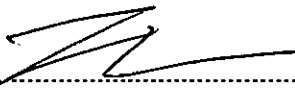


**Information Disclosure**  
**Allianz Ayudhya Assurance Public Company Limited**

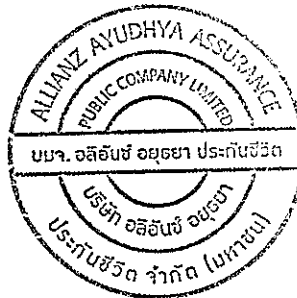
The Company has cautiously reviewed the disclosed information and has verified that the information is completed, accurate and is not misleading or lack of essence .

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

Sign   
 Name Mr. Thomas Charles Wilson  
 Position Director

Sign   
 Name Mr. Kitti Pintavirog  
 Position Director

Disclosed on 30 March 2022  
 Annual Year 2021



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 2021**



## **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 2021, 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 2021;
- 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 'Sakuna Y', with a stylized flourish at the end.

**Sakuna Yamsakul**  
Certified Public Accountant (Thailand) No. 4906  
Bangkok  
24 February 2022

**Allianz Ayudhya Assurance Public Company Limited**  
**Statement of Financial Position**  
**As at 31 December 2021**

|  |          | 31 December<br>2021 | (Restated)<br>31 December<br>2020 |
|--|----------|---------------------|-----------------------------------|
|  | Notes    | Thousand<br>Baht    | Thousand<br>Baht                  |
| <b>Assets</b>                                      |          |                     |                                   |
| Cash and cash equivalents, net                     | 9,36     | 6,489,635           | 7,265,076                         |
| Premium due and uncollected, net                   | 10       | 1,417,259           | 2,097,939                         |
| Accrued investment income                          |          | 1,343,096           | 1,266,158                         |
| Reinsurance receivables                            | 11,36    | 542,822             | 472,314                           |
| Investment receivables                             |          | 5,714               | 750                               |
| Derivative assets                                  | 12       | 262,907             | 1,383,921                         |
| Investments assets                                 |          |                     |                                   |
| Investments in securities, net                     | 13,36,37 | 195,497,550         | 198,539,860                       |
| Loans and accrued interest income                  | 14       | 9,748,164           | 9,761,947                         |
| Investment assets held to cover linked liabilities | 15       | 943,335             | 632,844                           |
| Premises and equipment, net                        | 16       | 605,165             | 644,745                           |
| Right-of-use assets                                | 17       | 489,616             | 575,369                           |
| Intangible assets, net                             | 18       | 824,637             | 381,908                           |
| Other assets                                       | 20,36    | 1,528,802           | 614,952                           |
| <b>Total assets</b>                                |          | <u>219,698,702</u>  | <u>223,637,783</u>                |

..... 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 2021**

|   |              | (Restated)         |
|---|--------------|--------------------|
|   | 31 December  | 31 December        |
|   | 2021         | 2020               |
|   | Thousand     | Thousand           |
|   | Baht         | Baht               |
| <b>Liabilities and equity</b>               | <b>Notes</b> |                    |
| <b>Liabilities</b>                          |              |                    |
| Insurance contract liabilities              | 21           | 183,912,401        |
| Investment contract liabilities             | 22           | 4,306,310          |
| Reinsurance payables                        | 23,36        | 627,870            |
| Investment payables                         |              | 63,701             |
| Derivative liabilities                      | 12           | 1,418,807          |
| Income tax payable                          |              | 536,215            |
| Accrued expenses                            | 24,36        | 2,047,767          |
| Employee benefits obligations               | 25           | 737,834            |
| Provisions                                  | 26           | 210,704            |
| Deferred tax liabilities, net               | 4,19         | 1,377,610          |
| Other liabilities                           | 27,36        | 989,890            |
| <b>Total liabilities</b>                    |              | <b>196,229,109</b> |
| <b>Equity</b>                               |              |                    |
| Share capital                               |              |                    |
| Authorised share capital                    |              |                    |
| 400,000,000 ordinary shares of 10 Baht each |              | 4,000,000          |
| Issued and paid-up share capital            |              |                    |
| 295,000,000 ordinary shares of 10 Baht each |              | 2,950,000          |
| Retained earnings                           |              |                    |
| Appropriated                                |              |                    |
| Legal reserve                               | 28           | 400,000            |
| Unappropriated                              | 4            | 11,279,937         |
| Other components of equity                  | 4            | 8,839,656          |
| <b>Total equity</b>                         |              | <b>23,469,593</b>  |
| <b>Total liabilities and equity</b>         |              | <b>219,698,702</b> |
|   |              | <b>194,630,698</b> |

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 2021**

|  |                   | (Restated)        |
|--|-------------------|-------------------|
|  |                   | 2020              |
|  | 2021              | Thousand          |
|  | Thousand          | Thousand          |
|  | Baht              | Baht              |
| Notes  | Baht              | Baht              |
| <b>Revenues</b>  |                   |                   |
| Gross written premiums   | 36 31,632,813     | 31,463,161        |
| <u>Less</u> premiums ceded   | 36 (1,029,182)    | (1,011,341)       |
| Net written premiums   | 30,603,631        | 30,451,820        |
| <u>Less</u> unearned premium reserve increased from previous year                        | (159,543)         | (260,049)         |
| Net premium earned after reinsurance   | 30,444,088        | 30,191,771        |
| Fee and commission income  | 36 118,578        | 228,931           |
| Net investment income  | 30,36 7,482,930   | 7,099,006         |
| Gains on investment  | 1,739,203         | 546,301           |
| Gains (Losses) on fair value   | 75,701            | (1,221)           |
| Other income   | 58,373            | 74,820            |
| <b>Total revenues</b>  | <b>39,918,873</b> | <b>38,139,608</b> |
| <b>Expenses</b>  |                   |                   |
| Long-term technical reserve increased from previous year                                 | 4 2,535,399       | 2,595,303         |
| Benefits payments and insurance claims expenses  | 36 24,257,152     | 22,060,005        |
| <u>Less</u> benefits payments and insurance claims expenses recovered<br>from reinsurers | 36 (574,555)      | (485,235)         |
| Net benefits payments and insurance claims expenses                                      | 23,682,597        | 21,574,770        |
| Commissions and brokerages   | 4,101,133         | 3,874,715         |
| Other underwriting expenses  | 1,753,487         | 1,803,766         |
| Operating expenses   | 31,36 2,477,273   | 2,711,800         |
| Impairment loss on investment in securities  | 533,978           | 1,395,491         |
| Expected credit losses (reversal)  | 33 (5,430)        | (31,437)          |
| Finance cost   | 17,768            | 14,469            |
| <b>Total expenses</b>  | <b>35,096,205</b> | <b>33,938,877</b> |
| <b>Profit before income tax</b>  | <b>4,822,668</b>  | <b>4,200,731</b>  |
| Income tax   | 34 960,493        | 751,435           |
| <b>Net profit</b>  | <b>3,862,175</b>  | <b>3,449,296</b>  |

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 2021**

|   |                       | (Restated)         |
|---|-----------------------|--------------------|
|   | 2021                  | 2020               |
|   | Thousand              | Thousand           |
| Notes   | Baht                  | Baht               |
| <b>Other comprehensive incomes (losses)</b>   |                       |                    |
| <b>Items that will not be reclassified to profit or loss</b>  |                       |                    |
| Gains on remeasurements of post-employment benefit obligations  | 57,094                | (127,401)          |
| Income tax on item that will not be reclassified to profit or loss  | (11,419)              | 25,480             |
|   | <u>45,675</u>         | <u>(101,921)</u>   |
| <b>Items that will be reclassified subsequently to profit or loss</b>                                     |                       |                    |
| Losses from change in fair value of investments measured at fair value through other comprehensive income | (7,455,718)           | (903,106)          |
| Change in fair value of cash flow hedges  | (583,195)             | (501,368)          |
| Change in cost of hedging   | 210,282               | (267,930)          |
| Items in other comprehensive income transferred to profit or loss   | (1,524,600)           | 232,729            |
| Change in long-term technical reserve from shadow accounting adoption                                     | 4 308,491             | (166,191)          |
| Income tax on items that will be reclassified subsequently to profit or loss                              | 4 <u>1,808,948</u>    | <u>321,173</u>     |
|   | <u>(7,235,792)</u>    | <u>(1,284,693)</u> |
| <b>Other comprehensive income (loss) for the year, net of income tax</b>                                  | 34 <u>(7,190,117)</u> | <u>(1,386,614)</u> |
| <b>Total comprehensive income (loss) for the year</b>   | <u>(3,327,942)</u>    | <u>2,062,682</u>   |
| <b>Basic earning per share (Baht)</b>   | 4,35 <u>13.09</u>     | <u>11.69</u>       |

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 2021

|   | Retained earnings                                       |                                   |                                 | Other components of equity   |  |  |   |   | Total equity<br>Thousand Baht |
|---|---|-----------------------------------|---------------------------------|--|--|--|---|---|-------------------------------|
|   | Issued and<br>paid-up<br>share capital<br>Thousand Baht | Legal<br>reserve<br>Thousand Baht | Unappropriated<br>Thousand Baht | Gain (Loss) from<br>investments measured at<br>fair value through other<br>comprehensive income<br>Thousand Baht | Change in<br>fair value of<br>cash flow<br>hedges<br>Thousand Baht | Change in<br>cost of<br>hedging<br>Thousand Baht | Change in long-term<br>technical reserve<br>from shadow<br>accounting adoption<br>Thousand Baht | Total other<br>components<br>of equity<br>Thousand Baht |                               |
|   |   |                                   |                                 |  |  |  |   |   |                               |
| <b>Balance at 1 January 2020 - restated</b>   | 2,950,000   | 400,000                           | 7,608,962                       | 16,574,338   | 718,666  | 67,137   | -   | 17,360,141  | 28,319,103                    |
| <b>Transaction with shareholders, recorded directly in equity</b>                             |   |                                   |                                 |  |  |  |   |   |                               |
| <b>Distributions to shareholders of the Company</b>   |   |                                   |                                 |  |  |  |   |   |                               |
| Dividends to shareholders of the Company (Note 29)  | -   | -                                 | (1,374,700)                     | -  | -  | -  | -   | -   | (1,374,700)                   |
| <b>Total transaction with shareholders, recorded directly in equity</b>                       | -   | -                                 | (1,374,700)                     | -  | -  | -  | -   | -   | (1,374,700)                   |
| <b>Comprehensive income (loss) for the year</b>   |   |                                   |                                 |  |  |  |   |   |                               |
| Net profit  | -   | -                                 | 3,449,296                       | -  | -  | -  | -   | -   | 3,449,296                     |
| Other comprehensive income (loss)   |   |                                   |                                 |  |  |  |   |   |                               |
| 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 fair value through other comprehensive income | -   | -                                 | -                               | (722,485)  | -  | -  | -   | (722,485)   | (722,485)                     |
| Items in other comprehensive income transferred to profit or loss                             | -   | -                                 | -                               | 186,183  | -  | -  | -   | 186,183   | 186,183                       |
| Change in the long-term technical reserve from shadow accounting adoption (Note 4)            | -   | -                                 | -                               | -  | -  | -  | (132,953)   | (132,953)   | (132,953)                     |
| Losses from remeasurements of post-employment benefit obligations                             | -   | -                                 | (101,921)                       | -  | -  | -  | -   | -   | (101,921)                     |
| <b>Total comprehensive income (loss) for the year</b>   | -   | -                                 | 3,347,375                       | (536,302)  | (401,094)  | (214,344)  | (132,953)   | (1,284,693)   | 2,062,682                     |
| <b>Balance at 31 December 2020 (Restated)</b>   | 2,950,000   | 400,000                           | 9,581,637                       | 16,038,036   | 317,572  | (147,207)  | (132,953)   | 16,075,448  | 29,007,085                    |

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 2021

|  | Retained earnings                                       |                                   |                                 | Other components of equity   |  |  |   |   |             | Total equity<br>Thousand Baht |
|--|---|-----------------------------------|---------------------------------|--|--|--|---|---|-------------|-------------------------------|
|  | Issued and<br>paid-up<br>share capital<br>Thousand Baht | Legal<br>reserve<br>Thousand Baht | Unappropriated<br>Thousand Baht | Gain (Loss) from<br>investments measured at<br>fair value through other<br>comprehensive income<br>Thousand Baht | Change in<br>fair value of<br>cash flow<br>hedges<br>Thousand Baht | Change in<br>cost of<br>hedging<br>Thousand Baht | Change in long-term<br>technical reserve<br>from shadow<br>accounting adoption<br>Thousand Baht | Total other<br>components<br>of equity<br>Thousand Baht |             |                               |
|  |   |                                   |                                 |  |  |  |   |   |             |                               |
| Balance at 1 January 2021 - previously reported  | 2,950,000   | 400,000                           | 9,415,446                       | 16,038,036   | 317,572  | (147,207)  | -   | 16,208,401  | 28,973,847  |                               |
| Retrospective adjustments from change in accounting policy (Note 4)                              | -   | -                                 | 166,191                         | -  | -  | -  | (132,953)   | (132,953)   | 33,238      |                               |
| Balance at 1 January 2021 - restated   | 2,950,000   | 400,000                           | 9,581,637                       | 16,038,036   | 317,572  | (147,207)  | (132,953)   | 16,075,448  | 29,007,085  |                               |
| Transaction with shareholders, recorded directly<br>in equity                                    |   |                                   |                                 |  |  |  |   |   |             |                               |
| Distributions to shareholders of the Company   |   |                                   |                                 |  |  |  |   |   |             |                               |
| Dividends to shareholders of the Company (Note 29)   | -   | -                                 | (2,209,550)                     | -  | -  | -  | -   | -   | (2,209,550) |                               |
| Total transaction with shareholders, recorded directly<br>in equity                              | -   | -                                 | (2,209,550)                     | -  | -  | -  | -   | -   | (2,209,550) |                               |
| Comprehensive income (loss) for the year   |   |                                   |                                 |  |  |  |   |   |             |                               |
| Net profit   | -   | -                                 | 3,862,175                       | -  | -  | -  | -   | -   | 3,862,175   |                               |
| Other comprehensive income (loss)  |   |                                   |                                 |  |  |  |   |   |             |                               |
| Change in fair value of cash flow hedges   | -   | -                                 | -                               | -  | (466,556)  | -  | -   | (466,556)   | (466,556)   |                               |
| Change in rematuring deferred cost of hedge  | -   | -                                 | -                               | -  | -  | 168,226  | -   | 168,226   | 168,226     |                               |
| Change in fair value of investments measured at<br>fair value through other comprehensive income | -   | -                                 | -                               | (5,964,575)  | -  | -  | -   | (5,964,575)   | (5,964,575) |                               |
| Items in other comprehensive income transferred<br>to profit or loss                             | -   | -                                 | -                               | (1,219,680)  | -  | -  | -   | (1,219,680)   | (1,219,680) |                               |
| Change in the long-term technical reserve from<br>shadow accounting adoption                     | -   | -                                 | -                               | -  | -  | -  | 246,793   | 246,793   | 246,793     |                               |
| Gains from remeasurements of<br>post-employment benefit obligations                              | -   | -                                 | 45,675                          | -  | -  | -  | -   | -   | 45,675      |                               |
| Total comprehensive income (loss) for the year   | -   | -                                 | 3,907,850                       | (7,184,255)  | (466,556)  | 168,226  | 246,793   | (7,235,792)   | (3,327,942) |                               |
| Balance at 31 December 2021  | 2,950,000   | 400,000                           | 11,279,937                      | 8,853,781  | (148,984)  | 21,019   | 113,840   | 8,839,656   | 23,469,593  |                               |

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 2021**

|   | <b>2021</b>          | <b>2020</b>          |
|---|----------------------|----------------------|
| <b>Notes</b>  | <b>Thousand Baht</b> | <b>Thousand Baht</b> |
| <b>Cash flows from operating activities</b>                           |                      |                      |
| Premiums written  | 32,291,019           | 30,633,797           |
| Cash paid relating to reinsurance                                     | (335,927)            | (206,797)            |
| Interest received   | 7,254,684            | 7,954,204            |
| Dividends received  | 1,387,643            | 610,059              |
| Other income  | 66,250               | 95,475               |
| Benefits payments and insurance claims expenses                       | (23,207,144)         | (21,226,423)         |
| Commissions and brokerages  | (4,050,540)          | (3,726,359)          |
| Other underwriting expenses   | (1,633,487)          | (1,680,432)          |
| Operating expenses  | (2,445,113)          | (2,518,267)          |
| Income tax paid   | (1,190,887)          | (330,916)            |
| Cash received from selling and redeeming investments<br>in securities | 30,384,734           | 58,424,796           |
| Cash paid for purchasing investments in securities                    | (36,379,448)         | (68,680,106)         |
| Cash received from loans  | 102,434              | 163,588              |
| Cash paid from loans  | -                    | -                    |
| Deposits  | 168                  | (3,482)              |
| <b>Net cash flow provided from (used in) operating activities</b>     | <b>2,244,386</b>     | <b>(490,863)</b>     |
| <b>Cash flows from investing activities</b>                           |                      |                      |
| Cash flows provided   |                      |                      |
| Cash received from selling premises and equipment                     | 679                  | 1,396                |
| Cash received from selling intangible assets                          | 12,117               | 9,981                |
| Cash flows used   |                      |                      |
| Cash paid for purchasing premises and equipment                       | 16 (45,814)          | (212,805)            |
| Cash paid for purchasing intangible assets                            | 18 (688,478)         | (95,442)             |
| <b>Net cash flow used in investing activities</b>                     | <b>(721,496)</b>     | <b>(296,870)</b>     |
| <b>Cash flows from financing activities</b>                           |                      |                      |
| Cash flows used   |                      |                      |
| Cash paid for lease liabilities                                       | (72,490)             | (64,025)             |
| Cash paid for finance cost  | (16,256)             | (8,951)              |
| Dividends paid to shareholders of the Company                         | 29 (2,209,550)       | (1,374,700)          |
| <b>Net cash flow used in financing activities</b>                     | <b>(2,298,296)</b>   | <b>(1,447,676)</b>   |
| <b>Net increase in cash and cash equivalents</b>                      | <b>(775,406)</b>     | <b>(2,235,409)</b>   |
| Cash and cash equivalents as at 1 January                             | 7,265,076            | 9,505,841            |
| Cash and cash equivalents as at 31 December                           | 6,489,670            | 7,270,432            |
| <u>Less</u> Allowance for expected credit loss                        | (35)                 | (5,356)              |
| <b>Cash and cash equivalents as at 31 December</b>                    | <b>9 6,489,635</b>   | <b>7,265,076</b>     |
| <b>Supplemental cash flows information</b>                            |                      |                      |
| Non-cash items  |                      |                      |
| Receivables from sold investments                                     | 5,714                | 750                  |
| Payables from bought investments                                      | 63,701               | -                    |

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 2022.

