


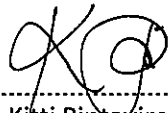
## Information Disclosure Allianz Ayudhya Assurance Public Company Limited

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.

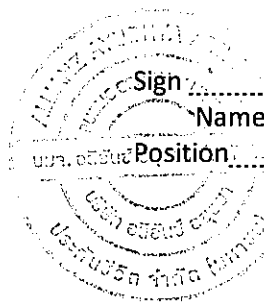


Sign \_\_\_\_\_  
Name Mr. Thomas Charles Wilson  
Position Director



Sign \_\_\_\_\_  
Name Mr. Kitti Pintavirooj  
Position Director

Disclosed on 24 April 2023  
Annual Year 2022



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 2022**



## **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 2022, 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 2022;
- 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 including Independence Standards issued by the Federation of Accounting Professions (TFAC Code) that are relevant to my audit of the financial statements and I have fulfilled my other ethical responsibilities in accordance with the TFAC Code. 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 Yamsakul', written over a faint, stylized graphic element.

**Sakuna Yamsakul**  
Certified Public Accountant (Thailand) No. 4906  
Bangkok  
23 February 2023

**Allianz Ayudhya Assurance Public Company Limited**  
**Statement of Financial Position**  
**As at 31 December 2022**

	Notes	31 December 2022 Thousand Baht	31 December 2021 Thousand Baht
<b>Assets</b>			
Cash and cash equivalents, net	8, 36	18,447,961	6,489,635
Premiums receivable, net	9	1,433,441	1,417,259
Accrued investment income		1,354,777	1,343,096
Reinsurance assets	10	81,282	-
Amount due from reinsurance	11, 36	486,518	542,822
Investment receivables		20,873	5,714
Derivative assets	12	432,455	262,907
Investments assets			
Investments in securities, net	13, 36, 37, 38	176,878,416	195,497,550
Loans and accrued interest receivable	14	9,763,748	9,748,164
Assets held to cover linked liabilities	15	1,220,612	943,335
Premises and equipment, net	16	552,740	605,165
Right-of-use assets, net	17	402,996	489,616
Intangible assets, net	18	684,931	824,637
Deferred tax assets, net	19	913,479	-
Other assets	20, 36	1,809,507	1,528,802
<b>Total assets</b>		<b>214,483,736</b>	<b>219,698,702</b>

..... 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 2022**

		31 December 2022	31 December 2021
	Notes	Thousand Baht	Thousand Baht
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Insurance contract liabilities	21	190,701,955	183,912,401
Investment contract liabilities	22	4,452,962	4,306,310
Amount due to reinsurance	23, 36	496,292	627,870
Investment payables		29	63,701
Derivative liabilities	12	611,590	1,418,807
Income tax payable		-	536,215
Accrued expenses	24, 36	2,317,216	2,047,767
Employee benefits obligations	25	671,739	737,834
Provisions	26	228,265	210,704
Deferred tax liabilities, net	19	-	1,377,610
Other liabilities	27, 36	954,282	989,890
<b>Total liabilities</b>		<b>200,434,330</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	4,000,000
Issued and paid-up share capital			
295,000,000 ordinary shares of 10 Baht each		2,950,000	2,950,000
Retained earnings			
Appropriated			
Legal reserve	28	400,000	400,000
Unappropriated		11,860,573	11,279,937
Other components of equity		(1,161,167)	8,839,656
<b>Total equity</b>		<b>14,049,406</b>	<b>23,469,593</b>
<b>Total liabilities and equity</b>		<b>214,483,736</b>	<b>219,698,702</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 2022

		(Reclassified)	
		2022	2021
		Thousand	Thousand
	Notes	Baht	Baht
<b>Revenues</b>			
Gross written premiums	36	33,902,316	31,632,813
<u>Less</u> premiums ceded	36	<u>(1,024,929)</u>	<u>(1,029,182)</u>
Net written premiums		32,877,387	30,603,631
<u>Less</u> Net change in unearned premium reserve		<u>(274,365)</u>	<u>(159,543)</u>
Net earned premium		32,603,022	30,444,088
Fee and commission income	36	247,841	118,578
Net investment income	3, 30, 36	7,229,443	7,698,798
Gains on investment	36	820,417	1,739,203
Fair value losses	3	(210,320)	(140,167)
Other income	36	<u>175,059</u>	<u>58,373</u>
<b>Total revenues</b>		<u>40,865,462</u>	<u>39,918,873</u>
<b>Expenses</b>			
Change in long-term technical reserve		5,655,824	2,535,399
Gross benefits and claim paid	36	22,555,843	24,257,152
<u>Less</u> Benefits and claims paid recovered from reinsurers	36	<u>(768,873)</u>	<u>(574,555)</u>
Net benefits and claim paid		21,786,970	23,682,597
Commissions and brokerages		4,511,786	4,101,133
Other underwriting expenses	36	1,796,846	1,753,487
Operating expenses	31, 36	2,493,874	2,477,273
Finance cost		14,351	17,768
Impairment loss on investment in securities		812,450	533,978
Expected credit losses (reversal)	33	<u>(16,014)</u>	<u>(5,430)</u>
<b>Total expenses</b>		<u>37,056,087</u>	<u>35,096,205</u>
<b>Profit before income tax</b>		3,809,375	4,822,668
Income tax expense	34	<u>737,969</u>	<u>960,493</u>
<b>Net profit</b>		<u>3,071,406</u>	<u>3,862,175</u>

