related parties	455,650	300,475
Accrued expenses		
Ultimate parent	30,304	22,511
Other related parties	190,751	219,552
Other liabilities		
Ultimate parent	55,292	-
Other related parties	503,829	-

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

34.1 Securities placed with the Registrar

The Company placed securities with the Registrar, Office of Insurance Commission, as required by the Life Insurance Act. (No.2) B.E. 2551. Deposit with Registrar as at 31 December 2020 and 2019 comprises as follows:

	2020		2019	
	Book value	Face value	Book value	Face value
	Thousand	Thousand	Thousand	Thousand
	Baht	Baht	Baht	Baht
Investments measured at amortised cost (2019: Held-to-maturity Investments)				
Government bonds	20,014	20,000	20,101	20,000

34.2 Securities reserved with the Registrar

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

	2020		2019	
	Book value Thousand Baht	Face value Thousand Baht	Book value Thousand Baht	Face value Thousand Baht
Investments measured at fair value through other comprehensive income (2019: Available-for-sale Investments)				
Government bonds	27,564,056	19,640,000	25,222,250	17,840,000
State enterprise bonds	8,724,600	7,420,000	9,384,826	8,220,000
Total	36,288,656	27,060,000	34,607,076	26,060,000
Investments measured at amortised cost (2019: Held-to-maturity Investments)				
Government bonds	6,194,435	5,912,000	7,795,197	7,147,000
State enterprise bonds	1,300,000	1,300,000	2,201,048	2,200,000
Total	7,494,435	7,212,000	9,996,245	9,347,000

35 Asset-backed

As of 31 December 2020 and 2019, 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:

	2020		2019	
	Book value Thousand Baht	Appraisal value Thousand Baht	Book value Thousand Baht	Appraisal value Thousand Baht
Deposits with financial institutions	5,227,091	5,227,091	4,446,201	4,446,201
Equity securities	19,961,046	19,961,046	21,443,263	22,768,219
Debt securities	183,041,760	185,639,425	173,210,449	176,159,883
Total	208,229,897	210,827,562	199,099,913	203,374,303

36 Commitments with non-related parties

36.1 Commitments from operating lease and service agreements

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

	2020	2019
	Thousand Baht	Thousand Baht
Due within 1 year	35,415	45,132
Due more than 1 year but not later than 5 years	42,739	27,019
Later than 5 years	17,721	-
Total	95,875	72,151

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 2029.

36.2 Investment commitments

As at 31 December 2020, the Company had commitments to invest in several series of bills of exchange issued by banks amounting to Baht 124 million (2019: Baht 638 million). These investments have a duration up to 2023 (2019: up to 2023) and are payable based on the contract terms. The timing of the commitments are as follows:

	2020	2019
	Thousand Baht	Thousand Baht
Within one year	-	514,004
More than year but not later than five years	124,000	124,000
Total	124,000	638,004

37 Expected credit losses

	2020
	Thousand Baht
Cash and cash equivalents	386
Investment in debt securities (Reversal)	(31,528)
Loans (Reversal)	(355)
Other receivable	60
Total	(31,437)

38 Event after the statement of financial position date

On 24 February 2021, the Board of Directors had a resolution to propose to the Annual General Meeting to approve the dividend payment from the Company's performance for the year 2020 of Baht 7.49 per share, totaling to the amount of Baht 2,210 million. The dividend payment shall be made subject to the approval of the Annual General Meeting and the Office of Insurance Commission under Section 32 of Life Insurance Act B.E. 2535.