**2 Significant events during the current year**

In 2021, the Coronavirus Disease 2019 (COVID-19) continued to affect all sectors including the insurance industry. The Thai government issued various measures to stimulate the economy while the OIC issued various measures to support insurance customers.

Throughout 2021, several Thai insurers, suffered substantial losses from COVID-19 insurance policies and saw pressure on their financial results and their solvency margin, causing some of them to cease operation, impacting policyholders and the insurance industry in general. While the Company promptly paid COVID-19 related claims according to the policy terms, the overall Company's results have proven to be resilient and were not adversely affected by COVID-19, validating the Company's long-term business strategy and proper steering and control mechanisms in place. With a strong focus on digital tools for sales and for internal processes, the Company operated business as usual throughout the year.

**3 Basis of preparation and new and amended financial reporting standards that have significant impacts to the Company**

**3.1 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 7.

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.

**3.1.1 Financial reporting standards that are effective for current accounting period, but the Company elected to apply temporary exemption from TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures under TFRS 4 (revised 2018) Insurance Contracts.**

The Company passes criteria and elect to apply temporary exemption from TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures under TFRS 4 (revised 2018) Insurance Contracts. The Company applies the 'Financial Instruments and Disclosure for Insurance Companies' accounting guidelines' ('The Accounting Guidance') for financial statement preparation.

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).

**Allianz Ayudhya Assurance Public Company Limited**  
**Notes to Financial Statements**  
**For the year ended 31 December 2021**

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

|   | 2021                               |                                       | 2020                               |                                       |
|---|------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
|   | Ending Fair value<br>Thousand Baht | Change in Fair value<br>Thousand Baht | Ending Fair value<br>Thousand Baht | Change in Fair value<br>Thousand Baht |
| <b>Financial assets</b>   |                                    |                                       |                                    |                                       |
| 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 | 181,034,162                        | 9,725,079                             | 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  | 10,453,715                         | 899,926                               | 5,685,390                          | 1,713,289                             |
| Financial assets managed by the Company and performance evaluated on a fair value basis   | 125,821                            | (2,903)                               | 113,363                            | 35,769                                |
| Other financial assets  | 15,685,978                         | (1,006,224)                           | 15,659,577                         | (187,836)                             |

As of 31 December 2021 and 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 11,702 million (2020: Baht 12,324 million) are not included above.

### **3.2 New financial reporting standards, amended financial reporting standards, and related interpretations**

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

- 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.

### 3.2.2 Amended financial reporting standards that are effective for accounting period beginning or after 1 January 2022

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) **Interest rate benchmark (IBOR) reform - phase 2, amendments to TFRS 9, TFRS 7, TFRS 16 and TFRS 4, and accounting guidance, financial instruments and disclosures for insurance business** provide relief measures addressing issues that might affect financial reporting during the reform, including the effects of changes to contractual cash flows or hedging relationship arising from the replacement of one benchmark with an alternative benchmark.

Key relief measures of the phase 2 amendments are as follows:

- When changing the basis for determining contractual cash flows for financial assets and financial liabilities (including lease liabilities), changes that are necessary as a direct result of the IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement. Insurers applying the temporary exemption from TFRS 9 by using accounting guidance, financial instruments and disclosures for insurance business are also required to apply the same practical expedient. TFRS 16 has also been amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of the IBOR reform.
- Hedge accounting relief measures will allow most TFRS 9 hedge relationships that are directly affected by the IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

TFRS 7 requires additional disclosure about:

- the nature and extent of risks arising from the IBOR reform to which the entity is exposed to
- how the entity manages those risks
- the entity's progress in transitioning from the IBOR to alternative benchmark rates and how the entity is managing this transition.

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



#### 4 Accounting policies and impacts from changes in accounting policies

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

##### 4.1 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)

##### 4.2 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.

##### 4.3 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.

##### 4.4 Investments in securities

###### *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 the Company intends to either hold for an indefinite period or sell in response to the needs of the Company's liquidity or change in interest rate 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.

## **4.5 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.

#### *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.

The Company recognizes the gains (losses) on fair value hedges from the hedging instrument in profit or loss and the carrying amount of the hedged item is adjusted for the corresponding gains (losses) in respect to the hedged risk, which is also recognised immediately in profit or loss. For the hedged item measured at FVOCI, the Company recognises the gains (losses) in respect to the hedged risk in profit or loss.

#### **4.6 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.

#### **4.7 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.

#### **4.8 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.

#### **4.9 Intangible assets**

##### **4.9.1 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.

##### **4.9.2 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 5 years.

#### **4.10 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 recognised.

#### **4.11 Leases - where the Company is the lessee**

The Company leases building and equipment. Rental contracts are typically made for fixed periods of 2 to 3 years but may have extension options.

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.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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).

## **4.12 Insurance and investment contract**

### **4.12.1 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.

#### 4.12.2 Long term and short-term insurance contracts

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

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

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

#### 4.12.3 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.

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.



Shadow accounting

Shadow accounting is applied to Enhanced Par insurance contracts that have financial assets backing which measure at fair value through other comprehensive income. To apply shadow accounting with insurance contract liabilities for Enhanced Par products will recognise reserve movement in insurance contract liabilities in other comprehensive income.

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.

#### 4.12.4 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.

#### 4.12.5 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.

#### **4.13 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.

#### 4.14 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 yield 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.

**4.15 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.

**4.16 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.

#### **4.17 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.

#### **4.18 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.

#### 4.19 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.

#### 4.20 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.

#### 4.21 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.

#### 4.22 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) Directors' remuneration**

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

**4.23 Impacts from changes in accounting policies**

The Company has changed its accounting policies relating to the application of shadow accounting under TFRS 4 Insurance contracts, retrospectively. The retroactive impacts to financial statements are as follows:

|  |       | As at<br>31 December<br>2020<br>Previously<br>reported | Impacts from<br>change in<br>accounting policy | As at<br>31 December<br>2020<br>Restated |
|--|-------|--|--|--|
|  | Notes | Thousand<br>Baht                                       | Thousand<br>Baht                               | Thousand<br>Baht                         |
| <b>Statement of financial position</b>                                       |       |  |  |  |
| <b>Liabilities</b>   |       |  |  |  |
| Deferred tax liabilities – net   | 19    | 3,339,220  | (33,238)                                       | 3,305,982                                |
| <b>Equity</b>  |       |  |  |  |
| Retained earnings  |       | 9,415,446  | 166,191  | 9,581,637                                |
| Other components of equity   |       | 16,208,401   | (132,953)                                      | 16,075,448                               |
| <b>Statement of comprehensive income</b>                                     |       |  |  |  |
| Long-term technical reserve increased from previous year                     |       | 2,761,494  | (166,191)                                      | 2,595,303                                |
| <b>Items that will be reclassified subsequently to profit or loss</b>        |       |  |  |  |
| Change in long-term technical reserve from applying shadow accounting        |       | -  | (166,191)                                      | (166,191)                                |
| Income tax on items that will be reclassified subsequently to profit or loss | 34    | 287,935  | 33,238   | 321,173                                  |
| Earnings per share   | 35    | 11.13  | 0.56   | 11.69                                    |

## **5 Risk management**

### **5.1 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.

#### **5.1.1 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.

#### **5.1.2 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 2021, 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 96 basis points (2020: 122 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.

#### **5.1.3 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.

#### **5.1.4 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.



## 5.2 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.

### 5.2.1 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.

The Company's exposure to foreign exchange rate risk as at 31 December 2021 and 2020, expressed in Baht is as follows:

|                             | 2021                            |                          |                            | 2020                            |                          |                            |
|-----------------------------|---------------------------------|--------------------------|----------------------------|---------------------------------|--------------------------|----------------------------|
|                             | U.S. Dollar<br>Thousand<br>Baht | Euro<br>Thousand<br>Baht | Others<br>Thousand<br>Baht | U.S. Dollar<br>Thousand<br>Baht | Euro<br>Thousand<br>Baht | Others<br>Thousand<br>Baht |
| Cash and cash equivalent    | 15,951                          | -                        | 97,742                     | 14,440                          | -                        | 147,830                    |
| Investment in securities    |                                 |                          |                            |                                 |                          |                            |
| - Foreign debt securities   | 21,395,656                      | 542,216                  | 9,510,309                  | 16,743,981                      | 547,261                  | 5,688,990                  |
| - Foreign equity securities | 258,797                         | 340,438                  | -                          | -                               | 420,962                  | -                          |

#### *Effects of hedge accounting on the financial position and performance*

As of 31 December 2021, foreign currency-related hedging relationships of the Company are entirely designated as cash flow hedges. The Company has foreign currency-related hedging instruments that are designated either as fair value hedge or net investment in foreign operation.

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

|   | <b>Cross-currency swaps</b>      |                      |
|---|----------------------------------|----------------------|
|   | <b>2021</b>                      | <b>2020</b>          |
|   | <b>Thousand Baht</b>             | <b>Thousand Baht</b> |
| Carrying amount (asset)   | 102,450                          | 721,718              |
| Notional amount   | 2,695,820                        | 12,128,465           |
| Change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the year | -                                | -                    |
| Hedging losses recognised in other comprehensive income during the year   | (207,994)                        | (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)   | 1,265,993                        | 173,744              |
| Notional amount   | 16,992,481                       | 4,171,698            |
| Change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the year | -                                | -                    |
| Hedging losses recognised in other comprehensive income during the year   | 1,482,734                        | 261,451              |
| Hedge ineffectiveness recognised in profit or loss  | -                                | -                    |
| Reclassification adjustment from cash flow hedge reserve into profit or loss  | 3,617                            | -                    |
| Reclassification adjustment from cost of hedge reserve into profit or loss  | 11,452                           | -                    |
|   | <b>Foreign exchange forwards</b> |                      |
|   | <b>2021</b>                      | <b>2020</b>          |
|   | <b>Thousand Baht</b>             | <b>Thousand Baht</b> |
| Carrying amount (liability)   | 93,793                           | -                    |
| Notional amount   | 3,209,726                        | -                    |
| The carrying value of the hedged item   | 3,369,364                        | -                    |
| Hedging losses recognised in other comprehensive income during the year   | 93,793                           | -                    |
| Change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the year | -                                | -                    |

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.

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

|  | <b>Investment in debt securities</b> |                      |
|--|--------------------------------------|----------------------|
|  | <b>2021</b>                          | <b>2020</b>          |
|  | <b>Thousand Baht</b>                 | <b>Thousand Baht</b> |
| 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  | (261,395)                            | (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:

|   | <b>Time-period related hedged items</b> |                      |
|---|---|----------------------|
|   | <b>2021</b>                             | <b>2020</b>          |
|   | <b>Thousand Baht</b>                    | <b>Thousand Baht</b> |
| <i>Cash flow hedge reserve</i>  |   |                      |
| Beginning balance   | (217,440)                               | 321,218              |
| Hedging gains (losses) recognised in other comprehensive income during the year | (5,322)                                 | (538,658)            |
| Reclassification to profit or loss during the year                              | -                                       | -                    |
| Closing balance   | <u>(222,762)</u>                        | <u>(217,440)</u>     |
| <i>Cost of hedge reserve</i>  |   |                      |
| Beginning balance   | (229,137)                               | (73,339)             |
| Hedging gains (losses) recognised in other comprehensive income during the year | 190,504                                 | (155,798)            |
| Reclassification to profit or loss during the year                              | -                                       | -                    |
| Closing balance   | <u>(38,633)</u>                         | <u>(229,137)</u>     |

As of 31 December 2021 and 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 2021 and 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:

|   | <b>Bond forwards</b> |                 |
|---|----------------------|-----------------|
|   | <b>2021</b>          | <b>2020</b>     |
|   | <b>Thousand</b>      | <b>Thousand</b> |
|   | <b>Baht</b>          | <b>Baht</b>     |
| Carrying amount (asset)   | 160,457              | 662,203         |
| Notional amount   | 2,520,000            | 4,680,000       |
| Change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the year | -                    | -               |
| Hedging gains (losses) recognised in other comprehensive income during the year                                     | (271,133)            | 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)   | 59,021               | 2,672           |
| Notional amount   | 2,845,000            | 300,000         |
| Change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the year | -                    | -               |
| Hedging losses recognised in other comprehensive income during the year   | 80,812               | (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:

|  | <b>Investment in debt securities</b> |                      |
|--|--------------------------------------|----------------------|
|  | <b>2021</b>                          | <b>2020</b>          |
|  | <b>Thousand Baht</b>                 | <b>Thousand Baht</b> |
| 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  | 101,436                              | 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:

|   | <b>Transaction related hedged items</b> |                      |
|---|---|----------------------|
|   | <b>2021</b>                             | <b>2020</b>          |
|   | <b>Thousand Baht</b>                    | <b>Thousand Baht</b> |
| <i>Cash flow hedge reserve</i>  |   |                      |
| Beginning balance   | 614,403                                 | 577,114              |
| Hedging gains (losses) recognised in other comprehensive income during the year | (578,417)                               | 37,289               |
| Reclassification to profit or loss during the year                              | -                                       | -                    |
| Closing balance   | <u>35,986</u>                           | <u>614,403</u>       |
| <i>Cost of hedge reserve</i>  |   |                      |
| Beginning balance   | 45,128                                  | 157,260              |
| Hedging gains (losses) recognised in other comprehensive income during the year | 20,322                                  | (112,132)            |
| Reclassification to profit or loss during the year                              | -                                       | -                    |
| Closing balance   | <u>65,450</u>                           | <u>45,128</u>        |

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As at 31 December 2021 and 2020, significant financial assets and liabilities classified by type of interest rates are summarised in the table below.

|  | 2021                           |                              |                               |                                |                              |                               | Non-interest bearing<br>Thousand Baht | Total<br>Thousand Baht | Interest rate<br>(% p.a) |
|--|--------------------------------|------------------------------|-------------------------------|--------------------------------|------------------------------|-------------------------------|---------------------------------------|------------------------|--------------------------|
|  | Variable interest rate         |                              |                               | Fixed interest rate            |                              |                               |                                       |                        |                          |
|  | Within 1 year<br>Thousand Baht | 1 - 5 years<br>Thousand Baht | Over 5 years<br>Thousand Baht | Within 1 year<br>Thousand Baht | 1 - 5 years<br>Thousand Baht | Over 5 years<br>Thousand Baht |                                       |                        |                          |
| <b>As at 31 December 2021</b>  |                                |                              |                               |                                |                              |                               |                                       |                        |                          |
| <u>Financial assets</u>  |                                |                              |                               |                                |                              |                               |                                       |                        |                          |
| Cash and cash equivalents  | 2,907,148                      | -                            | -                             | 222,137                        | -                            | -                             | 3,360,385                             | 6,489,670              | 0.13 - 0.90              |
| Investment in securities   |                                |                              |                               |                                |                              |                               |                                       |                        |                          |
| Bonds  | -                              | -                            | -                             | 5,158,920                      | 29,742,930                   | 78,902,504                    | -                                     | 113,804,354            | 1.59 - 6.38              |
| Notes  | -                              | -                            | -                             | 740,092                        | 3,601,750                    | 3,892,376                     | -                                     | 8,234,218              | 2.56 - 4.50              |
| Debentures   | -                              | -                            | -                             | 1,735,366                      | 11,273,772                   | 33,449,367                    | -                                     | 46,458,505             | 2.13 - 8.75              |
| Deposits at financial institutions with original maturities more than 3 months | -                              | -                            | -                             | 1,000,000                      | 1,000,000                    | -                             | -                                     | 2,000,000              | 4.14 - 4.20              |
| Derivative assets  | -                              | -                            | -                             | 24                             | 118,330                      | 42,103                        | -                                     | 160,457                | 1.60 - 3.78              |
| Mortgage loans   | -                              | -                            | 285                           | -                              | 254                          | 49,141                        | -                                     | 49,680                 | 5.00 - 19.00             |
|  | <u>2,907,148</u>               | <u>-</u>                     | <u>285</u>                    | <u>8,856,539</u>               | <u>45,737,036</u>            | <u>116,335,491</u>            | <u>3,360,385</u>                      | <u>177,196,884</u>     |                          |
| <u>Financial liabilities</u>   |                                |                              |                               |                                |                              |                               |                                       |                        |                          |
| Derivative liabilities   | -                              | -                            | -                             | 4,334                          | 51,253                       | 3,434                         | -                                     | 59,021                 | 1.60 - 3.78              |
|  | <u>-</u>                       | <u>-</u>                     | <u>-</u>                      | <u>4,334</u>                   | <u>51,253</u>                | <u>3,434</u>                  | <u>-</u>                              | <u>59,021</u>          |                          |