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



Allianz Ayudhya Assurance Public Company Limited  
Statement of Comprehensive Income (Cont'd)  
For the year ended 31 December 2022

	Notes	(Reclassified)	
		2022 Thousand Baht	2021 Thousand 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		54,537	57,094
Income tax on item that will not be reclassified to profit or loss		(10,907)	(11,419)
Total items that will not be reclassified to profit or loss		43,630	45,675
<b>Items that will be reclassified subsequently to profit or loss</b>			
Losses from change in value of investments measured at fair value through other comprehensive income		(13,160,073)	(7,455,718)
Gains (losses) on fair value of cash flow hedges		1,997,810	(583,195)
Gains on deferred cost of hedging		220,647	210,282
Items in other comprehensive income transferred to profit or loss		(1,478,658)	(1,524,600)
Change in long-term technical reserve from shadow accounting adoption		(80,753)	308,491
Income tax on items that will be reclassified subsequently to profit or loss		2,500,204	1,808,948
Total items that will be reclassified subsequently to profit or loss		(10,000,823)	(7,235,792)
<b>Other comprehensive income (loss) for the year, net of income tax</b>	34	(9,957,193)	(7,190,117)
<b>Total comprehensive income (loss) for the year</b>		(6,885,787)	(3,327,942)
<b>Basic earning per share (Baht)</b>	35	10.41	13.09

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

Ailfanz Ayudhya Assurance Public Company Limited  
Statement of Changes in Equity  
For the year ended 31 December 2022

	Retained earnings		Other components of equity				Total equity		
	Issued and paid-up share capital	Legal reserve	Unappropriated	Unrealised gains (losses) from change in value of investments measured at fair value through other comprehensive income, net of tax	Gains (losses) on cash flow hedges, net of tax	Gains (losses) on deferred cost of hedging, net of tax		Change in long-term technical reserve from shadow accounting adoption, net of tax	Total other components of equity
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	
Balance at 1 January 2022	2,950,000	400,000	11,279,937	8,853,781	(148,984)	21,019	113,840	8,839,656	23,469,593
Transaction with shareholders, recorded directly in equity	-	-	(2,534,400)	-	-	-	-	-	(2,534,400)
Distributions to shareholders of the Company	-	-	(2,534,400)	-	-	-	-	-	(2,534,400)
Dividends to shareholders of the Company (Note 29)	-	-	(2,534,400)	-	-	-	-	-	(2,534,400)
Total transaction with shareholders, recorded directly in equity	-	-	(2,534,400)	-	-	-	-	-	(2,534,400)
Comprehensive income (loss) for the year	-	-	3,071,406	-	-	-	-	-	3,071,406
Net profit	-	-	3,071,406	-	-	-	-	-	3,071,406
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	-
Losses from change in value of investments measured at fair value through other comprehensive income, net of tax	-	-	-	(10,528,059)	-	-	-	(10,528,059)	(10,528,059)
Gains on cash flow hedges, net of tax	-	-	-	-	1,598,247	-	-	1,598,247	1,598,247
Gains on deferred cost of hedging, net of tax	-	-	-	-	-	176,518	-	176,518	176,518
Items in other comprehensive income transferred to profit or loss, net of tax	-	-	-	(652,610)	(510,228)	(20,089)	-	(1,182,927)	(1,182,927)
Change in long-term technical reserve from shadow accounting adoption, net of tax	-	-	-	-	-	-	(64,602)	(64,602)	(64,602)
Gains on remeasurements of post-employment benefit obligations, net of tax	-	-	43,630	-	-	-	-	-	43,630
Total comprehensive income (loss) for the year	-	-	3,115,036	(11,180,669)	1,088,019	156,429	(64,602)	(10,000,823)	(6,885,787)
Balance at 31 December 2022	2,950,000	400,000	11,860,573	(2,326,888)	839,035	177,448	49,238	(1,161,167)	14,049,406