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|   | 2020                                 |                                 |                                  |                                      |                                 |                                  |                                       |                        | Interest rate<br>(% p.a) |
|---|--------------------------------------|---------------------------------|----------------------------------|--------------------------------------|---------------------------------|----------------------------------|---------------------------------------|------------------------|--------------------------|
|   | Variable interest rate               |                                 |                                  | Fixed interest rate                  |                                 |                                  | Non-interest bearing<br>Thousand Baht | Total<br>Thousand Baht |                          |
|   | Within 1<br>year<br>Thousand<br>Baht | 1 - 5 years<br>Thousand<br>Baht | Over 5 years<br>Thousand<br>Baht | Within 1<br>year<br>Thousand<br>Baht | 1 - 5 years<br>Thousand<br>Baht | Over 5 years<br>Thousand<br>Baht |                                       |                        |                          |
| <b>As at 31 December 2020</b>   |                                      |                                 |                                  |                                      |                                 |                                  |                                       |                        |                          |
| <u>Financial assets</u>   |                                      |                                 |                                  |                                      |                                 |                                  |                                       |                        |                          |
| Cash and cash equivalents   | 2,919,416                            | -                               | -                                | 338,621                              | -                               | -                                | 4,012,395                             | 7,270,432              | 0.13 - 1.75              |
| Investment in securities  |                                      |                                 |                                  |                                      |                                 |                                  |                                       |                        |                          |
| Bonds   | -                                    | -                               | -                                | 3,269,459                            | 20,483,126                      | 101,331,417                      | -                                     | 125,084,002            | 1.88 - 6.40              |
| Notes   | -                                    | -                               | -                                | 4,060,169                            | 3,212,582                       | 5,093,481                        | -                                     | 12,366,232             | 2.56 - 4.52              |
| Debentures  | -                                    | -                               | -                                | -                                    | 10,952,439                      | 26,070,991                       | -                                     | 37,023,430             | 2.13 - 9.63              |
| Deposits at financial institutions with<br>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                | 1.60 - 3.78              |
| Mortgage loans  | -                                    | -                               | 303                              | -                                    | 815                             | 51,298                           | -                                     | 52,416                 | 5.00 - 19.00             |
|   | <u>2,919,416</u>                     | <u>-</u>                        | <u>303</u>                       | <u>9,668,249</u>                     | <u>37,184,608</u>               | <u>132,673,744</u>               | <u>4,012,395</u>                      | <u>186,458,715</u>     | <u>1.88 - 6.40</u>       |
| <u>Financial liabilities</u>  |                                      |                                 |                                  |                                      |                                 |                                  |                                       |                        |                          |
| Derivative liabilities  | -                                    | -                               | -                                | -                                    | 1,364                           | 1,308                            | -                                     | 2,672                  | 1.60 - 3.78              |
|   | <u>-</u>                             | <u>-</u>                        | <u>-</u>                         | <u>-</u>                             | <u>1,364</u>                    | <u>1,308</u>                     | <u>-</u>                              | <u>2,672</u>           |                          |

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

|                                 | Impact to net profit     |                          | Impact to other components of equity |                          |
|---------------------------------|--------------------------|--------------------------|--------------------------------------|--------------------------|
|                                 | 2021<br>Thousand<br>Baht | 2020<br>Thousand<br>Baht | 2021<br>Thousand<br>Baht             | 2020<br>Thousand<br>Baht |
| Interest rate - increase<br>1%* | 29,071                   | 29,194                   | (501,807)                            | (559,821)                |
| Interest rate - decrease<br>1%* | (7,185)                  | (7,229)                  | 581,432                              | 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 |                          |
|--------------------------------|---------------------------|--------------------------|--------------------------------------|--------------------------|
|                                | 2021<br>Thousand<br>Baht  | 2020<br>Thousand<br>Baht | 2021<br>Thousand<br>Baht             | 2020<br>Thousand<br>Baht |
| Equity price -<br>Increase 1%* | -                         | -                        | 247,830                              | 199,610                  |
| Equity price -<br>Decrease 1%* | -                         | -                        | (247,830)                            | (199,610)                |

\* Holding all other variables constant

5.2.2 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:

- Residential 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.

|  | <b>2021</b>                                    |   |  |   |
|--|--|---|--|---|
|  | <b>Gross carrying amount<br/>Thousand Baht</b> | <b>Expected credit loss<br/>Thousand Baht</b> | <b>Net carrying amount<br/>Thousand Baht</b> | <b>Fair value of collateral<br/>Thousand Baht</b> |
| Mortgage Loan                          | 53,699   | (47,564)                                      | 6,135  | 94,609  |
| Total credit-impaired financial assets | <u>53,699</u>                                  | <u>(47,564)</u>                               | <u>6,135</u>                                 | <u>94,609</u>                                     |
|  | <b>2020</b>                                    |   |  |   |
|  | <b>Gross carrying amount<br/>Thousand Baht</b> | <b>Expected credit loss<br/>Thousand Baht</b> | <b>Net carrying amount<br/>Thousand Baht</b> | <b>Fair value of collateral<br/>Thousand Baht</b> |
| 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 2021 and 2020 are as follows:

|  | <u>Thousand Baht</u> |
|--|----------------------|
| <b>Opening loss allowance as at 1 January 2020</b> | 48,250               |
| Unused amount reversed                             | <u>(405)</u>         |
| <b>As at 31 December 2020</b>                      | 47,845               |
| Unused amount reversed                             | <u>(281)</u>         |
| <b>As at 31 December 2021</b>                      | <u><u>47,564</u></u> |

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

|   | 2021  |  |  | Total<br>Thousand Baht |
|---|---|--|--|------------------------|
|   | Loss allowance<br>measured at<br>amount equal<br>to 12 months<br>expected credit<br>losses<br>Thousand Baht | Loss allowance<br>measured at<br>amount equal<br>to lifetime<br>expected credit<br>losses<br>Thousand Baht | Loss allowance<br>measured at<br>amount equal to<br>lifetime expected<br>credit losses<br>(credit-impaired<br>financial assets)<br>Thousand Baht |                        |
| <b>Mortgage Loans</b>                   |   |  |  |                        |
| Beginning balance                       | 291   | -  | 47,554   | 47,845                 |
| Changes occurred from<br>classification | -   | -  | -  | -                      |
| Changes occurred from<br>measurement    | (248)   | -  | (33)   | (281)                  |
| Ending balance                          | 43  | -  | 47,521   | 47,564                 |
|   | 2020  |  |  |                        |
|   | Loss allowance<br>measured at<br>amount equal<br>to 12 months<br>expected credit<br>losses<br>Thousand Baht | Loss allowance<br>measured at<br>amount equal<br>to lifetime<br>expected credit<br>losses<br>Thousand Baht | Loss allowance<br>measured at<br>amount equal to<br>lifetime expected<br>credit losses<br>(credit-impaired<br>financial assets)<br>Thousand Baht | Total<br>Thousand Baht |
| <b>Mortgage Loans</b>                   |   |  |  |                        |
| Beginning balance                       | 646   | -  | 47,604   | 48,250                 |
| Changes occurred from<br>classification | -   | -  | -  | -                      |
| Changes occurred from<br>measurement    | (355)   | -  | (50)   | (405)                  |
| Ending balance                          | 291   | -  | 47,554   | 47,845                 |

*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 allowance for financial assets at amortised cost other than trade receivables for the years ended 31 December are as follows:

|  | Debenture<br>Thousand<br>Baht | Government<br>bond<br>Thousand<br>Baht | Treasury bill<br>Thousand<br>Baht | Total<br>Thousand<br>Baht |
|--|-------------------------------|--|-----------------------------------|---------------------------|
| Opening loss allowance<br>as at 1 January 2020   | 15,144                        | -                                      | 8,946                             | 24,090                    |
| Reversal of expected credit losses               | (13,104)                      | -                                      | (2,772)                           | (15,876)                  |
| Closing loss allowance<br>as at 31 December 2020 | 2,040                         | -                                      | 6,174                             | 8,214                     |
| Reversal of expected credit losses               | (248)                         | -                                      | (5,831)                           | (6,079)                   |
| Closing loss allowance<br>as at 31 December 2021 | 1,792                         | -                                      | 343                               | 2,135                     |

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The reconciliations of loss allowance for financial assets at amortised cost other than trade receivables for the years ended 31 December are as follows:

|  | Loss allowance measured at amount equal to                 |   |   | Total<br>Thousand<br>Baht |
|--|--|---|---|---------------------------|
|  | 12 months<br>expected<br>credit losses<br>Thousand<br>Baht | Lifetime<br>Expected<br>credit losses<br>Thousand<br>Baht | Lifetime<br>expected credit<br>losses<br>(credit-impaired<br>financial assets)<br>Thousand Baht |                           |
| <b>As of 1 January 2020</b>  | 24,090   | -   | -   | 24,090                    |
| Increase in loss allowance recognised in profit or loss during the year (Reversal) | (14,343)   | -   | -   | (14,343)                  |
| Written off during the year as uncollectible                                       | (1,533)  | -   | -   | (1,533)                   |
| <b>As of 31 December 2020</b>  | 8,214  | -   | -   | 8,214                     |
| Increase in loss allowance recognised in profit or loss during the year (Reversal) | (5,596)  | -   | -   | (5,596)                   |
| Written off during the year as uncollectible                                       | (483)  | -   | -   | (483)                     |
| <b>As of 31 December 2021</b>  | <b>2,135</b>   | -   | -   | <b>2,135</b>              |

*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 loss allowance for FVOCI as at 31 December reconciles to opening loss allowance as follows:

|  | 2021<br>Thousand<br>Baht | 2020<br>Thousand<br>Baht |
|--|--------------------------|--------------------------|
| <b>Loss allowance as at 1 January</b>  | 16,525                   | 32,178                   |
| Increase in loss allowance recognised in profit or loss during the year (Reversal) | 6,703                    | (15,653)                 |
| <b>Closing loss allowance as at 31 December</b>                                    | <b>23,228</b>            | <b>16,525</b>            |

*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.

### 5.2.3 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 4,258 million (2020: Baht 4,085 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.

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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 |   |                                 |                                  |                                      | Total<br>Thousand<br>Baht |
|--|---------------------------------------|---|---------------------------------|----------------------------------|--------------------------------------|---------------------------|
|  | Book value<br>Thousand<br>Baht        | Less than<br>1 year<br>Thousand<br>Baht | 1 - 5 years<br>Thousand<br>Baht | 5 - 10 years<br>Thousand<br>Baht | Over<br>10 years<br>Thousand<br>Baht |                           |
| <b>As at 31 December 2021</b>  |                                       |   |                                 |                                  |                                      |                           |
| Lease liabilities  | 516,481                               | 79,064                                  | 314,192                         | 180,980                          | -                                    | 574,236                   |
| <b>Total financial liabilities that is not derivatives</b>             | <b>516,481</b>                        | <b>79,064</b>                           | <b>314,192</b>                  | <b>180,980</b>                   | <b>-</b>                             | <b>574,236</b>            |
| <b>Derivative financial Instruments applied hedge accounting</b>       |                                       |   |                                 |                                  |                                      |                           |
| <b>Derivative hedge foreign exchange rate risk</b>                     |                                       |   |                                 |                                  |                                      |                           |
| <i>Cross currency swaps (U.S. Dollar)</i>                              |                                       |   |                                 |                                  |                                      |                           |
| Notional value   | 1,263,425                             | 481,300                                 | 4,566,650                       | 11,572,539                       | 320,242                              | 16,940,731                |
| Average foreign exchange rate  |                                       | 32.10                                   | 32.25                           | 31.44                            | 30.79                                |                           |
| <i>Cross currency swaps (S.G. Dollar)</i>                              |                                       |   |                                 |                                  |                                      |                           |
| Notional value   | 2,568                                 | -                                       | -                               | 51,750                           | -                                    | 51,750                    |
| Average foreign exchange rate  |                                       | -                                       | -                               | 23.00                            | -                                    |                           |
| <i>Foreign exchange forward (Australian Dollar)</i>                    |                                       |   |                                 |                                  |                                      |                           |
| Notional value   | 4,465                                 | 1,558,738                               | -                               | -                                | -                                    | 1,558,738                 |
| Average price  |                                       | 24.15                                   | -                               | -                                | -                                    |                           |
| <i>Foreign exchange forward (S.G. Dollar)</i>                          |                                       |   |                                 |                                  |                                      |                           |
| Notional value   | 70,812                                | 1,374,201                               | -                               | -                                | -                                    | 1,374,201                 |
| Average price  |                                       | 23.52                                   | -                               | -                                | -                                    |                           |
| <i>Foreign exchange forward (H.K. Dollar)</i>                          |                                       |   |                                 |                                  |                                      |                           |
| Notional value   | 18,516                                | 276,787                                 | -                               | -                                | -                                    | 276,787                   |
| Average price  |                                       | 4.02                                    | -                               | -                                | -                                    |                           |
| <b>Derivative hedge interest rate risk</b>                             |                                       |   |                                 |                                  |                                      |                           |
| <i>Bond forward contracts</i>  |                                       |   |                                 |                                  |                                      |                           |
| Notional value   | 59,021                                | 756,223                                 | 2,158,576                       | -                                | -                                    | 2,914,799                 |
| Average price  |                                       | 151,245                                 | 86,343                          | -                                | -                                    |                           |
| <b>Total derivative financial instruments applied hedge accounting</b> | <b>1,418,807</b>                      | <b>4,447,249</b>                        | <b>6,725,226</b>                | <b>11,624,289</b>                | <b>320,242</b>                       | <b>23,117,006</b>         |
| <b>Total</b>   | <b>1,935,288</b>                      | <b>4,526,313</b>                        | <b>7,039,418</b>                | <b>11,805,269</b>                | <b>320,242</b>                       | <b>23,691,242</b>         |



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|  | Estimated net undiscounted cash flows |   |                                 |                                  |                                      | Total<br>Thousand<br>Baht |
|--|---------------------------------------|---|---------------------------------|----------------------------------|--------------------------------------|---------------------------|
|  | Book value<br>Thousand<br>Baht        | Less than<br>1 year<br>Thousand<br>Baht | 1 - 5 years<br>Thousand<br>Baht | 5 - 10 years<br>Thousand<br>Baht | Over<br>10 years<br>Thousand<br>Baht |                           |
| <b>As at 31 December 2020</b>  |                                       |   |                                 |                                  |                                      |                           |
| Lease liabilities  | 588,971                               | 75,548                                  | 285,911                         | 232,149                          | -                                    | 593,608                   |
| <b>Total financial liabilities that is not derivatives</b>             | <b>588,971</b>                        | <b>75,548</b>                           | <b>285,911</b>                  | <b>232,149</b>                   | <b>-</b>                             | <b>593,608</b>            |
| <b>Derivative financial Instruments applied hedge accounting</b>       |                                       |   |                                 |                                  |                                      |                           |
| <b>Derivative hedge foreign exchange risk</b>                          |                                       |   |                                 |                                  |                                      |                           |
| <i>Cross 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                                |                           |
| <b>Derivative hedge interest rate risk</b>                             |                                       |   |                                 |                                  |                                      |                           |
| <i>Bond forward contracts</i>  |                                       |   |                                 |                                  |                                      |                           |
| Notional value   | 2,672                                 | 125,752                                 | 240,314                         | -                                | -                                    | 366,066                   |
| Average price  |                                       | 125,752                                 | 80,105                          | -                                | -                                    |                           |
| <b>Total derivative financial instruments applied hedge accounting</b> | <b>176,416</b>                        | <b>125,752</b>                          | <b>863,954</b>                  | <b>3,227,816</b>                 | <b>320,242</b>                       | <b>4,537,764</b>          |
| <b>Total</b>   | <b>765,387</b>                        | <b>201,300</b>                          | <b>1,149,865</b>                | <b>3,459,965</b>                 | <b>320,242</b>                       | <b>5,131,372</b>          |

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

|   | <b>Within<br/>3 months<br/>Thousand<br/>Baht</b> | <b>3 months<br/>- 1 year<br/>Thousand<br/>Baht</b> | <b>1 - 5 years<br/>Thousand<br/>Baht</b> | <b>5 - 10 years<br/>Thousand<br/>Baht</b> | <b>Over<br/>10 years<br/>Thousand<br/>Baht</b> | <b>Total<br/>Thousand<br/>Baht</b> |
|---|--|--|--|---|--|------------------------------------|
| <b>As at 31 December 2021</b>           |  |  |  |   |  |                                    |
| Cross currency swaps                    |  |  |  |   |  |                                    |
| Cash inflow                             | -  | 481,300  | 6,769,770                                | 11,624,289                                | 812,942  | 19,688,301                         |
| Cash outflow                            | -  | (481,300)  | (6,769,770)                              | (11,624,289)                              | (812,942)                                      | (19,688,301)                       |
| Net cash flow                           | -  | -  | -  | -   | -  | -                                  |
| Bond forward contracts settlement price | 298,864  | 1,390,957  | 3,757,101                                | -   | -  | 5,446,922                          |
|   | <b>Within<br/>3 months<br/>Thousand<br/>Baht</b> | <b>3 months<br/>- 1 year<br/>Thousand<br/>Baht</b> | <b>1 - 5 years<br/>Thousand<br/>Baht</b> | <b>5 - 10 years<br/>Thousand<br/>Baht</b> | <b>Over<br/>10 years<br/>Thousand<br/>Baht</b> | <b>Total<br/>Thousand<br/>Baht</b> |
| <b>As at 31 December 2020</b>           |  |  |  |   |  |                                    |
| 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)                        |

#### 5.2.4 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 6.

## 6 Fair value

### 6.1 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<br>through<br>profit or<br>loss (FVPL)<br>Thousand<br>Baht | Fair value<br>through other<br>comprehensive<br>income<br>(FVOCI)<br>Thousand<br>Baht | Amortised<br>cost<br>Thousand<br>Baht | Total<br>carrying<br>amount<br>Thousand<br>Baht | Fair value<br>Thousand<br>Baht |
|--|---|---|---------------------------------------|---|--------------------------------|
| <b>As at 31 December 2021</b>  |   |   |                                       |   |                                |
| <b>Assets</b>  |   |   |                                       |   |                                |
| <i>Financial assets measured<br/>at fair value (FV)</i>                              |   |   |                                       |   |                                |
| Debt securities  | 125,821   | 158,432,320   | -                                     | 158,558,141                                     | 158,558,141                    |
| Equity securities  | -   | 15,423,071  | -                                     | 15,423,071                                      | 15,423,071                     |
| Assets held to cover linked<br>liabilities   | 943,335   | -   | -                                     | 943,335   | 943,335                        |
| Derivative assets  | -   | 262,907   | -                                     | 262,907   | 262,907                        |
| <i>Financial assets not measured<br/>at fair value</i>                               |   |   |                                       |   |                                |
| Cash and cash equivalents  | -   | -   | 6,489,635                             | 6,489,635                                       | 6,489,635                      |
| Debt securities  | -   | -   | 19,518,473                            | 19,518,473                                      | 19,518,473                     |
| Deposits at financial institutions<br>with original maturities<br>more than 3 months | -   | -   | 2,000,000                             | 2,000,000                                       | 2,000,000                      |
| Mortgage loans, net  | -   | -   | 6,135                                 | 6,135   | 6,135                          |
| Accrued investment income  | -   | -   | 1,343,096                             | 1,343,096                                       | 1,343,096                      |
| Others   | -   | -   | 1,450,647                             | 1,450,647                                       | 1,450,647                      |
| <b>Total assets</b>  | <b>1,069,156</b>  | <b>174,118,298</b>  | <b>30,807,986</b>                     | <b>205,995,440</b>                              | <b>205,995,440</b>             |
| <b>Liabilities</b>   |   |   |                                       |   |                                |
| <i>Financial liabilities measured at<br/>fair value</i>                              |   |   |                                       |   |                                |
| Derivative liabilities   | 93,793  | 1,325,014   | -                                     | 1,418,807                                       | 1,418,807                      |
| <i>Financial liabilities not<br/>measured at fair value</i>                          |   |   |                                       |   |                                |
| Others   | -   | -   | 380,285                               | 380,285   | 380,285                        |
| <b>Total liabilities</b>   | <b>93,793</b>   | <b>1,325,014</b>  | <b>380,285</b>                        | <b>1,799,092</b>                                | <b>1,799,092</b>               |

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|  | Fair value<br>through<br>profit or<br>loss (FVPL)<br>Thousand<br>Baht | Fair value<br>through other<br>comprehensive<br>income<br>(FVOCI)<br>Thousand Baht | Amortised<br>cost<br>Thousand<br>Baht | Total<br>carrying<br>amount<br>Thousand<br>Baht | Fair value<br>Thousand<br>Baht |
|--|---|--|---------------------------------------|---|--------------------------------|
| <b>As at 31 December 2020</b>  |   |  |                                       |   |                                |
| <b>Assets</b>  |   |  |                                       |   |                                |
| <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                        |
| <b>Total assets</b>  | <b>746,207</b>  | <b>168,982,459</b>   | <b>39,914,577</b>                     | <b>209,643,243</b>                              | <b>213,156,607</b>             |
| <b>Liabilities</b>   |   |  |                                       |   |                                |
| <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                      |
| <b>Total liabilities</b>   | <b>-</b>  | <b>176,416</b>   | <b>1,339,878</b>                      | <b>1,516,294</b>                                | <b>1,516,294</b>               |

The table below presents financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities, and the Company is able to access that market on valuation date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market data.

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

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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 2021 and 2020.

|   | 2021                        |                             |                             | Total<br>Thousand<br>Baht |
|---|-----------------------------|-----------------------------|-----------------------------|---------------------------|
|   | Level 1<br>Thousand<br>Baht | Level 2<br>Thousand<br>Baht | Level 3<br>Thousand<br>Baht |                           |
| <b>Financial assets</b>   |                             |                             |                             |                           |
| Derivative assets   | -                           | 262,907                     | -                           | 262,907                   |
| Investment in securities  |                             |                             |                             |                           |
| Investments measured at fair value through other comprehensive income |                             |                             |                             |                           |
| Debt securities   | 9,453,716                   | 148,978,604                 | -                           | 158,432,320               |
| Equity securities   | 15,416,239                  | -                           | 6,832                       | 15,423,071                |
| Investments designated at fair value                                  |                             |                             |                             |                           |
| Debt securities   | 125,821                     | -                           | -                           | 125,821                   |
| Investment assets held to cover linked liabilities                    | -                           | 943,335                     | -                           | 943,335                   |
| <b>Total</b>  | <b>24,995,776</b>           | <b>150,184,846</b>          | <b>6,832</b>                | <b>175,187,454</b>        |
| <b>Financial liabilities</b>  |                             |                             |                             |                           |
| Derivative liabilities  | -                           | 1,418,807                   | -                           | 1,418,807                 |
| <b>Total</b>  | <b>-</b>                    | <b>1,418,807</b>            | <b>-</b>                    | <b>1,418,807</b>          |
|   |                             |                             |                             |                           |
|   | 2020                        |                             |                             | Total<br>Thousand<br>Baht |
|   | Level 1<br>Thousand<br>Baht | Level 2<br>Thousand<br>Baht | Level 3<br>Thousand<br>Baht |                           |
| <b>Financial assets</b>   |                             |                             |                             |                           |
| 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                   |
| <b>Total</b>  | <b>19,142,430</b>           | <b>149,704,662</b>          | <b>881,574</b>              | <b>169,728,666</b>        |
| <b>Financial liabilities</b>  |                             |                             |                             |                           |
| Derivative liabilities  | -                           | 176,416                     | -                           | 176,416                   |
| <b>Total</b>  | <b>-</b>                    | <b>176,416</b>              | <b>-</b>                    | <b>176,416</b>            |

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

There was no change in valuation techniques during the year.

## 6.2 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 2021.

|   | <b>31 December<br/>2021<br/>Thousand<br/>Baht</b> | <b>31 December<br/>2020<br/>Thousand<br/>Baht</b> |
|---|---|---|
| Beginning balance   | 881,574   | 1,368,294   |
| Derecognition   | (875,639)   | -   |
| Gain on remeasuring investments measured at fair value through other comprehensive income | 897   | (486,720)   |
| Closing balance   | <u>6,832</u>                                      | <u>881,574</u>                                    |

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.

**7 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.

**7.1 Insurance contract liabilities and investment contract liabilities**

**7.1.1 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.

#### 7.1.2 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 21.

##### 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.

#### 7.1.3 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.

### **7.2 Fair value of derivatives and other non-marketable financial instruments**

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



### **7.3 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.

### **7.4 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.

### **7.5 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.

## **8 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.

**9 Cash and cash equivalents**

|                                   | <b>2021</b>          | <b>2020</b>          |
|-----------------------------------|----------------------|----------------------|
|                                   | <b>Thousand Baht</b> | <b>Thousand Baht</b> |
| Cash on hand                      | 479                  | 479                  |
| Deposits at banks - call deposits | 4,258,240            | 4,085,317            |
| Short-term investments            | 2,230,951            | 3,184,636            |
| Expected credit losses            | (35)                 | (5,356)              |
| <b>Total</b>                      | <b>6,489,635</b>     | <b>7,265,076</b>     |

As at 31 December 2021, cash and cash equivalents were denominated in foreign currencies amounting to Baht 113.69 million (2020: Baht 162.27 million).

**10 Premium due and uncollected net**

The balances of premium due and uncollected as at 31 December 2021 and 2020 were aged as follows:

|   | <b>From direct insurance</b> |                      |
|---|------------------------------|----------------------|
|   | <b>2021</b>                  | <b>2020</b>          |
|   | <b>Thousand Baht</b>         | <b>Thousand Baht</b> |
| Within credit terms                         | 1,382,931                    | 2,345,065            |
| Overdue:                                    |                              |                      |
| Less than 30 days                           | 180,657                      | 10,930               |
| 31 - 60 days                                | 2,957                        | 2,033                |
| 61 - 90 days                                | 18,379                       | 14,156               |
| 91 days - 1 year                            | 17,884                       | 9,166                |
| Over 1 year                                 | 7,694                        | 6,170                |
| <b>Total</b>                                | <b>1,610,502</b>             | <b>2,387,520</b>     |
| <b>Less</b> Allowance for doubtful accounts | <b>(193,243)</b>             | <b>(289,581)</b>     |
| <b>Premiums due and uncollected - net</b>   | <b>1,417,259</b>             | <b>2,097,939</b>     |

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.

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**11 Reinsurance receivables**

The details of reinsurance assets are as follows:

|                                | <b>2021</b>          | <b>2020</b>          |
|--------------------------------|----------------------|----------------------|
|                                | <b>Thousand Baht</b> | <b>Thousand Baht</b> |
| Due from reinsurance (Note 36) | 542,822              | 472,314              |
| Total reinsurance receivable   | <u>542,822</u>       | <u>472,314</u>       |

Aging analysis for due from reinsurers is as follows:

|                     | <b>2021</b>          | <b>2020</b>          |
|---------------------|----------------------|----------------------|
|                     | <b>Thousand Baht</b> | <b>Thousand Baht</b> |
| Within credit terms | 542,822              | 472,314              |
| Total               | <u>542,822</u>       | <u>472,314</u>       |

**12 Derivatives**

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

|                            | <b>2021</b>       |                    | <b>2020</b>       |                    |
|----------------------------|-------------------|--------------------|-------------------|--------------------|
|                            | <b>Fair value</b> |                    | <b>Fair value</b> |                    |
|                            | <b>Assets</b>     | <b>Liabilities</b> | <b>Assets</b>     | <b>Liabilities</b> |
|                            | <b>Thousand</b>   | <b>Thousand</b>    | <b>Thousand</b>   | <b>Thousand</b>    |
|                            | <b>Baht</b>       | <b>Baht</b>        | <b>Baht</b>       | <b>Baht</b>        |
| Held for hedge derivatives |                   |                    |                   |                    |
| - Applied hedge accounting | 262,907           | 1,418,807          | 1,383,921         | 176,416            |
| Total derivatives          | <u>262,907</u>    | <u>1,418,807</u>   | <u>1,383,921</u>  | <u>176,416</u>     |

The details of derivative assets are as follows:

| <b>31 December 2021</b> |  |                            |   |  | <b>Change in fair value for the year ended</b> |
|-------------------------|--|----------------------------|---|--|--|
| <b>Type of contract</b> | <b>Purpose</b>   | <b>Number of contracts</b> | <b>Notional value<br/>Thousand Baht</b> | <b>Derivative book value<br/>Thousand Baht</b> | <b>31 December 2021<br/>Thousand Baht</b>      |
| Cross currency swap     | To hedge foreign currency risk of investment in foreign currency | 12                         | 2,695,820                               | 102,450  | (207,994)                                      |
| Bond forward            | To hedge reinvestment risk                                       | 10                         | 2,520,000                               | 160,457  | (271,133)                                      |
| Total                   |  | <u>22</u>                  | <u>5,215,820</u>                        | <u>262,907</u>                                 | <u>(479,127)</u>                               |
| <b>31 December 2020</b> |  |                            |   |  | <b>Change in fair value for the year ended</b> |
| <b>Type of contract</b> | <b>Purpose</b>   | <b>Number of contracts</b> | <b>Notional value<br/>Thousand Baht</b> | <b>Derivative book value<br/>Thousand Baht</b> | <b>31 December 2020<br/>Thousand Baht</b>      |
| 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>                               |

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The details of derivative liabilities are as follows:

| 31 December 2021            |  |                        |                                    |  | Change in<br>fair value<br>for the year<br>ended |
|-----------------------------|--|------------------------|------------------------------------|--|--|
| Type of contract            | Purpose  | Number<br>of contracts | Notional value<br>Thousand<br>Baht | Derivative<br>book value<br>Thousand<br>Baht | 31 December<br>2021<br>Thousand<br>Baht          |
| Cross currency swap         | To hedge foreign currency<br>risk of investment in<br>foreign currency | 126                    | 16,992,481                         | 1,265,993                                    | 1,482,734  |
| Bond forward                | To hedge reinvestment risk   | 30                     | 2,845,000                          | 59,021                                       | 80,812   |
| Foreign exchange<br>forward | To hedge fair value  | 6                      | 3,209,726                          | 93,793                                       | 93,793   |
| Total                       |  | 162                    | 23,047,207                         | 1,418,807                                    | 1,657,339  |

| 31 December 2020    |  |                        |                                    |  | Change in<br>fair value<br>for the year<br>ended |
|---------------------|--|------------------------|------------------------------------|--|--|
| Type of contract    | Purpose  | Number<br>of contracts | Notional value<br>Thousand<br>Baht | Derivative<br>book value<br>Thousand<br>Baht | 31 December<br>2020<br>Thousand<br>Baht          |
| Cross currency swap | To hedge foreign currency<br>risk of investment in<br>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  |

As at 31 December 2021, 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 596.45 million, EUR Dollar 13 million and SGD Dollar 2.25 million (2020: U.S. Dollar 489 million, EUR Dollar 13 million and SGD Dollar 2 million).

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

**13 Investments in securities, net**

The details of investments in securities as at 31 December 2021 and 2020 are as follows:

|  | <b>2021</b>   |   |
|--|---|---|
|  | <b>Cost/<br/>amortised<br/>cost<br/>Thousand<br/>Baht</b> | <b>Fair value<br/>Thousand<br/>Baht</b> |
| <b>Investments measured at fair value<br/>through other comprehensive income</b>       |   |   |
| Government and state enterprise debt securities  | 93,045,450  | 99,501,710                              |
| Private debt securities  | 26,925,470  | 27,482,427                              |
| Foreign debt securities  | 28,804,597  | 31,448,183                              |
| Equity securities  | 13,771,360  | 14,823,837                              |
| Foreign equity securities  | 613,825   | 599,234                                 |
| <b>Total</b>   | <b>163,160,702</b>  | <b>173,855,391</b>                      |
| <u>Add Unrealised gain</u>   | <u>10,694,689</u>   | <u>-</u>                                |
| <b>Total Investments measured at fair value<br/>through other comprehensive income</b> | <b><u>173,855,391</u></b>                                 | <b><u>173,855,391</u></b>               |
| <b>Investments measured at amortised cost</b>  |   |   |
| Government and state enterprise debt securities  | 16,802,645  |   |
| Private debt securities  | 2,715,828   |   |
| Deposits at financial institutions with<br>original maturities more than 3 months      | <u>2,000,000</u>  |   |
| <b>Total</b>   | <b>21,518,473</b>   |   |
| <u>Less Expected Credit Losses</u>   | <u>(2,135)</u>  |   |
| <b>Total investments measured at amortised cost</b>                                    | <b><u>21,516,338</u></b>                                  |   |
| <b>Investments designated at fair value through profit or loss</b>                     |   |   |
| Foreign debt securities  | 92,955  | 125,821                                 |
| <u>Add Unrealised gain</u>   | <u>32,866</u>   | <u>-</u>                                |
| <b>Total Investments designated at fair value through<br/>profit or loss</b>           | <b><u>125,821</u></b>                                     | <b><u>125,821</u></b>                   |
| <b>Total investments in securities, net</b>  | <b><u>195,497,550</u></b>                                 |   |

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|  | <b>2020</b>   |   |
|--|---|---|
|  | <b>Cost/<br/>amortised<br/>cost<br/>Thousand<br/>Baht</b> | <b>Fair value<br/>Thousand<br/>Baht</b> |
| <b>Investments measured at fair value through other comprehensive income</b>       |   |   |
| 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  | -                                       |
| <b>Total Investments measured at fair value through other comprehensive income</b> | <b>167,598,538</b>  | <b>167,598,538</b>                      |
| <b>Investments measured at amortised cost</b>                                      |   |   |
| 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)   |   |
| <b>Total investments measured at amortised cost</b>                                | <b>30,827,959</b>   |   |
| <b>Investments designated at fair value through profit or loss</b>                 |   |   |
| Foreign debt securities  | 77,594  | 113,363                                 |
| <u>Add</u> Unrealised gain   | 35,769  | -                                       |
| <b>Total Investments designated at fair value through profit or loss</b>           | <b>113,363</b>  | <b>113,363</b>                          |
| <b>Total investments in securities, net</b>  | <b>198,539,860</b>  |   |

For the year ended 31 December 2021, the Company recorded interest income and dividend income amounting to Baht 5,938 million and Baht 1,720 million, respectively (2020: Baht 6,291 million and Baht 928 million, respectively).