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 2022

	Retained earnings		Other components of equity					Total other components of equity	Total equity
	Issued and paid-up share capital	Legal reserve	Unrealised gains (losses) from change in value of investments measured at fair value through other comprehensive income, net of tax	Gains (losses) on cash flow hedges, net of tax	Gains (losses) on deferred cost of hedging, net of tax	Change in long-term technical reserve from shadow accounting adoption, net of tax	Thousand Baht		
Balance at 1 January 2021	2,950,000	400,000	16,038,036	317,572	(147,207)	(132,953)	16,075,448	29,007,085	
Transaction with shareholders, recorded directly 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 in equity	-	(2,209,550)	-	-	-	-	-	(2,209,550)	
Comprehensive income (loss) for the year	-	-	-	-	-	-	-	3,862,175	
Net profit	-	-	-	-	-	-	-	3,862,175	
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	
Losses from change in value of investments measured at fair value through other comprehensive income, net of tax	-	-	(5,964,575)	-	-	-	(5,964,575)	(5,964,575)	
Losses on cash flow hedges, net of tax	-	-	-	(466,556)	-	-	(466,556)	(466,556)	
Gains on deferred cost of hedging, net of tax	-	-	-	-	168,226	-	168,226	168,226	
Items in other comprehensive income transferred to profit or loss, net of tax	-	-	(1,219,680)	-	-	-	(1,219,680)	(1,219,680)	
Change in long-term technical reserve from shadow accounting adoption, net of tax	-	-	-	-	-	246,793	246,793	246,793	
Gains on remeasurements of post-employment benefit obligations, net of tax	-	-	-	-	-	-	-	45,675	
Total comprehensive income (loss) for the year	-	-	(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	8,853,781	(148,984)	21,019	113,840	8,839,656	23,469,599	

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 2022

		(Reclassified)	
		2022	2021
	Notes	Thousand Baht	Thousand Baht
<b>Cash flows from operating activities</b>			
Premiums written from direct reinsurance		34,030,545	32,291,019
Cash paid relating to reinsurance		(164,772)	(335,927)
Interest received	3	6,587,613	7,470,552
Dividends received		904,389	1,387,643
Other income		73,574	66,250
Gross benefits and claims paid from direct insurance		(21,659,306)	(23,207,144)
Commissions and brokerages from direct insurance		(4,487,040)	(4,050,540)
Other underwriting expenses		(1,654,825)	(1,633,487)
Operating expenses		(1,952,698)	(2,445,113)
Income tax expense		(1,141,096)	(1,190,887)
Cash received from selling and redeeming investments in securities	3	52,084,850	30,168,866
Cash paid for purchasing investments in securities		(47,929,470)	(36,379,448)
Cash received (paid) from loans		(112,349)	102,434
Deposits		(1,901)	168
<b>Net cash flow provided from operating activities</b>		<b>14,577,514</b>	<b>2,244,386</b>
<b>Cash flows from investing activities</b>			
<u>Cash flows provided</u>			
Cash received from selling premises and equipment		133,466	679
Cash received from selling intangible assets		-	12,117
<u>Cash flows used</u>			
Cash paid for purchasing premises and equipment	16	(46,655)	(45,814)
Cash paid for purchasing intangible assets	18	(95,955)	(688,478)
<b>Net cash flow used in investing activities</b>		<b>(9,144)</b>	<b>(721,496)</b>
<b>Cash flows from financing activities</b>			
<u>Cash flows used</u>			
Cash paid for lease liabilities		(61,485)	(72,490)
Cash paid for finance cost		(14,080)	(16,256)
Dividends paid to shareholders of the Company	29	(2,534,400)	(2,209,550)
<b>Net cash flow used in financing activities</b>		<b>(2,609,965)</b>	<b>(2,298,296)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>11,958,405</b>	<b>(775,406)</b>
Cash and cash equivalents as at 1 January		6,489,635	7,265,076
Cash and cash equivalents as at 31 December		18,448,040	6,489,670
<u>Less</u> Allowance for expected credit loss		(79)	(35)
<b>Cash and cash equivalents as at 31 December</b>	<b>8</b>	<b>18,447,961</b>	<b>6,489,635</b>
<b>Supplemental cash flows information</b>			
<b>Significant non-cash items</b>			
Receivables from sale of investments		20,873	5,714
Payables from purchase of investments		29	63,701
Lease liability write-off		12,718	-
			-

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 23 February 2023.

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

### **2.1 Basis of preparation**

The financial statements have been prepared in accordance with Thai Generally Accepted Accounting Principles under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards (TFRS) issued under the Accounting Profession Act B.E. 2547. In addition, the financial statements presentation are based on the formats of life insurance financial statements attached in an Office of Insurance Commission's notification "Principle, methodology, condition and timing for preparation, submission and reporting of financial statements and operation performance for life insurance company (No. 2) B.E. 2562" dated on 4 April 2019 ('OIC Notification').

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires management to use certain critical accounting estimates and to exercise its judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

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

**2.1.1 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.**

The Company passes criteria and elect to apply temporary exemption from TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures under TFRS 4 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).