For the year ended 31 December 2021, the Company received consideration from selling available-for-sale investments amounting to Baht 18,054 million (2020: Baht 15,896 million).

As at 31 December 2021, 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 42,062 million (2020: Baht 43,783 million) (Note 37).

13.1 Investment measured at fair value through other comprehensive income

a) Expected credit loss

|  | <b>2021</b>                         |  |
|--|-------------------------------------|--|
|  | <b>Fair value<br/>Thousand Baht</b> | <b>Expected<br/>credit losses<br/>recognised in other<br/>comprehensive<br/>income<br/>Thousand Baht</b> |
| Investments in debt securities which credit risk has not significantly increased (Stage 1) | 158,432,320                         | (23,228)   |
| Investment in debt securities which credit risk has significantly increased (Stage 2)      | -                                   | -  |
| Credit-impaired investments in debt securities (Stage 3)                                   | -                                   | -  |
| <b>Total</b>   | <b>158,432,320</b>                  | <b>(23,228)</b>  |

|  | <b>2020</b>                         |  |
|--|-------------------------------------|--|
|  | <b>Fair value<br/>Thousand Baht</b> | <b>Expected<br/>credit losses<br/>recognised in other<br/>comprehensive<br/>income<br/>Thousand Baht</b> |
| 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)                                   | -                                   | -  |
| <b>Total</b>   | <b>153,322,882</b>                  | <b>(16,525)</b>  |

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:

|   | <b>2021<br/>Thousand<br/>Baht</b> | <b>2020<br/>Thousand<br/>Baht</b> |
|---|-----------------------------------|-----------------------------------|
| Gains/(losses) recognised in other comprehensive income   | (7,455,718)                       | (903,106)                         |
| Gains/(losses) reclassified from other comprehensive income to profit or loss on the sale of investments measured at FVOCI                      | 1,524,600                         | (232,729)                         |
| Interests from debt securities measured at FVOCI recognised in profit or loss   | 4,432,973                         | 4,194,519                         |
| Dividends from equity securities measured at FVOCI recognised in profit or loss   | 1,719,658                         | 927,877                           |
| (Reversal of) expected credit losses for debt securities measured at fair value through other comprehensive income recognised in profit or loss | 6,703                             | (15,653)                          |

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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 2021 and 2020 are aged as follows:

|   | 2021                       |                                 |                                  |                           | 2020                       |                                 |                                  |                           |
|---|----------------------------|---------------------------------|----------------------------------|---------------------------|----------------------------|---------------------------------|----------------------------------|---------------------------|
|   | Maturing within            |                                 |                                  | Total<br>Thousand<br>Baht | Maturing within            |                                 |                                  | Total<br>Thousand<br>Baht |
|   | 1 year<br>Thousand<br>Baht | 1 - 5 years<br>Thousand<br>Baht | Over 5 years<br>Thousand<br>Baht |                           | 1 year<br>Thousand<br>Baht | 1 - 5 years<br>Thousand<br>Baht | Over 5 years<br>Thousand<br>Baht |                           |
| <b>Investment in securities measured at fair value through other comprehensive income</b>       |                            |                                 |                                  |                           |                            |                                 |                                  |                           |
| Government bonds and State Own Enterprise bonds   | 4,407,674                  | 20,148,633                      | 68,489,143                       | 93,045,450                | -                          | 11,220,931                      | 81,363,934                       | 92,584,865                |
| Private enterprises securities  | 1,207,272                  | 4,962,355                       | 20,755,843                       | 26,925,470                | 61,423                     | 3,559,403                       | 18,015,008                       | 21,635,834                |
| Foreign securities  | 500,046                    | 6,855,459                       | 13,565,710                       | 20,921,215                | -                          | 6,703,498                       | 9,060,109                        | 15,763,607                |
| <b>Total</b>  | <b>6,114,992</b>           | <b>31,966,447</b>               | <b>102,810,696</b>               | <b>140,892,135</b>        | <b>61,423</b>              | <b>21,483,832</b>               | <b>108,439,051</b>               | <b>129,984,306</b>        |
| <b>Add Unrealised gains on change in value of investments</b>                                   | <b>38,659</b>              | <b>1,960,936</b>                | <b>6,086,874</b>                 | <b>8,086,469</b>          | <b>(1,254)</b>             | <b>1,778,162</b>                | <b>15,876,277</b>                | <b>17,653,185</b>         |
| <b>Total investment in securities measured at fair value through other comprehensive income</b> | <b>6,153,651</b>           | <b>33,927,383</b>               | <b>108,897,570</b>               | <b>148,978,604</b>        | <b>60,169</b>              | <b>23,261,994</b>               | <b>124,315,328</b>               | <b>147,637,491</b>        |



13.2 Investment measured at amortised cost

a) Expected credit loss

|  | 2021                                     |  |                                 |
|--|--|--|---------------------------------|
|  | Gross<br>carrying value<br>Thousand Baht | Expected<br>credit losses<br>Thousand Baht | Carrying value<br>Thousand Baht |
| Investments in debt securities which<br>credit risk has not significantly<br>increased (Stage 1) | 21,518,473                               | (2,135)                                    | 21,516,338                      |
| Investment in debt securities which<br>credit risk has significantly increased<br>(Stage 2)      | -  | -  | -                               |
| Credit-impaired investments in debt<br>securities (Stage 3)                                      | -  | -  | -                               |
| <b>Total</b>   | <b>21,518,473</b>                        | <b>(2,135)</b>                             | <b>21,516,338</b>               |
|  | 2020                                     |  |                                 |
|  | Gross<br>carrying value<br>Thousand Baht | Expected<br>credit losses<br>Thousand Baht | Carrying value<br>Thousand Baht |
| Investments in debt securities which<br>credit risk has not significantly<br>increased (Stage 1) | 30,836,173                               | (8,214)                                    | 30,827,959                      |
| Investment in debt securities which<br>credit risk has significantly increased<br>(Stage 2)      | -  | -  | -                               |
| Credit-impaired investments in debt<br>securities (Stage 3)                                      | -  | -  | -                               |
| <b>Total</b>   | <b>30,836,173</b>                        | <b>(8,214)</b>                             | <b>30,827,959</b>               |

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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 2021 and 2020 are aged as follows:

|   | 2021                       |                                 |                                  |                           | 2020                       |                                 |                                  |                           |
|---|----------------------------|---------------------------------|----------------------------------|---------------------------|----------------------------|---------------------------------|----------------------------------|---------------------------|
|   | Maturing within            |                                 |                                  | Total<br>Thousand<br>Baht | Maturing within            |                                 |                                  | Total<br>Thousand<br>Baht |
|   | 1 year<br>Thousand<br>Baht | 1 - 5 years<br>Thousand<br>Baht | Over 5 years<br>Thousand<br>Baht |                           | 1 year<br>Thousand<br>Baht | 1 - 5 years<br>Thousand<br>Baht | Over 5 years<br>Thousand<br>Baht |                           |
| <b>Investment in securities measured at amortised cost</b>                        |                            |                                 |                                  |                           |                            |                                 |                                  |                           |
| Government bonds and State<br>Own Enterprise bonds*                               | 730,726                    | 8,725,241                       | 7,346,678                        | 16,802,645                | 6,269,460                  | 8,668,994                       | 8,180,560                        | 23,119,014                |
| Private enterprises securities  | 750,000                    | 1,965,828                       | -                                | 2,715,828                 | 1,000,000                  | 2,717,159                       | -                                | 3,717,159                 |
| Deposits at financial institutions with<br>original maturities more than 3 months | 1,000,000                  | 1,000,000                       | -                                | 2,000,000                 | 2,000,000                  | 2,000,000                       | -                                | 4,000,000                 |
| <b>Total</b>  | <b>2,480,726</b>           | <b>11,691,069</b>               | <b>7,346,678</b>                 | <b>21,518,473</b>         | <b>9,269,460</b>           | <b>13,386,153</b>               | <b>8,180,560</b>                 | <b>30,836,173</b>         |
| <b>Less Expected credit loss</b>  | <b>(444)</b>               | <b>(1,467)</b>                  | <b>(224)</b>                     | <b>(2,135)</b>            | <b>(483)</b>               | <b>(3,741)</b>                  | <b>(3,990)</b>                   | <b>(8,214)</b>            |
| <b>Total investment in securities<br/>measured at amortised cost</b>              | <b>2,480,282</b>           | <b>11,689,602</b>               | <b>7,346,454</b>                 | <b>21,516,338</b>         | <b>9,268,977</b>           | <b>13,382,412</b>               | <b>8,176,570</b>                 | <b>30,827,959</b>         |

\* As at 31 December 2021, government bonds amounting to Baht 20 million (2020: 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 37).

### 13.3 Investments designated at fair value through profit or loss

a) Amounts recognised in profit or loss

|   | 2021<br>Thousand<br>Baht | 2020<br>Thousand<br>Baht |
|---|--------------------------|--------------------------|
| Fair value gains (losses) on debt securities designated at fair value through profit or loss recognised in other gains/(losses) | (2,903)                  | 35,769                   |

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 2021 and 2020 are aged as follows:

|  | Cost                            |                                  |                            |                           |                                 |                                  |          |                           |
|--|---------------------------------|----------------------------------|----------------------------|---------------------------|---------------------------------|----------------------------------|----------|---------------------------|
|  | 2021                            |                                  |                            |                           | 2020                            |                                  |          |                           |
|  | Maturing within                 |                                  |                            | Total<br>Thousand<br>Baht | Maturing within                 |                                  |          | Total<br>Thousand<br>Baht |
| 1 year<br>Thousand<br>Baht   | 1 - 5 years<br>Thousand<br>Baht | Over 5 years<br>Thousand<br>Baht | 1 year<br>Thousand<br>Baht |                           | 1 - 5 years<br>Thousand<br>Baht | Over 5 years<br>Thousand<br>Baht |          |                           |
| <b>Investments designated at fair value through profit or loss</b>       |                                 |                                  |                            |                           |                                 |                                  |          |                           |
| Foreign securities   | 24,434                          | 68,521                           | -                          | 92,955                    | 24,272                          | 53,322                           | -        | 77,594                    |
| <u>Add</u> Unrealised gains on change in value of investments            | 7,712                           | 25,154                           | -                          | 32,866                    | 6,186                           | 29,583                           | -        | 35,769                    |
| <b>Total Investments designated at fair value through profit or loss</b> | <u>32,146</u>                   | <u>93,675</u>                    | <u>-</u>                   | <u>125,821</u>            | <u>30,458</u>                   | <u>82,905</u>                    | <u>-</u> | <u>113,363</u>            |

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**14 Loans and accrued interest income**

As at 31 December 2021 and 2020, the balance of loans and accrued interest are aged as follows:

|  | 2021                          |   |                               |   |                               |   | Total<br>Thousand<br>Baht |
|--|-------------------------------|---|-------------------------------|---|-------------------------------|---|---------------------------|
|  | Policy loans                  |   | Mortgage loans                |   | Total                         |   |                           |
|  | Principle<br>Thousand<br>Baht | Accrued<br>interest<br>Thousand<br>Baht | Principle<br>Thousand<br>Baht | Accrued<br>interest<br>Thousand<br>Baht | Principle<br>Thousand<br>Baht | Accrued<br>interest<br>Thousand<br>Baht |                           |
| <b>Outstanding periods</b>                     |                               |   |                               |   |                               |   |                           |
| Within credit terms                            | 8,307,815                     | 1,434,214                               | 5,876                         | 15                                      | 8,313,691                     | 1,434,229                               | 9,747,920                 |
| Overdue  |                               |   |                               |   |                               |   |                           |
| Less than 3 months                             | -                             | -                                       | 285                           | 1                                       | 285                           | 1                                       | 286                       |
| Over 3 - 6 months                              | -                             | -                                       | -                             | -                                       | -                             | -                                       | -                         |
| Over 6 - 12 months                             | -                             | -                                       | -                             | -                                       | -                             | -                                       | -                         |
| Over 12 months                                 | -                             | -                                       | 43,519                        | 4,003                                   | 43,519                        | 4,003                                   | 47,522                    |
| <b>Total</b>                                   | <b>8,307,815</b>              | <b>1,434,214</b>                        | <b>49,680</b>                 | <b>4,019</b>                            | <b>8,357,495</b>              | <b>1,438,233</b>                        | <b>9,795,728</b>          |
| <b>Less Allowance for expected credit loss</b> | <b>-</b>                      | <b>-</b>                                | <b>(43,562)</b>               | <b>(4,002)</b>                          | <b>(43,562)</b>               | <b>(4,002)</b>                          | <b>(47,564)</b>           |
| <b>Loans and accrued interests, net</b>        | <b>8,307,815</b>              | <b>1,434,214</b>                        | <b>6,118</b>                  | <b>17</b>                               | <b>8,313,933</b>              | <b>1,434,231</b>                        | <b>9,748,164</b>          |

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As at 31 December 2021 and 2020, the balance of loans and accrued interest are aged as follows: (Cont'd)

| Outstanding periods                            | 2020                          |   |                               |   |                               |   | Total<br>Thousand<br>Baht |
|--|-------------------------------|---|-------------------------------|---|-------------------------------|---|---------------------------|
|  | Policy loans                  |   | Mortgage loans                |   | Total                         |   |                           |
|  | Principle<br>Thousand<br>Baht | Accrued<br>interest<br>Thousand<br>Baht | Principle<br>Thousand<br>Baht | Accrued<br>interest<br>Thousand<br>Baht | Principle<br>Thousand<br>Baht | Accrued<br>interest<br>Thousand<br>Baht |                           |
| Within credit terms                            | 8,281,400                     | 1,471,925                               | 8,046                         | 17                                      | 8,289,446                     | 1,471,942                               | 9,761,388                 |
| Overdue  |                               |   |                               |   |                               |   |                           |
| Less than 3 months                             | -                             | -                                       | 431                           | 2                                       | 431                           | 2                                       | 433                       |
| Over 3 - 6 months                              | -                             | -                                       | 390                           | 26                                      | 390                           | 26                                      | 416                       |
| Over 6 - 12 months                             | -                             | -                                       | -                             | -                                       | -                             | -                                       | -                         |
| Over 12 months                                 | -                             | -                                       | 43,549                        | 4,006                                   | 43,549                        | 4,006                                   | 47,555                    |
| <b>Total</b>                                   | <b>8,281,400</b>              | <b>1,471,925</b>                        | <b>52,416</b>                 | <b>4,051</b>                            | <b>8,333,816</b>              | <b>1,475,976</b>                        | <b>9,809,792</b>          |
| <u>Less</u> Allowance for expected credit loss | -                             | -                                       | (43,840)                      | (4,005)                                 | (43,840)                      | (4,005)                                 | (47,845)                  |
| <b>Loans and accrued interests, net</b>        | <b>8,281,400</b>              | <b>1,471,925</b>                        | <b>8,576</b>                  | <b>46</b>                               | <b>8,289,976</b>              | <b>1,471,971</b>                        | <b>9,761,947</b>          |

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 2021, the Company had mortgage loans to staffs amounting to Baht 0.19 million (2020: Baht 0.86 million) with interest rates at 5% per annum (2020: 5% per annum) and were issued in accordance with the Company's welfare policy.