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

	2022		2021	
	Ending fair value Thousand Baht	Change in fair value Thousand Baht	Ending fair value Thousand Baht	Change in fair value 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	191,691,093	10,656,931	181,034,162	9,725,079
<b>Other financial assets</b>				
Cash flows that are not solely payments of principal and interest on the principal amount outstanding on specified dates	-	(10,453,715)	10,453,715	899,926
Financial assets managed by the Company and performance evaluated on a fair value basis	118,090	(7,731)	125,821	(2,903)
Others	8,199,383	(7,486,595)	15,685,978	(1,006,224)

As of 31 December 2022 and 2021, 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 11,681.75 million (2021: Baht 11,702.11 million) are not included above.

## 2.2 New financial reporting standards, amended financial reporting standards, and related interpretations

### 2.2.1 Amended financial reporting standards that are effective for accounting period beginning or after 1 January 2023 that are relevant to the Company

Certain amended financial reporting standards have not been early adopted by the Company.

- a) **Amendment to TAS 16 - Property, plant and equipment** clarified to prohibit entities from deducting from the cost of an item of PP&E any proceeds received from selling any items produced while the entity is preparing that asset for its intended use.
- b) **Amendment to TAS 37 - Provisions, contingent liabilities and contingent assets** clarified that, in considering whether a contract is onerous, the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling the contract. Before recognising a separate provision for an onerous contract, the entity must recognise any impairment losses that have occurred on the assets used in fulfilling the contract.
- c) **Amendment to TFRS 9 - Financial Instruments** clarified which fees should be included in the 10% test for the derecognition of financial liabilities. It should only include fees between the borrower and lender.

## 3 Accounting policies

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

### 3.1 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 using 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 for impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss)

### 3.2 Cash and cash equivalents

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

### 3.3 Premiums receivable and allowance for doubtful accounts

Premiums receivable are stated at their invoice value less allowance for doubtful accounts.

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

### 3.4 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 four 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 gains (losses) on investment 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 rate 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 OCI to profit or loss and recognised in gains (losses) on investment. 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 fair value gains (losses) in the period in which it arises.

**FVO:** Financial assets irrevocably designated at fair value through profit or loss in order to eliminate or significantly reduce a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains or losses on them on different basis. A gain or loss on these investments is recognised in profit or loss and presented net within fair value gains (losses) 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 are classified as investments measured at fair value through other comprehensive income, it 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 are 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 the impairment loss that was previously 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 amortised 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.

### **3.5 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 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 gains (losses). 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 hedge reserve 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 recognises 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 foreign exchange gains (losses) in profit or loss as similar to the gains (losses) in respect to the hedged risk.

### **3.6 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.

### **3.7 Assets held to cover linked liabilities**

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.

### **3.8 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 derecognised. 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.

### **3.9 Intangible assets**

#### **3.9.1 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 recorded for computer software under installment.

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

#### **3.9.2 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 amortised over its estimated useful life within the utilisation period of 5 years.

### 3.10 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 amortisation, if no impairment loss had been recognised.

### 3.11 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).

### 3.12 Insurance and investment contract

#### 3.12.1 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 the period.

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

The Company defines significant insurance risk as 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.

### 3.12.2 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 consistent with approach for Risk-Based Capital report.

### 3.12.3 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 additionally 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 realised investment gains/losses over the next 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 are measured at fair value through other comprehensive income. In applying shadow accounting with insurance contract liabilities for Enhanced Par products, the Company 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 1/24 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.

3.12.4 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.

3.12.5 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 amount due to and from reinsurance. The net amount is presented in the statement financial position only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 3.13 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.

### 3.14 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 earned from employees' services in the current and prior periods; these benefits are discounted to determine its present value. The discount rate is the yield at the reporting date from 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 recognises gains or 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 as expense 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.

**3.15 Financial assets and financial liabilities**

Significant financial assets carried on the statement of financial position include cash and cash equivalents, accrued investment income, derivative assets, investments in securities, mortgage loans, assets held to cover linked liabilities, investment receivables and other assets. Significant financial liabilities carried on the statement of financial position include due to reinsurers, outstanding claims, unpaid policy benefits, derivative liabilities, investment payables, accrued expenses and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

**3.16 Collateral in relation to derivative contracts**

Cash received and pledged as a collateral to a counter party occur in respect to derivative transactions 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 other asset and the cash pledged will be derecognised from the statement of financial position.

**3.17 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.

### **3.18 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.

### **3.19 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.

### **3.20 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.

### 3.21 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.

### 3.22 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 or due.

#### 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.

### 3.23 Reclassification

The comparative amounts have been reclassified to conform to the current period presentation of financial statements as follows:

	Note	For the year ended 31 December 2021		
		Previously reported Thousand Baht	Reclassification Thousand Baht	Reclassified Thousand Baht
<b>Statement of comprehensive income</b>				
<b>Revenues</b>				
Net investment income	30	7,482,930	215,868	7,698,798
Fair value gains (losses)		75,701	(215,868)	(140,167)
<b>Statement of cash flows</b>				
Interest received		7,254,684	215,868	7,470,552
Cash received from selling and redeeming investment in securities		30,384,734	(215,868)	30,168,866

## 4 Risk management

### 4.1 Insurance risk

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

The following topics summarize the Company's risk management.

#### 4.1.1 Underwriting risk

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

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

To mitigate the risk, the Company has a strong underwriting and control process to regularly monitor the risk in order to adjust the pricing and underwriting conditions to reflect the actual risk. Reinsurance is also used for transferring part of the underwriting risk.

#### 4.1.2 Concentration risk

Concentration 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.

#### 4.1.3 Mortality and morbidity risk

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

#### 4.1.4 Lapse risk

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

### 4.2 Financial risk

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

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

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

#### 4.2.1 Market risk

##### a) Foreign exchange rate risk

The Company is exposed to foreign currency risk relating to investment in securities for both fixed income and equity which are denominated in foreign currencies. The Company primarily utilises cross currency swap contracts to hedge such foreign currency risk arising from fixed income. Under the company's policy, the critical terms of the cross currency swap must align with the hedged items.

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

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

**Allianz Ayudhya Assurance Public Company Limited**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

The Company's exposure to foreign exchange rate risk as at 31 December 2022 and 2021, expressed in Baht is as follows:

	2022			2021		
	U.S. Dollar Thousand Baht	Euro Thousand Baht	Others Thousand Baht	U.S. Dollar Thousand Baht	Euro Thousand Baht	Others Thousand Baht
Cash and cash equivalent	16,241	-	9,821	15,951	-	97,742
Investment in securities						
- Foreign debt securities	18,596,139	428,232	50,577	21,395,656	542,216	9,510,309
- Foreign equity securities	226,346	-	-	258,797	340,438	-

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

As of 31 December 2022, foreign currency-related hedging relationships of the Company are entirely designated as cash flow hedges. The Company has no foreign currency-related hedging instruments that are designated either as fair value hedge or net investment in foreign operation.

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

	Cross-currency swaps	
	2022 Thousand Baht	2021 Thousand Baht
<b>Carrying amount (assets)</b>	387,412	102,450
Notional amount	9,131,653	2,695,820
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	284,962	(207,994)
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	-	-



	<b>Cross-currency swaps</b>	
	<b>2022</b>	<b>2021</b>
	<b>Thousand Baht</b>	<b>Thousand Baht</b>
<b>Carrying amount (liabilities)</b>	499,241	1,265,993
Notional amount	10,065,728	16,992,481
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	1,985,262	(1,482,734)
Hedge ineffectiveness recognised in profit or loss	-	-
Reclassification adjustment from cash flow hedge reserve into profit or loss	(601,432)	(3,617)
Reclassification adjustment from cost of hedge reserve into profit or loss	4,028	(11,452)

	<b>Foreign exchange forwards</b>	
	<b>2022</b>	<b>2021</b>
	<b>Thousand Baht</b>	<b>Thousand Baht</b>
<b>Carrying amount (liabilities)</b>	-	93,793
Notional amount	-	3,209,726
The carrying value of the hedged item	-	3,369,364
Hedging losses recognised in profit or loss during the year	(26,261)	(93,793)
Hedge ineffectiveness recognised in profit or loss	-	-

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

- 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>2022</b>	<b>2021</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	1,411,425	(261,395)
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>2022</b>	<b>2021</b>
	<b>Thousand Baht</b>	<b>Thousand Baht</b>
<b>Cash flow hedge reserve</b>		
Beginning balance	(222,762)	(217,440)
Hedging gains (losses) recognised in other comprehensive income during the year	2,143,570	(5,322)
Reclassification to profit or loss during the year	(601,432)	-
Closing balance	<u>1,319,376</u>	<u>(222,762)</u>
<b>Cost of hedge reserve</b>		
Beginning balance	(38,633)	(229,137)
Hedging gains recognised in other comprehensive income during the year	126,654	190,504
Reclassification to profit or loss during the year	4,028	-
Closing balance	<u>92,049</u>	<u>(38,633)</u>
	<b>Transaction related hedged items</b>	
	<b>2022</b>	<b>2021</b>
	<b>Thousand Baht</b>	<b>Thousand Baht</b>
<b>Cost of hedge reserve</b>		
Beginning balance	-	-
Hedging gains (losses) recognised in other comprehensive income during the year	26,261	(544)
Reclassification to profit or loss during the year	(26,261)	544
Closing balance	<u>-</u>	<u>-</u>

*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 2022 and 2021, 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>2022</b>	<b>2021</b>
	<b>Thousand</b>	<b>Thousand</b>
	<b>Baht</b>	<b>Baht</b>
<b>Carrying amount (assets)</b>	45,043	160,457
Notional amount	2,985,000	2,520,000
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	(77,899)	(271,133)
Hedge ineffectiveness recognised in profit or loss	-	-
Reclassification from cash flow hedge reserve into profit or loss	(57,366)	-
Reclassification from cost of hedge reserve into profit or loss	(1,577)	-

	<b>Bond forwards</b>	
	<b>2022</b>	<b>2021</b>
	<b>Thousand Baht</b>	<b>Thousand Baht</b>
<b>Carrying amount (liabilities)</b>	112,349	59,021
Notional amount	3,050,000	2,845,000
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	(129)	(80,812)
Hedge ineffectiveness recognised in profit or loss	-	-
Reclassification from cash flow hedge reserve into profit or loss	21,013	-
Reclassification from cost of hedge reserve into profit or loss	(1,300)	-

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 gains (losses).