**15 Assets held to cover linked liabilities**

As at 31 December 2021 and 2020, details of assets held to cover linked liabilities are as follows:

|   | <b>2021</b>          | <b>2020</b>          |
|---|----------------------|----------------------|
|   | <b>Thousand Baht</b> | <b>Thousand Baht</b> |
| Investment in mutual fund - Debt securities | 209,191              | 167,236              |
| Investment in mutual fund - Equity          | 724,976              | 462,089              |
| Cash at bank for purchasing investment      | 9,168                | 3,519                |
| <b>Total</b>                                | <b>943,335</b>       | <b>632,844</b>       |

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

|   | <b>2021</b>          | <b>2020</b>          |
|---|----------------------|----------------------|
|   | <b>Thousand Baht</b> | <b>Thousand Baht</b> |
| Beginning balance of the year               | 632,844              | 464,825              |
| Additions                                   | 385,798              | 358,429              |
| Disposals                                   | (152,825)            | (153,438)            |
| Realised gain (loss)                        | 1,439                | (10,007)             |
| Unrealised gain (loss) in profit or loss    | 70,430               | (27,127)             |
| Cash at bank for purchasing investment unit | 5,649                | 162                  |
| <b>Ending balance of the year</b>           | <b>943,335</b>       | <b>632,844</b>       |

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**16 Premises and equipment, net**

As at 31 December 2021 and 2020, the balance of premises and equipment are as follows:

|                           | 2021                               |                            |                                       |                                    |                                 |                                    |                                       |                                       |                                    |                                 | Premises and equipment beginning balance<br>Thousand Baht | Premises and equipment ending balance<br>Thousand Baht |
|---------------------------|------------------------------------|----------------------------|---------------------------------------|------------------------------------|---------------------------------|------------------------------------|---------------------------------------|---------------------------------------|------------------------------------|---------------------------------|---|--|
|                           | Cost                               |                            |                                       |                                    |                                 | Accumulated depreciation           |                                       |                                       |                                    |                                 |   |  |
|                           | Beginning balance<br>Thousand Baht | Additions<br>Thousand Baht | Disposal / Write off<br>Thousand Baht | Transfer in (out)<br>Thousand Baht | Ending balance<br>Thousand Baht | Beginning balance<br>Thousand Baht | Depreciation charges<br>Thousand Baht | Disposal / Write off<br>Thousand Baht | Transfer in (out)<br>Thousand Baht | Ending balance<br>Thousand Baht |   |  |
| Land                      | 247,916                            | -                          | -                                     | -                                  | 247,916                         | -                                  | -                                     | -                                     | -                                  | -                               | 247,916   | 247,916  |
| Building                  | 504,546                            | -                          | -                                     | -                                  | 504,546                         | 360,082                            | 22,840                                | -                                     | -                                  | 382,922                         | 144,464   | 121,624  |
| Computer                  | 283,150                            | 5,489                      | (12,131)                              | -                                  | 276,508                         | 239,747                            | 20,039                                | (12,130)                              | -                                  | 247,656                         | 43,403  | 28,852   |
| Office equipment          | 157,870                            | 18,342                     | (12,055)                              | 5,027                              | 169,184                         | 120,660                            | 14,354                                | (11,777)                              | -                                  | 123,237                         | 37,210  | 45,947   |
| Furniture                 | 3,671                              | 691                        | (498)                                 | 61                                 | 3,925                           | 2,723                              | 355                                   | (457)                                 | -                                  | 2,621                           | 948   | 1,304  |
| Fitting                   | 350,937                            | 21,292                     | (10,337)                              | 49,980                             | 411,872                         | 236,303                            | 23,452                                | (7,405)                               | -                                  | 252,350                         | 114,634   | 159,522  |
| Vehicles                  | 1,030                              | -                          | (477)                                 | -                                  | 553                             | 1,030                              | -                                     | (477)                                 | -                                  | 553                             | -   | -  |
| Assets under installation | 56,170                             | -                          | (1,102)                               | (55,068)                           | -                               | -                                  | -                                     | -                                     | -                                  | -                               | 56,170  | -  |
| <b>Total</b>              | <b>1,605,290</b>                   | <b>45,814</b>              | <b>(36,600)</b>                       | <b>-</b>                           | <b>1,614,504</b>                | <b>960,545</b>                     | <b>81,040</b>                         | <b>(32,246)</b>                       | <b>-</b>                           | <b>1,009,339</b>                | <b>644,745</b>  | <b>605,165</b>   |

|                           | 2020                               |                            |                                       |                                    |                                 |                                    |                                       |                                       |                                    |                                 | Premises and equipment beginning balance<br>Thousand Baht | Premises and equipment ending balance<br>Thousand Baht |
|---------------------------|------------------------------------|----------------------------|---------------------------------------|------------------------------------|---------------------------------|------------------------------------|---------------------------------------|---------------------------------------|------------------------------------|---------------------------------|---|--|
|                           | Cost                               |                            |                                       |                                    |                                 | Accumulated depreciation           |                                       |                                       |                                    |                                 |   |  |
|                           | Beginning balance<br>Thousand Baht | Additions<br>Thousand Baht | Disposal / Write off<br>Thousand Baht | Transfer in (out)<br>Thousand Baht | Ending balance<br>Thousand Baht | Beginning balance<br>Thousand Baht | Depreciation charges<br>Thousand Baht | Disposal / Write off<br>Thousand Baht | Transfer in (out)<br>Thousand Baht | Ending balance<br>Thousand Baht |   |  |
| Land                      | 247,916                            | -                          | -                                     | -                                  | 247,916                         | -                                  | -                                     | -                                     | -                                  | -                               | 247,916   | 247,916  |
| Building                  | 504,546                            | -                          | -                                     | -                                  | 504,546                         | 337,242                            | 22,840                                | -                                     | -                                  | 360,082                         | 167,304   | 144,464  |
| Computer                  | 296,461                            | 15,933                     | (29,244)                              | -                                  | 283,150                         | 242,294                            | 26,668                                | (29,215)                              | -                                  | 239,747                         | 54,167  | 43,403   |
| Office equipment          | 157,600                            | 29,736                     | (30,079)                              | 613                                | 157,870                         | 139,692                            | 9,906                                 | (28,938)                              | -                                  | 120,660                         | 17,908  | 37,210   |
| Furniture                 | 3,763                              | 726                        | (818)                                 | -                                  | 3,671                           | 3,385                              | 156                                   | (818)                                 | -                                  | 2,723                           | 378   | 948  |
| Fitting                   | 316,989                            | 110,241                    | (79,246)                              | 2,953                              | 350,937                         | 290,099                            | 16,365                                | (70,161)                              | -                                  | 236,303                         | 26,890  | 114,634  |
| Vehicles                  | 1,030                              | -                          | -                                     | -                                  | 1,030                           | 924                                | 106                                   | -                                     | -                                  | 1,030                           | 106   | -  |
| Assets under installation | 3,566                              | 56,170                     | -                                     | (3,566)                            | 56,170                          | -                                  | -                                     | -                                     | -                                  | -                               | 3,566   | 56,170   |
| <b>Total</b>              | <b>1,531,871</b>                   | <b>212,806</b>             | <b>(139,387)</b>                      | <b>-</b>                           | <b>1,605,290</b>                | <b>1,013,636</b>                   | <b>76,041</b>                         | <b>(129,132)</b>                      | <b>-</b>                           | <b>960,545</b>                  | <b>518,235</b>  | <b>644,745</b>   |

As at 31 December 2021, the gross carrying amount of the fully depreciated assets still in use are Baht 559 million (2020: Baht 556 million).

**17 Right-of-use assets**

As at 31 December 2021 and 2020, the balance of right-of-use assets are as follows:

|   | <b>Building and<br/>improvement<br/>Thousand<br/>Baht</b> | <b>Others<br/>Thousand<br/>Baht</b> | <b>Total<br/>Thousand<br/>Baht</b> |
|---|---|-------------------------------------|------------------------------------|
| <b>At 1 January 2021</b>                          |   |                                     |                                    |
| 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>                     |
| <b>For the year ended 31 December 2021</b>        |   |                                     |                                    |
| Beginning net book amount<br>as of 1 January 2021 | 563,943   | 11,426                              | 575,369                            |
| Additions   | 17,897  | 427                                 | 18,324                             |
| Write-off   | (25,185)  | (856)                               | (26,041)                           |
| Amortisation charge                               | (75,104)  | (2,932)                             | (78,036)                           |
| Net closing net book amount                       | <u>481,551</u>  | <u>8,065</u>                        | <u>489,616</u>                     |
| <b>At 31 December 2021</b>                        |   |                                     |                                    |
| Cost  | 666,534   | 12,157                              | 678,691                            |
| <u>Less</u> Accumulated amortisation              | (184,983)   | (4,092)                             | (189,075)                          |
| Net book amount                                   | <u>481,551</u>  | <u>8,065</u>                        | <u>489,616</u>                     |



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18 Intangible assets, net

Intangible assets as at 31 December 2021 and 2020 comprise of:

|                           | 2021                               |                            |                                       |                                    |                                 | 2020                               |                                       |                                     |                                    |                                 | Intangible assets beginning balance<br>Thousand Baht | Intangible assets ending balance<br>Thousand Baht |
|---------------------------|------------------------------------|----------------------------|---------------------------------------|------------------------------------|---------------------------------|------------------------------------|---------------------------------------|-------------------------------------|------------------------------------|---------------------------------|--|---|
|                           | Cost                               |                            |                                       |                                    |                                 | Accumulated Amortization           |                                       |                                     |                                    |                                 |  |   |
|                           | Beginning balance<br>Thousand Baht | Additions<br>Thousand Baht | Disposal / Write off<br>Thousand Baht | Transfer in (out)<br>Thousand Baht | Ending balance<br>Thousand Baht | Beginning balance<br>Thousand Baht | Amortisation charges<br>Thousand Baht | Disposal/ transfer<br>Thousand Baht | Transfer in (out)<br>Thousand Baht | Ending balance<br>Thousand Baht |  |   |
| <u>Developed in-house</u> |                                    |                            |                                       |                                    |                                 |                                    |                                       |                                     |                                    |                                 |  |   |
| Computer software         | 526,944                            | 79,980                     | (7,220)                               | 26,348                             | 626,052                         | 284,501                            | 104,923                               | (6,262)                             | -                                  | 383,162                         | 242,443  | 242,890   |
| Work-in-process           | 33,895                             | 8,352                      | (54)                                  | (32,751)                           | 9,442                           | -                                  | -                                     | -                                   | -                                  | -                               | 33,895   | 9,442   |
| <b>Total</b>              | <b>560,839</b>                     | <b>88,332</b>              | <b>(7,274)</b>                        | <b>(6,403)</b>                     | <b>635,494</b>                  | <b>284,501</b>                     | <b>104,923</b>                        | <b>(6,262)</b>                      | <b>-</b>                           | <b>383,162</b>                  | <b>276,338</b>                                       | <b>252,332</b>                                    |
| <u>Buying</u>             |                                    |                            |                                       |                                    |                                 |                                    |                                       |                                     |                                    |                                 |  |   |
| Computer software         | 233,849                            | 146                        | (334)                                 | 6,403                              | 240,064                         | 128,279                            | 19,721                                | (241)                               | -                                  | 147,759                         | 105,570  | 92,305  |
| <b>Total</b>              | <b>233,849</b>                     | <b>146</b>                 | <b>(334)</b>                          | <b>6,403</b>                       | <b>240,064</b>                  | <b>128,279</b>                     | <b>19,721</b>                         | <b>(241)</b>                        | <b>-</b>                           | <b>147,759</b>                  | <b>105,570</b>                                       | <b>92,305</b>                                     |
| Right to utilise benefits | 370,000                            | 600,000                    | -                                     | -                                  | 970,000                         | 370,000                            | 120,000                               | -                                   | -                                  | 490,000                         | -  | 480,000   |
| <b>Grand total</b>        | <b>1,164,688</b>                   | <b>688,478</b>             | <b>(7,608)</b>                        | <b>-</b>                           | <b>1,845,558</b>                | <b>782,780</b>                     | <b>244,644</b>                        | <b>(6,503)</b>                      | <b>-</b>                           | <b>1,020,921</b>                | <b>381,908</b>                                       | <b>824,637</b>                                    |

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Intangible assets as at 31 December 2021 and 2020 comprise of: (Cont'd)

|                           | 2020                               |                            |                                       |                                    |                                 |                                    |                                       |                                     |                                    |                                 |  |   |
|---------------------------|------------------------------------|----------------------------|---------------------------------------|------------------------------------|---------------------------------|------------------------------------|---------------------------------------|-------------------------------------|------------------------------------|---------------------------------|--|---|
|                           | Cost                               |                            |                                       |                                    |                                 | Accumulated Amortization           |                                       |                                     |                                    |                                 | Intangible assets beginning balance<br>Thousand Baht | Intangible assets ending balance<br>Thousand Baht |
|                           | Beginning balance<br>Thousand Baht | Additions<br>Thousand Baht | Disposal / Write off<br>Thousand Baht | Transfer in (out)<br>Thousand Baht | Ending balance<br>Thousand Baht | Beginning balance<br>Thousand Baht | Amortisation charges<br>Thousand Baht | Disposal/ transfer<br>Thousand Baht | Transfer in (out)<br>Thousand Baht | Ending balance<br>Thousand Baht |  |   |
| <u>Developed in-house</u> |                                    |                            |                                       |                                    |                                 |                                    |                                       |                                     |                                    |                                 |  |   |
| 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  |
| <b>Total</b>              | <b>486,648</b>                     | <b>89,519</b>              | <b>(14,112)</b>                       | <b>(1,216)</b>                     | <b>560,839</b>                  | <b>201,654</b>                     | <b>87,920</b>                         | <b>(5,073)</b>                      | <b>-</b>                           | <b>284,501</b>                  | <b>284,994</b>                                       | <b>276,338</b>                                    |
| <u>Buying</u>             |                                    |                            |                                       |                                    |                                 |                                    |                                       |                                     |                                    |                                 |  |   |
| Computer software         | 244,930                            | 5,923                      | (18,220)                              | 1,216                              | 233,849                         | 125,987                            | 19,708                                | (17,416)                            | -                                  | 128,279                         | 118,943  | 105,570   |
| <b>Total</b>              | <b>244,930</b>                     | <b>5,923</b>               | <b>(18,220)</b>                       | <b>1,216</b>                       | <b>233,849</b>                  | <b>125,987</b>                     | <b>19,708</b>                         | <b>(17,416)</b>                     | <b>-</b>                           | <b>128,279</b>                  | <b>118,943</b>                                       | <b>105,570</b>                                    |
| Right to utilise benefits | 370,000                            | -                          | -                                     | -                                  | 370,000                         | 246,666                            | 123,334                               | -                                   | -                                  | 370,000                         | 123,334  | -   |
| <b>Grand total</b>        | <b>1,101,578</b>                   | <b>95,442</b>              | <b>(32,332)</b>                       | <b>-</b>                           | <b>1,164,688</b>                | <b>574,307</b>                     | <b>230,962</b>                        | <b>(22,489)</b>                     | <b>-</b>                           | <b>782,780</b>                  | <b>527,271</b>                                       | <b>381,908</b>                                    |

**Allianz Ayudhya Assurance Public Company Limited**  
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**19 Deferred income tax**

As at 31 December 2021 and 2020, deferred tax assets and liabilities are as follows:

|  | 2021               | (Restated)<br>2020 |
|--|--------------------|--------------------|
|  | Thousand Baht      | Thousand Baht      |
| <b>Deferred tax assets:</b>                                    |                    |                    |
| Deferred tax asset to be recovered within 12 months            | 254,653            | 266,390            |
| Deferred tax asset to be recovered after more than 12 months   | 1,339,687          | 1,201,240          |
|  | <u>1,594,340</u>   | <u>1,467,630</u>   |
| <b>Deferred tax liabilities:</b>                               |                    |                    |
| Deferred tax liability to be settled within 12 months          | (276,603)          | (415,318)          |
| Deferred tax liability to be settled after more than 12 months | (2,695,347)        | (4,358,294)        |
|  | <u>(2,971,950)</u> | <u>(4,773,612)</u> |
| <b>Deferred tax liabilities - net</b>                          | <u>(1,377,610)</u> | <u>(3,305,982)</u> |

Deferred income tax is calculating from liability method on temporary differences and using tax rate of 20 percent (2020: 20 percent).

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

|   | 2021   |  |   |  |
|---|--|--|---|--|
|   | As at<br>1 January<br>2021<br>Thousand<br>Baht | Increase<br>(decrease) in<br>profit (loss)<br>Thousand<br>Baht | Increase<br>(decrease)<br>in other<br>comprehensive<br>income<br>Thousand<br>Baht | As at<br>31 December<br>2021<br>Thousand<br>Baht |
| <b>Deferred tax assets</b>                |  |  |   |  |
| Allowance for doubtful accounts           | 97,722   | (21,577)   | -   | 76,145   |
| Provisions                                | 168,668  | 9,840  | -   | 178,508  |
| Insurance reserves                        | 437,063  | (73,589)   | -   | 363,474  |
| Employee benefit obligations              | 134,725  | 7,108  | (11,419)  | 130,414  |
| Unrealised loss on derivative instruments | 43,906   | -  | 1,563   | 45,469   |
| Cost of Hedge                             | 45,944   | -  | (24,193)  | 21,751   |
| Unrealised loss on FVOCI investments      | 96,718   | -  | 224,470   | 321,188  |
| Allowance for impairment                  | 288,977  | 64,663   | -   | 353,640  |
| Expected Credit Losses                    | 2,875  | (1,079)  | (1,341)   | 455  |
| Lease liabilities                         | 117,794  | (14,498)   | -   | 103,296  |
| Impact from shadow accounting adoption    | 33,238   | -  | (33,238)  | -  |
| <b>Total</b>                              | <u>1,467,630</u>                               | <u>(29,132)</u>  | <u>155,842</u>  | <u>1,594,340</u>                                 |
| <b>Deferred tax liabilities</b>           |  |  |   |  |
| Unrealised gain on derivative instruments | (123,297)                                      | -  | 115,075   | (8,222)  |
| Cost of Hedge                             | (9,143)  | -  | (17,863)  | (27,006)   |
| Unrealised gain on FVOCI investments      | (4,102,922)                                    | -  | 1,572,935   | (2,529,987)                                      |
| Premium due and uncollected               | (415,318)                                      | 138,715  | -   | (276,603)  |
| Right of use assets                       | (115,074)                                      | 17,151   | -   | (97,923)   |
| Impact from shadow accounting adjustments | -  | -  | (28,460)  | (28,460)   |
| Others                                    | (7,858)  | 4,109  | -   | (3,749)  |
| <b>Total</b>                              | <u>(4,773,612)</u>                             | <u>159,975</u>   | <u>1,641,687</u>  | <u>(2,971,950)</u>                               |
| <b>Net</b>                                | <u>(3,305,982)</u>                             | <u>130,843</u>   | <u>1,797,529</u>  | <u>(1,377,610)</u>                               |