- 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>2022</b>	<b>2021</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	(15,822)	101,436
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>2022 Thousand Baht</b>	<b>2021 Thousand Baht</b>
<b>Cash flow hedge reserve</b>		
Beginning balance	35,986	614,403
Hedging losses recognised in other comprehensive income during the year	(145,760)	(578,417)
Reclassification to profit or loss during the year	(36,353)	-
Closing balance	<u>(146,127)</u>	<u>35,986</u>
<b>Cost of hedge reserve</b>		
Beginning balance	65,450	45,128
Hedging gains recognised in other comprehensive income during the year	67,732	20,322
Reclassification to profit or loss during the year	(2,877)	-
Closing balance	<u>130,305</u>	<u>65,450</u>

Allianz Ayudhya Assurance Public Company Limited  
Notes to Financial Statements  
For the year ended 31 December 2022

As at 31 December 2022 and 2021, significant financial assets and liabilities classified by type of interest rates are summarised in the table below.

	2022										Interest rate (% p.a)	
	Fixed interest rate					Variable interest rate						Total Thousand Baht
	Within 1 year Thousand Baht	1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Interest rate Thousand Baht	Non-interest bearing Thousand Baht	Variable interest rate Thousand Baht	Non-interest bearing Thousand Baht	Interest rate Thousand Baht	Total Thousand Baht			
<b>As at 31 December 2022</b>												
<b>Financial assets</b>												
Cash and cash equivalents	-	-	-	13,031,303	5,416,737	18,448,040	0.10 - 2.00					
Investment receivables	-	-	-	-	20,873	20,873	-					
Derivative assets	13,321	22,226	9,496	-	-	45,043	1.59 - 3.78					
Investment in securities												
Bonds	13,461,007	23,628,125	77,537,323	-	-	114,626,455	1.59 - 6.38					
Notes	1,107,122	4,328,505	1,902,178	-	-	7,337,805	2.56 - 4.50					
Debentures	1,649,375	15,796,705	28,583,500	-	-	46,029,580	2.13 - 9.00					
Deposits at financial institutions with original maturities more than 3 months	-	1,000,000	-	-	-	1,000,000	4.20					
Mortgage loans	-	691	44,410	-	-	45,101	5.00 - 19.00					
Other assets (partial)	-	-	-	1,590,675	-	1,590,675	0.40 - 1.75					
	16,230,825	44,776,252	108,076,907	14,621,978	5,437,610	189,143,572						
<b>Financial liabilities</b>												
Investment payables	-	-	-	-	29	29	-					
Derivative liabilities	-	107,687	4,662	-	-	112,349	1.59 - 3.78					
Other liabilities (partial)	-	-	-	77,400	-	77,400	0.40 - 1.75					
		10,7687	4,662	77,400	29	189,778						

**Allianz Ayudhya Assurance Public Company Limited**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

	2021								Interest rate (% p.a)
	Fixed interest rate				Over 5 years Thousand Baht	Variable Interest rate Thousand Baht	Non-interest bearing Thousand Baht	Total Thousand Baht	
	Within 1 year Thousand Baht	1 - 5 years Thousand Baht							
<b>As at 31 December 2021</b>									
<u>Financial assets</u>									
Cash and cash equivalents	222,137	-	-	-	-	2,907,148	3,360,385	6,489,670	0.13 - 0.90
Derivative assets	24	118,330	42,103	-	-	-	-	160,457	1.60 - 3.78
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
Mortgage loans	-	254	49,141	-	285	-	-	49,680	5.00 - 19.00
	8,856,539	45,737,036	116,335,491	116,335,491	2,907,433	3,360,385	3,360,385	177,196,884	
<u>Financial liabilities</u>									
Derivative liabilities	4,334	51,253	3,434	3,434	-	-	-	59,021	1.60 - 3.78
	4,334	51,253	3,434	3,434	-	-	-	59,021	

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	
	2022 Thousand Baht	2021 Thousand Baht	2022 Thousand Baht	2021 Thousand Baht
Interest rate - increase 1%*	127,983	29,071	(483,172)	(501,807)
Interest rate - decrease 1%*	(31,761)	(7,185)	548,470	581,432

\* 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 year:

	Impact to net profit		Impact to other components of equity	
	2022 Thousand Baht	2021 Thousand Baht	2022 Thousand Baht	2021 Thousand Baht
Equity price - Increase 1%*	-	-	77,669	247,830
Equity price - Decrease 1%*	-	-	(77,669)	(247,830)

\* Holding all other variables constant



#### 4.2.2 Credit risk

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

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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. 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 premiums receivable 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 at least on an annual basis to be consistent with the Company's operation and industry.

#### Risk management

- Risk management and credit risk monitoring practices such as defining approval authority limit table;
- 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 whose loss allowance was measured at an amount equal to lifetime expected credit losses whereby its cash flow has improved;

For a financial asset whose loss allowance was measured at an amount equal to lifetime expected credit losses, if there has been an improvement in cash flow, 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.

	2022			
	Gross carrying amount Thousand Baht	Expected credit loss Thousand Baht	Net carrying amount Thousand Baht	Fair value of collateral Thousand Baht
Mortgage loan	49,068	(47,116)	1,952	78,189
Total credit-impaired financial assets	49,068	(47,116)	1,952	78,189
	2021			
	Gross carrying amount Thousand Baht	Expected credit loss Thousand Baht	Net carrying amount Thousand Baht	Fair value of collateral Thousand Baht
Mortgage loan	53,699	(47,564)	6,135	94,609
Total credit-impaired financial assets	53,699	(47,564)	6,135	94,609

*Impairment of financial assets*

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 expected credit loss in 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 2022 and 2021 are as follows:

	<u>Thousand Baht</u>
<b>Opening loss allowance as at 1 January 2021</b>	47,845
Unused amount reversed	<u>(281)</u>
<b>As at 31 December 2021</b>	47,564
Unused amount reversed	<u>(448)</u>
<b>As at 31 December 2022</b>	<u>47,116</u>

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

	<u>2022</u>			<u>Total</u> <u>Thousand Baht</u>
	<u>Loss allowance</u> <u>measured at</u> <u>amount equal</u> <u>to 12 months</u> <u>expected credit</u> <u>losses</u> <u>Thousand Baht</u>	<u>Loss allowance</u> <u>measured at</u> <u>amount equal</u> <u>to lifetime</u> <u>expected credit</u> <u>losses</u> <u>Thousand Baht</u>	<u>Loss allowance</u> <u>measured at</u> <u>amount equal</u> <u>to lifetime</u> <u>expected credit</u> <u>losses</u> <u>(credit-impaired</u> <u>financial</u> <u>assets)</u> <u>Thousand Baht</u>	
<b>Mortgage loans</b>				
Beginning balance	43	-	47,521	47,564
Changes occurred from classification	-	-	-	-
Changes occurred from measurement	<u>(22)</u>	<u>-</u>	<u>(426)</u>	<u>(448)</u>
Ending balance	<u>21</u>	<u>-</u>	<u>47,095</u>	<u>47,116</u>

**Allianz Ayudhya Assurance Public Company Limited**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

	2021			Total Thousand Baht
	Loss allowance measured at amount equal to 12 months expected credit losses Thousand Baht	Loss allowance measured at amount equal to lifetime expected credit losses Thousand Baht	Loss allowance measured at amount equal to lifetime expected credit losses (credit-impaired financial assets) Thousand Baht	
Mortgage loans				
Beginning balance	291	-	47,554	47,845
Changes occurred from classification	-	-	-	-
Changes occurred from measurement	(248)	-	(33)	(281)
Ending balance	43	-	47,521	47,564

*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 for the years ended 31 December are as follows:

	Debenture Thousand Baht	Treasury bill Thousand Baht	Total Thousand Baht
Opening loss allowance as at 1 January 2021	2,040	6,174	8,214
Reversal of expected credit losses	(248)	(5,831)	(6,079)
Closing loss allowance as at 31 December 2021	1,792	343	2,135
Reversal of expected credit losses	(1,454)	(239)	(1,693)
Closing loss allowance as at 31 December 2022	338	104	442

**Allianz Ayudhya Assurance Public Company Limited**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

	Loss allowance measured at amount equal to			Total Thousand Baht
	12 months expected credit losses Thousand Baht	Lifetime expected credit losses Thousand Baht	Lifetime expected credit losses (credit- impaired financial assets) Thousand Baht	
As of 1 January 2021	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)
As of 31 December 2021	2,135	-	-	2,135
Increase in loss allowance recognised in profit or loss during the year (Reversal)	(1,249)	-	-	(1,249)
Written off during the year as uncollectible	(444)	-	-	(444)
As of 31 December 2022	442	-	-	442

*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:

	2022 Thousand Baht	2021 Thousand Baht
Loss allowance as at 1 January	23,228	16,525
Increase in loss allowance recognised in profit or loss during the year (Reversal)	(13,894)	6,703
<b>Closing loss allowance as at 31 December</b>	<b>9,334</b>	<b>23,228</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, their contractual nominal amounts. The exposure to credit risk of the Company equals their carrying amount in the statement of financial position as at reporting date.