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|   | 2020 (Restated)                                |  |   |  |
|---|--|--|---|--|
|   | As at<br>1 January<br>2020<br>Thousand<br>Baht | Increase<br>(decrease) in<br>profit (loss)<br>Thousand<br>Baht | Increase<br>(decrease)<br>in other<br>comprehensive<br>income<br>Thousand<br>Baht | As at<br>31 December<br>2020<br>Thousand<br>Baht |
| <b>Deferred tax assets</b>                |  |  |   |  |
| 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 FVOCI 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  |
| Impact from shadow accounting adjustments | -  | -  | 33,238  | 33,238   |
| <b>Total</b>                              | <b>878,014</b>                                 | <b>389,752</b>   | <b>199,864</b>  | <b>1,467,630</b>                                 |
| <b>Deferred tax liabilities</b>           |  |  |   |  |
| Unrealised gain on derivative instruments | (179,665)                                      | -  | 56,368  | (123,297)  |
| Cost of Hedge                             | (40,011)                                       | -  | 30,868  | (9,143)  |
| Unrealised gain on FVOCI 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)  |
| <b>Total</b>                              | <b>(4,672,066)</b>                             | <b>(248,335)</b>   | <b>146,789</b>  | <b>(4,773,612)</b>                               |
| <b>Net</b>                                | <b>(3,794,052)</b>                             | <b>141,417</b>   | <b>346,653</b>  | <b>(3,305,982)</b>                               |

**20 Other assets**

Other assets as at 31 December 2021 and 2020 comprise:

|   | 2021<br>Thousand Baht | 2020<br>Thousand Baht |
|---|-----------------------|-----------------------|
| Cash collateral from derivative contracts | 1,328,818             | 351,700               |
| Other account receivables                 | 66,699                | 128,515               |
| <u>Less</u> Expected Credit Losses        | (60)                  | (512)                 |
| Net other account receivables             | 66,639                | 128,003               |
| Prepaid expenses                          | 65,341                | 62,709                |
| Others                                    | 68,004                | 72,540                |
| <b>Total</b>                              | <b>1,528,802</b>      | <b>614,952</b>        |

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

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**21 Insurance contract liabilities**

|  | 2021  |   |                      | 2020  |   |                      |
|--|---|---|----------------------|---|---|----------------------|
|  | Insurance contract liabilities<br>Thousand Baht | Liabilities recovered from reinsurance<br>Thousand Baht | Net<br>Thousand Baht | Insurance contract liabilities<br>Thousand Baht | Liabilities recovered from reinsurance<br>Thousand Baht | Net<br>Thousand Baht |
| Long-term technical reserves               | 172,611,811                                     | -   | 172,611,811          | 170,363,700                                     | -   | 170,363,700          |
| Short-term technical reserves              |   |   |                      |   |   |                      |
| Loss reserves and outstanding claims       |   |   |                      |   |   |                      |
| - Reported claims                          | 442,586   | -   | 442,586              | 341,109   | -   | 341,109              |
| - Claims incurred but not reported         | 386,065   | -   | 386,065              | 301,426   | -   | 301,426              |
| Total Loss reserves and outstanding claims | 828,651   | -   | 828,651              | 642,535   | -   | 642,535              |
| Unearned premium reserves                  | 3,561,853                                       | -   | 3,561,853            | 3,402,310                                       | -   | 3,402,310            |
| Total short-term technical reserves        | 4,390,504                                       | -   | 4,390,504            | 4,044,845                                       | -   | 4,044,845            |
| Unpaid policy benefits                     | 5,427,296                                       | -   | 5,427,296            | 5,181,980                                       | -   | 5,181,980            |
| Due to insured                             | 1,482,790                                       | -   | 1,482,790            | 1,280,681                                       | -   | 1,280,681            |
| Total                                      | 183,912,401                                     | -   | 183,912,401          | 180,871,206                                     | -   | 180,871,206          |

**21.1 Long-term technical reserves**

|   | 2021<br>Thousand Baht | 2020<br>Thousand Baht |
|---|-----------------------|-----------------------|
| Beginning balances for the year   | 170,363,700           | 167,709,402           |
| Reserves increased from new and inforce policies in the year  | 19,011,957            | 18,935,798            |
| Reserves released for benefits payment under insurance policies, lapse and cancelled policies in the year | (16,763,846)          | (16,281,500)          |
| Change in assumption  | -                     | -                     |
| Closing balances at the end of year   | 172,611,811           | 170,363,700           |

The assumptions used in actuarial estimation are as follows;

|   | 2021<br>%  | 2020<br>%  |
|---|--|--|
| 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                                      |

## 21.2 Short-term technical reserves

### 21.2.1 Loss reserves and outstanding claims

The movement details are as follows:

|                                     | 2021<br>Thousand Baht | 2020<br>Thousand Baht |
|-------------------------------------|-----------------------|-----------------------|
| Beginning balances for the year     | 642,535               | 545,886               |
| Claims incurred during the year     | 5,176,596             | 4,909,414             |
| Claims paid during the year         | (4,990,480)           | (4,812,765)           |
| Closing balances at the end of year | <u>828,651</u>        | <u>642,535</u>        |

### 21.2.2 Aging of claim liabilities' repayment

|                                  | 2021<br>Thousand Baht | 2020<br>Thousand Baht |
|----------------------------------|-----------------------|-----------------------|
| Expected repayment within 1 year | 828,651               | 642,535               |
| Expected repayment after 1 year  | -                     | -                     |
| Total                            | <u>828,651</u>        | <u>642,535</u>        |

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

|                     | Change in<br>Assumptions<br>% | Impact to<br>claim reserve<br>and unallocated<br>loss adjustment<br>expense<br>Thousand<br>Baht | Impact on<br>profit (loss)<br>Thousand<br>Baht | Impact on<br>equity<br>Thousand<br>Baht |
|---------------------|-------------------------------|---|--|---|
| Expected loss ratio | 0.5%<br>(0.5%)                | 168,064<br>(129,220)  | (168,064)<br>129,220                           | (168,064)<br>129,220                    |

### 21.2.4 Claim Development Table

#### 21.2.4.1 Claim development table before and net of reinsurance

| Incident Year /<br>Reported Year     | Unit: Thousand Baht |             |             |              |              |               |                | Total          |
|--------------------------------------|---------------------|-------------|-------------|--------------|--------------|---------------|----------------|----------------|
|                                      | 2015                | 2016        | 2017        | 2018         | 2019         | 2020          | 2021           |                |
| Estimated claim:                     |                     |             |             |              |              |               |                |                |
| - At the end of the year             | 2,215,346           | 2,645,318   | 4,326,819   | 4,872,643    | 5,183,306    | 4,545,020     | 4,520,414      |                |
| - After 1 year                       | 110,136             | 107,259     | 193,886     | 210,995      | 245,138      | 257,494       | -              |                |
| - After 2 years                      | 7,572               | 7,956       | 4,751       | 10,621       | 5,279        | -             | -              |                |
| - After 3 years                      | 3,824               | 2,282       | 3,230       | 2,245        | -            | -             | -              |                |
| - After 4 years                      | 365                 | 463         | 779         | -            | -            | -             | -              |                |
| - After 5 years                      | 1,303               | 366         | -           | -            | -            | -             | -              |                |
| - After 6 years                      | 219                 | -           | -           | -            | -            | -             | -              |                |
| Ultimate claim                       | 2,338,802           | 2,763,916   | 4,529,893   | 5,097,737    | 5,438,672    | 4,816,986     | 5,327,674      | 30,313,680     |
| Cumulative claim paid                | (2,338,765)         | (2,763,644) | (4,529,465) | (5,096,504)  | (5,433,723)  | (4,802,514)   | (4,520,414)    | (29,485,029)   |
|                                      | <u>37</u>           | <u>272</u>  | <u>428</u>  | <u>1,233</u> | <u>4,949</u> | <u>14,472</u> | <u>807,260</u> | <u>828,651</u> |
| Other claim                          |                     |             |             |              |              |               |                |                |
| Claim liabilities before reinsurance |                     |             |             |              |              |               |                | 828,651        |
| Claim recoveries                     |                     |             |             |              |              |               |                | -              |
| Claim liabilities after reinsurance  |                     |             |             |              |              |               |                | <u>828,651</u> |

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21.2.5 Unearned premium reserve

|                                     | <b>2021</b>          | <b>2020</b>          |
|-------------------------------------|----------------------|----------------------|
|                                     | <b>Thousand Baht</b> | <b>Thousand Baht</b> |
| Beginning balances for the year     | 3,402,310            | 3,142,261            |
| Premiums written for the year       | 10,417,332           | 10,136,043           |
| Premiums earned in the year         | <u>(10,257,789)</u>  | <u>(9,875,994)</u>   |
| Closing balances at the end of year | <u>3,561,853</u>     | <u>3,402,310</u>     |

21.2.6 Unexpired risk reserve

No reserve for unexpired risks was established as at 31 December 2021 as the unexpired risk reserve estimated by the Company of Baht 2,512 million (2020: Baht 2,354 million) was lower than the unearned premium reserve.

**21.3 Unpaid policy benefits**

|                | <b>2021</b>          | <b>2020</b>          |
|----------------|----------------------|----------------------|
|                | <b>Thousand Baht</b> | <b>Thousand Baht</b> |
| Death benefits | 177,631              | 93,704               |
| Dividend       | 4,172,640            | 4,199,520            |
| Others         | <u>1,077,025</u>     | <u>888,756</u>       |
| Total          | <u>5,427,296</u>     | <u>5,181,980</u>     |

**21.4 Due to insured**

|                                       | <b>2021</b>          | <b>2020</b>          |
|---------------------------------------|----------------------|----------------------|
|                                       | <b>Thousand Baht</b> | <b>Thousand Baht</b> |
| Uncashed cheques                      | 997,352              | 793,840              |
| Premiums received during underwriting | 485,279              | 486,680              |
| Others                                | <u>159</u>           | <u>161</u>           |
| Total                                 | <u>1,482,790</u>     | <u>1,280,681</u>     |

**22 Investment contract liabilities**

|   | <b>2021</b>          | <b>2020</b>          |
|---|----------------------|----------------------|
|   | <b>Thousand Baht</b> | <b>Thousand Baht</b> |
| Investment contract liabilities with discretionary participation features | 3,362,975            | 3,384,179            |
| Unit-linked contract liabilities  | <u>943,335</u>       | <u>632,844</u>       |
| Total   | <u>4,306,310</u>     | <u>4,017,023</u>     |

Investment contract liabilities with discretionary participation features

|   | <b>2021</b>          | <b>2020</b>          |
|---|----------------------|----------------------|
|   | <b>Thousand Baht</b> | <b>Thousand Baht</b> |
| Beginning balance for the year  | 3,384,179            | 3,276,981            |
| Reserves increased from in-force policies in the year                                 | 190,354              | 192,568              |
| Reserves released for benefits payment, lapse, and cancelled policies during the year | <u>(211,558)</u>     | <u>(85,370)</u>      |
| Closing balance at the end of year  | <u>3,362,975</u>     | <u>3,384,179</u>     |

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**23 Amount due to reinsurers**

|                             | <b>2021</b>          | <b>2020</b>          |
|-----------------------------|----------------------|----------------------|
|                             | <u>Thousand Baht</u> | <u>Thousand Baht</u> |
| Due to reinsurers (Note 36) | 627,870              | 557,240              |
| Total                       | <u>627,870</u>       | <u>557,240</u>       |

**24 Accrued expenses**

|                                 | <b>2021</b>          | <b>2020</b>          |
|---------------------------------|----------------------|----------------------|
|                                 | <u>Thousand Baht</u> | <u>Thousand Baht</u> |
| Accrued commission expenses     | 407,153              | 431,819              |
| Accrued production cost         | 834,840              | 759,585              |
| Accrued administration expenses | 226,154              | 344,781              |
| Accrued agency overhead         | 502,817              | 500,084              |
| Others                          | 76,803               | 109,073              |
| Total                           | <u>2,047,767</u>     | <u>2,145,342</u>     |

**25 Employee benefits**

|  | <b>2021</b>          | <b>2020</b>          |
|--|----------------------|----------------------|
|  | <u>Thousand Baht</u> | <u>Thousand Baht</u> |
| <b>Statement of Financial Position</b> |                      |                      |
| Short - term employee benefits         | 261,965              | 234,069              |
| Long - term employee benefits          | 97,509               | 93,290               |
| Retirement benefits                    | 378,360              | 427,178              |
| Employment benefit obligation          | <u>737,834</u>       | <u>754,537</u>       |

**25.1 Employee benefits obligation**

The amounts recognised in profit or loss are as follows:

|  | <b>2021</b>          | <b>2020</b>          |
|--|----------------------|----------------------|
|  | <u>Thousand Baht</u> | <u>Thousand Baht</u> |
| <u>Defined benefits obligation</u>                       |                      |                      |
| Prior year service costs                                 | (9,181)              | -                    |
| Current service costs                                    | 39,166               | 27,476               |
| Interest cost  | 5,379                | 12,303               |
| Total expenses   | <u>35,364</u>        | <u>39,779</u>        |
| <u>Commitment from defined benefit plans</u>             |                      |                      |
| Present value of employee benefits obligations           | <u>378,360</u>       | <u>427,178</u>       |
| <u>Changes in the present value of employee benefits</u> |                      |                      |
| As at 1 January  | 427,178              | 319,242              |
| Prior year service costs                                 | (9,181)              | -                    |
| Current service costs                                    | 39,166               | 27,476               |
| Interest cost  | 5,379                | 12,303               |
| <u>Less</u> Benefits paid                                | (27,088)             | (6,324)              |
| <u>Less</u> Curtailments during the year                 | -                    | (52,920)             |
| Loss on actuarial remeasurement                          | (57,094)             | 127,401              |
| As at 31 December  | <u>378,360</u>       | <u>427,178</u>       |



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

|                                  | <u>2021</u>   | <u>2020</u>   |
|----------------------------------|---------------|---------------|
| Discount rate (per annum)        | 0.52% - 3.44% | 0.39% - 2.89% |
| Salary increase rate (per annum) | 4.0% - 9.0%   | 4.0% - 9.0%   |
| Retirement ages (years)          | 60            | 60            |
| Turnover rate                    | 0.0% - 14.0%  | 0.0% - 14.0%  |

Sensitivity analysis on key assumptions changes are as follows:

|                      | Change in assumptions |            | Impact on employees benefits obligation |               |                        |               |
|----------------------|-----------------------|------------|---|---------------|------------------------|---------------|
|                      |                       |            | Increase in assumption                  |               | Decrease in assumption |               |
|                      | 2021                  | 2020       | 2021                                    | 2020          | 2021                   | 2020          |
|                      | Percentage            | Percentage | Thousand Baht                           | Thousand Baht | Thousand Baht          | Thousand Baht |
| Discount rate        | 0.5%                  | 0.5%       | (18,882)                                | (21,936)      | 20,304                 | 23,615        |
| Salary increase rate | 0.25%                 | 0.25%      | 13,275                                  | 15,180        | (12,899)               | (14,726)      |
| Turnover rate        | 1.0%                  | 1.0%       | (22,074)                                | (26,410)      | 24,555                 | 29,491        |

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>2021</u> | <u>2020</u> |
|--|-------------|-------------|
| Weighted average duration of the defined benefit obligation (years)            | 11.6        | 15.3        |
| Maturity analysis of undiscounted benefits expected to be paid (Thousand Baht) |             |             |
| Benefits expected to be paid within 1 year                                     | 10,584      | 31,840      |
| Benefits expected to be paid between 1 - 5 years                               | 90,406      | 76,751      |
| Benefits expected to be paid more than 5 years                                 | 1,053,350   | 1,108,282   |

## 25.2 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 2021 and 2020, there was a share-based compensation plan to employee. The details are as below:

### Employee Stock Purchase Plan (ESPP)

The Company had arranged Employee Stock Purchase Plan (ESPP) to offer Allianz SE shares to entitled Company staff. The ESPP 2021 was offered to entitled Allianz employees all across the world, in 42 countries. The offer provides additional 1 Euro on top for every 3 Euro that had been invested by the employees. The shares have a three-year restriction period for not transferring or selling.

During the year ended 31 December 2021, the total Company's contribution under this plan was Baht 3.92 million (2020: Baht 3.97 million).

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.

|                           | <b>RSU</b>       |                  |
|---------------------------|------------------|------------------|
|                           | <b>2021</b>      | <b>2020</b>      |
|                           | <b>Number of</b> | <b>Number of</b> |
|                           | <b>shares</b>    | <b>shares</b>    |
| As at 1 January           | 16,297           | 8,789            |
| Granted/Transferred in    | 5,143            | 10,625           |
| Exercised                 | (4,057)          | (3,117)          |
| Forfeited/Transferred out | (97)             | -                |
| As at 31 December         | <u>17,286</u>    | <u>16,297</u>    |

The total recognised compensation in other employee benefits for the year ended 31 December 2021 amounting to Baht 38 million (2020: Baht 32 million) and the total compensation liabilities under "Employee benefits" amounting to Baht 86 million (2020: Baht 81 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.

**25.3 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.

**26 Provisions**

During the year ended 31 December 2021, a lawsuit has been brought against the Company, as insurer. The Company has reviewed the case and expected that it is probable to be lost. A provision was set up accordingly amounting to Baht 131 million.

**27 Other liabilities**

|  | <b>2021</b>          | <b>2020</b>          |
|--|----------------------|----------------------|
|  | <b>Thousand Baht</b> | <b>Thousand Baht</b> |
| Cash collateral from derivative contract | 54,700               | 957,800              |
| Other creditors                          | 189,757              | 305,436              |
| Lease liabilities                        | 516,481              | 588,971              |
| Others                                   | 228,952              | 235,083              |
| Total                                    | <u>989,890</u>       | <u>2,087,290</u>     |

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

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The maturity analysis of lease liabilities are aged as follows:

|                        | <b>2021</b>     | <b>2020</b>     |
|------------------------|-----------------|-----------------|
|                        | <b>Thousand</b> | <b>Thousand</b> |
|                        | <b>Baht</b>     | <b>Baht</b>     |
| <b>Maturing</b>        |                 |                 |
| Within 1 year          | 65,121          | 73,048          |
| Between 1 to 2 years   | 69,144          | 73,717          |
| Between 2 to 3 years   | 70,833          | 75,827          |
| Between 3 to 4 years   | 67,467          | 71,335          |
| Between 4 to 5 years   | 69,649          | 61,282          |
| Later than 5 years     | 174,267         | 233,762         |
| <b>Total</b>           | <b>516,481</b>  | <b>588,971</b>  |
| Including: - Principal | 574,316         | 640,435         |
| - Interest             | (57,835)        | (51,464)        |

For the year ended 31 December 2021, interest expense on lease liabilities amounted to Baht 16.26 million (2020: Baht 8.95 million) is recorded as "Finance cost" in the statement of comprehensive income.

## **28 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.

## **29 Dividends**

At the annual general meeting of the shareholders of the Company held on 22 April 2021, the shareholders approved the appropriation of dividend payment of Baht 7.49 per share, on 295 million shares, amounting to Baht 2,209.55 million and the dividend payment was made on 28 June 2021. (2020: 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).

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**30 Net investment income**

|                            | <b>Note</b> | <b>2021</b><br><b>Thousand Baht</b> | <b>2020</b><br><b>Thousand Baht</b> |
|----------------------------|-------------|-------------------------------------|-------------------------------------|
| <b>Dividend income</b>     |             |                                     |                                     |
| Other related parties      |             | 319,857                             | 4,346                               |
| Other parties              |             | 1,399,801                           | 923,531                             |
|                            |             | <u>1,719,658</u>                    | <u>927,877</u>                      |
| <b>Interest income</b>     |             |                                     |                                     |
| Other related parties      | 36          | 1,780                               | 2,455                               |
| Other parties              |             | 5,936,146                           | 6,288,813                           |
|                            |             | <u>5,937,926</u>                    | <u>6,291,268</u>                    |
| <b>Investment expenses</b> |             | <u>(174,654)</u>                    | <u>(120,139)</u>                    |
| <b>Total</b>               |             | <u>7,482,930</u>                    | <u>7,099,006</u>                    |

**31 Operating expenses**

|  | <b>2021</b><br><b>Thousand Baht</b> | <b>2020</b><br><b>Thousand Baht</b> |
|--|-------------------------------------|-------------------------------------|
| Employee expenses not relating to underwriting expenses and loss adjustment expenses (Note 32) | 1,176,597                           | 1,250,298                           |
| Property and equipment expenses not relating to underwriting expenses                          | 540,984                             | 459,419                             |
| Tax expenses   | 195,361                             | 226,523                             |
| Bad debt and doubtful debt expenses (Reversal)   | (98,057)                            | 290,833                             |
| Other operating expenses   | 662,388                             | 484,727                             |
| <b>Total</b>   | <u>2,477,273</u>                    | <u>2,711,800</u>                    |

**32 Employee expenses**

|                                | <b>2021</b><br><b>Thousand Baht</b> | <b>2020</b><br><b>Thousand Baht</b> |
|--------------------------------|-------------------------------------|-------------------------------------|
| Salary and wages               | 1,379,427                           | 1,452,884                           |
| Social securities              | 7,538                               | 9,861                               |
| Provident fund                 | 66,564                              | 67,836                              |
| Other employee benefits        | 275,186                             | 301,626                             |
| <b>Total employee expenses</b> | <u>1,728,715</u>                    | <u>1,832,207</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.

**33 Expected credit losses**

|  | <b>2021</b>          | <b>2020</b>          |
|--|----------------------|----------------------|
|  | <b>Thousand Baht</b> | <b>Thousand Baht</b> |
| Cash and cash equivalents                | (5,321)              | 386                  |
| Investment in debt securities (Reversal) | 624                  | (31,528)             |
| Loans (Reversal)                         | (281)                | (355)                |
| Other receivables                        | (452)                | 60                   |
| <b>Total</b>                             | <b>(5,430)</b>       | <b>(31,437)</b>      |

**34 Income tax expenses**

|                                    | <b>2021</b>          | <b>2020</b>          |
|------------------------------------|----------------------|----------------------|
|                                    | <b>Thousand Baht</b> | <b>Thousand Baht</b> |
| Current tax on profit for the year | 1,058,937            | 925,366              |
| Prior year tax adjustment          | 32,399               | (32,514)             |
| Increase in deferred tax (Note 19) | (130,843)            | (141,417)            |
| <b>Income taxes for the year</b>   | <b>960,493</b>       | <b>751,435</b>       |

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:

|  | <b>2021</b>          | <b>(Restated) 2020</b> |
|--|----------------------|------------------------|
|  | <b>Thousand Baht</b> | <b>Thousand Baht</b>   |
| Profit before tax                        | 4,822,668            | 4,200,731              |
| Income tax rate                          | 20%                  | 20%                    |
| Tax calculated at tax rate               | 964,534              | 840,146                |
| Impact:                                  |                      |                        |
| Income not subject to tax                | (37,893)             | (47,507)               |
| Expenses not deductible for tax purposes | 1,506                | (8,640)                |
| Additional deduction for tax purposes    | (53)                 | (50)                   |
| Prior year tax adjustment                | 32,399               | (32,514)               |
| <b>Income taxes for the year</b>         | <b>960,493</b>       | <b>751,435</b>         |

The effective tax rate for 2021 is 19.92% (2020: 17.89%). 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 19.

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Tax effect from other comprehensive income

|   | 2021                        |   |                             | 2020 (Restated)             |   |                             |
|---|-----------------------------|---|-----------------------------|-----------------------------|---|-----------------------------|
|   | Before Tax<br>Thousand Baht | Tax benefit<br>(expense)<br>Thousand Baht | Net of tax<br>Thousand Baht | Before Tax<br>Thousand Baht | Tax benefit<br>(expense)<br>Thousand Baht | Net of tax<br>Thousand Baht |
| <b>31 December</b>  |                             |   |                             |                             |   |                             |
| Unrealised loss from fair value measurement of investment measured at FVOCI | (7,455,718)                 | 1,491,143                                 | (5,964,575)                 | (903,106)                   | 180,621                                   | (722,485)                   |
| Items in other comprehensive income transferred to profit or loss           | (1,524,600)                 | 304,920                                   | (1,219,680)                 | 232,729                     | (46,546)                                  | 186,183                     |
| Actuarial gain (loss) from employment benefit plan                          | 57,094                      | (11,419)                                  | 45,675                      | (127,401)                   | 25,480                                    | (101,921)                   |
| Unrealised loss from hedging instruments                                    | (583,195)                   | 116,639                                   | (466,556)                   | (501,368)                   | 100,274                                   | (401,094)                   |
| Unrealised gain (loss) from deferred cost of hedge                          | 210,282                     | (42,056)                                  | 168,226                     | (267,930)                   | 53,586                                    | (214,344)                   |
| Change in long-term technical reserve from shadow adjustment                | 308,491                     | (61,698)                                  | 246,793                     | (166,191)                   | 33,238                                    | (132,953)                   |
| <b>Total</b>  | <b>(8,987,646)</b>          | <b>1,797,529</b>                          | <b>(7,190,117)</b>          | <b>(1,733,267)</b>          | <b>346,653</b>                            | <b>(1,386,614)</b>          |

**35 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.

|  | 2021      | (Restated)<br>2020 |
|--|-----------|--------------------|
| Net profit for the year attributable to ordinary shareholders of the Company (Thousand Baht) | 3,862,175 | 3,449,296          |
| Number of ordinary shares outstanding (Thousand shares)                                      | 295,000   | 295,000            |
| Basic earnings per share (Baht per share)  | 13.09     | 11.69              |

These are no potential dilutive ordinary shares in issue for the years ended 31 December 2021 and 2020.

**36 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.

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Relationships with key management and related parties were as follows:

| Name of entities  | Country of incorporation/<br>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   |
| Allianz Digital Health GmbH                               | Germany                                  | Related company of ultimate parent   |
| Allianz Investment Management SE                          | Germany                                  | Related company of ultimate parent   |
| IDS GmbH - Analysis and Reporting Services                | Germany                                  | Related company of ultimate parent   |
| AWP Services (Thailand) Co. Ltd.                          | Thailand                                 | Related company of ultimate parent   |
| Allianz Technology (Thailand) Company Limited             | Thailand                                 | Related company of ultimate parent   |
| CPRN (Thailand) Limited                                   | Thailand                                 | Major shareholder, 34.75% shareholding   |
| Allianz Ayudhya Capital Public Company Limited            | Thailand                                 | Major shareholder, 31.97% shareholding and common director   |
| Bangkok Broadcasting & Television Company Limited         | Thailand                                 | Related company of major shareholders  |
| Bank of Ayudhya Public Company Limited                    | Thailand                                 | Related company of major shareholders  |
| Krungsri Asset Management Company Limited                 | Thailand                                 | Related company of major shareholders and common director  |
| Krungsri Securities Public Company Limited                | Thailand                                 | Related company of major shareholders  |
| Ayudhya Development Leasing Company Limited               | Thailand                                 | Related company of major shareholders  |
| Ayudhya Capital Auto Lease Public Company Limited         | Thailand                                 | Related company of major shareholders  |
| BBTV Equity Company Limited                               | Thailand                                 | Related company of major shareholders  |
| Siam City Cement Public Company Limited                   | Thailand                                 | Related company of major shareholders and common director  |
| Eastern Star Real Estate Public Company Limited           | Thailand                                 | Related company of major shareholders and common director  |
| Allianz Ayudhya General Insurance Public 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 2021**

Significant transactions for the year ended 31 December 2021 and 2020 with key management and related parties were as follows:

|   | <b>2021</b>          | <b>2020</b>          |
|---|----------------------|----------------------|
|   | <b>Thousand Baht</b> | <b>Thousand Baht</b> |
| <b>Gross premiums written</b>                           |                      |                      |
| Major shareholder                                       | -                    | 6                    |
| Other related parties                                   | 304,443              | 285,501              |
| <b>Premiums ceded</b>                                   |                      |                      |
| Ultimate parent   | 117,511              | 92,692               |
| Other related parties                                   | 709,681              | 635,810              |
| <b>Fees and commission income</b>                       |                      |                      |
| Ultimate parent   | 23,901               | 24,417               |
| Other related parties                                   | 59,661               | 170,266              |
| <b>Interest income</b>                                  |                      |                      |
| Other related parties                                   | 1,780                | 2,455                |
| <b>Benefits payments and insurance claims expenses</b>  |                      |                      |
| Other related parties                                   | 266,799              | 297,489              |
| <b>Benefits and claim paid recovery from reinsurers</b> |                      |                      |
| Ultimate parent   | 69,653               | 88,942               |
| Other related parties                                   | 348,456              | 271,772              |
| <b>Operation expenses</b>                               |                      |                      |
| Ultimate parent   | 189,910              | 85,619               |
| Other related parties                                   | 614,788              | 569,907              |
| <b>Key management personnel compensation</b>            |                      |                      |
| Short-term benefits                                     | 178,765              | 180,186              |
| Long-term benefits                                      | 25,335               | 18,748               |
| Post-employment benefits                                | 11,587               | 5,669                |
| <b>Total</b>  | <b>215,687</b>       | <b>204,603</b>       |

**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 SGD 1.19 million. (31 December 2020: SGD 2.16 million). The term of the agreement is for 1 year from 1 January 2021 to 31 December 2021. The payments are made on quarterly basis. Either party may terminate this agreement at any time by giving 6 months prior written notice to another party.
- (b) The Company entered into an agreement with ultimate parent whereby ultimate parent will provide the support services to the Company. The Company was charged a service fee of EUR 1.23 million (31 December 2020: EUR 0.88 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 1 July 2020 to 30 June 2023 with monthly rental and service fees of Baht 4.87 million (excluding VAT) (2020: 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).



**Investments in related parties**

Investments in related parties as at 31 December 2021 and 2020 and dividends received for the years ended 31 December 2021 and 2020 were as follows:

|                                 | Book value            |                       | Dividend income       |                       |
|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                 | 2021<br>Thousand Baht | 2020<br>Thousand Baht | 2021<br>Thousand Baht | 2020<br>Thousand Baht |
| Investments - equity securities | 151,224               | 1,003,446             | 319,857               | 4,346                 |
| <b>Total</b>                    | <b>151,224</b>        | <b>1,003,446</b>      | <b>319,857</b>        | <b>4,346</b>          |

Significant balances with related parties as at 31 December 2021 and 2020 were as follows:

|                                      | 2021<br>Thousand Baht | 2020<br>Thousand Baht |
|--------------------------------------|-----------------------|-----------------------|
| <b>Cash and cash equivalents</b>     |                       |                       |
| Other related parties                | 1,886,955             | 2,462,288             |
| <b>Reinsurance receivables</b>       |                       |                       |
| Ultimate parent                      | 40,465                | 31,468                |
| Other related parties                | 411,666               | 362,861               |
| <b>Investment in debt securities</b> |                       |                       |
| Ultimate parent                      | 125,821               | 113,363               |
| <b>Other assets</b>                  |                       |                       |
| Other related parties                | 22,827                | 25,084                |
| <b>Amount due to reinsurers</b>      |                       |                       |
| Ultimate parent                      | -                     | -                     |
| Other related parties                | 559,822               | 455,650               |
| <b>Accrued expenses</b>              |                       |                       |
| Ultimate parent                      | 31,202                | 30,304                |
| Other related parties                | 52,056                | 190,751               |
| <b>Other liabilities</b>             |                       |                       |
| Ultimate parent                      | -                     | 55,292                |
| Other related parties                | 438,758               | 503,829               |

**37 Securities placed with the Registrar and securities reserved with the Registrar**

**37.1 Securities placed with the Registrar**

The Company pledged investments in debt securities with the Registrar in accordance with Section 20 of the Life Assurance Act B.E. 2535 were as follows:

|   | 2021                           |                                | 2020                           |                                |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|   | Book value<br>Thousand<br>Baht | Face value<br>Thousand<br>Baht | Book value<br>Thousand<br>Baht | Face value<br>Thousand<br>Baht |
| <b>Investments measured at<br/>amortised cost</b> |                                |                                |                                |                                |
| Government bonds                                  | 25,969                         | 20,000                         | 20,014                         | 20,000                         |

### 37.2 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:

|  | 2021                           |                                | 2020                           |                                |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|  | Book value<br>Thousand<br>Baht | Face value<br>Thousand<br>Baht | Book value<br>Thousand<br>Baht | Face value<br>Thousand<br>Baht |
| <b>Investments measured at fair value through other comprehensive income</b> |                                |                                |                                |                                |
| Government bonds   | 8,153,990                      | 7,712,000                      | 27,564,056                     | 19,640,000                     |
| State enterprise bonds   | 1,300,000                      | 1,300,000                      | 8,724,600                      | 7,420,000                      |
| Total  | <u>9,453,990</u>               | <u>9,012,000</u>               | <u>36,288,656</u>              | <u>27,060,000</u>              |
| <b>Investments measured at amortised cost</b>                                |                                |                                |                                |                                |
| Government bonds   | 26,209,559                     | 20,840,000                     | 6,194,435                      | 5,912,000                      |
| State enterprise bonds   | 6,398,755                      | 5,620,000                      | 1,300,000                      | 1,300,000                      |
| Total  | <u>32,608,314</u>              | <u>26,460,000</u>              | <u>7,494,435</u>               | <u>7,212,000</u>               |

### 38 Asset-backed

As of 31 December 2021 and 2020, 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:

|                                      | 2021                           |                                     | 2020                           |                                     |
|--------------------------------------|--------------------------------|-------------------------------------|--------------------------------|-------------------------------------|
|                                      | Book value<br>Thousand<br>Baht | Appraisal value<br>Thousand<br>Baht | Book value<br>Thousand<br>Baht | Appraisal value<br>Thousand<br>Baht |
| Deposits with financial institutions | 3,423,562                      | 3,423,562                           | 5,227,091                      | 5,227,091                           |
| Equity securities                    | 24,876,787                     | 24,576,587                          | 19,961,046                     | 19,961,046                          |
| Debt securities                      | 170,728,028                    | 172,390,604                         | 183,041,760                    | 185,639,425                         |
| Total                                | <u>199,028,377</u>             | <u>200,390,753</u>                  | <u>208,229,897</u>             | <u>210,827,562</u>                  |

### 39 Commitments with non-related parties

#### 39.1 Commitments from operating lease and service agreements

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

|   | <b>2021</b>          | <b>2020</b>          |
|---|----------------------|----------------------|
|   | <u>Thousand Baht</u> | <u>Thousand Baht</u> |
| Due within 1 year                               | 50,557               | 35,415               |
| Due more than 1 year but not later than 5 years | 53,333               | 42,739               |
| Later than 5 years                              | 13,065               | 17,721               |
| Total   | <u>116,955</u>       | <u>95,875</u>        |

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.

#### 39.2 Investment commitments

As at 31 December 2021, the Company had commitments to invest in several series of bills of exchange issued by banks amounting to Baht 69 million (2020: Baht 124 million). These investments have a duration up to 2023 (2020: up to 2023) and are payable based on the contract terms. The timing of the commitments are as follows:

|   | <b>2021</b>          | <b>2020</b>          |
|---|----------------------|----------------------|
|   | <u>Thousand Baht</u> | <u>Thousand Baht</u> |
| Within 1 year                               | -                    | -                    |
| More than 1 year but not later than 5 years | 69,000               | 124,000              |
| Total                                       | <u>69,000</u>        | <u>124,000</u>       |