#### 4.2.3 Liquidity risk

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

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. At the end of the reporting period the Company held deposits at call of Baht 15,540.99 million (2021: Baht 4,258.24 million) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, the Company's treasury department maintains flexibility in funding under committed credit lines.

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



**Allianz Ayudhya Assurance Public Company Limited**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

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

	Estimated net undiscounted cash flows						
	Book value Thousand Baht	Less than 1 year		5 - 10 years		Over 10 years	
		Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
<b>As at 31 December 2022</b>							
Investment payables	29	29	-	-	-	-	29
Lease liabilities	442,278	77,010	302,783	106,077	-	-	485,870
<b>Total financial liabilities that is not derivatives</b>	<b>442,307</b>	<b>77,039</b>	<b>302,783</b>	<b>106,077</b>	<b>-</b>	<b>-</b>	<b>485,899</b>
<b>Derivative financial Instruments applied hedge accounting</b>							
<b>Derivative hedge foreign exchange rate risk</b>							
<i>Gross currency swaps (U.S. Dollar)</i>							
Notional value	496,495	1,019,352	4,981,903	4,012,723	-	-	10,013,978
Average foreign exchange rate		32.17	31.80	30.77	-	-	
<i>Gross currency swaps (S.G. Dollar)</i>							
Notional value	2,746	-	-	51,750	-	-	51,750
Average foreign exchange rate		-	-	23.00	-	-	
<b>Derivative hedge interest rate risk</b>							
<i>Bond forward contracts</i>							
Notional value	112,349	1,330,000	1,720,000	-	-	-	3,050,000
Average price		147,778	86,000	-	-	-	
<b>Total derivative financial instruments applied hedge accounting</b>	<b>611,590</b>	<b>2,349,352</b>	<b>6,701,903</b>	<b>4,064,473</b>	<b>-</b>	<b>-</b>	<b>13,115,728</b>
<b>Total</b>	<b>1,053,897</b>	<b>2,426,391</b>	<b>7,004,686</b>	<b>4,170,550</b>	<b>-</b>	<b>-</b>	<b>13,601,627</b>

**Allianz Ayudhya Assurance Public Company Limited**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

	Estimated net undiscounted cash flows						
	Book value Thousand Baht	Less than 1 year		5 - 10 years		Over 10 years	
		Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand 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>	516,481	79,064	314,192	180,980	-	-	574,236
<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	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	720,000	2,125,000	-	-	2,845,000	
Average price		144,000	85,000	-	-	-	
<b>Total derivative financial instruments applied hedge accounting</b>	1,418,807	4,411,026	6,691,650	11,624,289	320,242	23,047,207	
<b>Total</b>	1,935,288	4,490,090	7,005,842	11,805,269	320,242	23,621,443	

**Allianz Ayudhya Assurance Public Company Limited**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

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

	Within 3 months		3 months - 1 year		1 - 5 years		5 - 10 years		Over 10 years		Total	
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
<b>As at 31 December 2022</b>												
Cross currency swaps												
Cash inflow	482,580	536,772	7,581,203	10,104,126	492,700	19,197,381						
Cash outflow	(482,580)	(536,772)	(7,581,203)	(10,104,126)	(492,700)	(19,197,381)						
Net cash flow	-	-	-	-	-	-						
Bond forward contracts settlement price	296,839	2,534,516	3,275,751	-	-	6,107,106						
<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						

#### 4.2.4 Fair value risk

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

The details of fair value are described in Note 5.

## 5 Fair value

### 5.1 Fair value estimation

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

	Fair value through profit or loss (FVPL) Thousand Baht	Fair value through other comprehensive income (FVOCI) Thousand Baht	Amortised cost Thousand Baht	Total carrying amount Thousand Baht	Fair value Thousand Baht
<b>As at 31 December 2022</b>					
<b>Assets</b>					
<i>Financial assets measured at fair value (FV)</i>					
Derivative assets	-	432,455	-	432,455	432,455
Investment in debt securities	118,090	150,005,478	-	150,123,568	150,123,568
Investment in equity securities	-	7,766,928	-	7,766,928	7,766,928
Assets held to cover linked liabilities	1,220,612	-	-	1,220,612	1,220,612
<i>Financial assets not measured at fair value</i>					
Cash and cash equivalents	-	-	18,447,961	18,447,961	18,447,961
Accrued investment income	-	-	1,354,777	1,354,777	1,354,777
Investment receivables	-	-	20,873	20,873	20,873
Investment in debt securities	-	-	17,987,920	17,987,920	17,987,920
Deposits at financial institutions with original maturities more than 3 months	-	-	1,000,000	1,000,000	1,000,000
Mortgage loans	-	-	1,952	1,952	1,952
Others	-	-	1,704,890	1,704,890	1,704,890
<b>Total assets</b>	<b>1,338,702</b>	<b>158,204,861</b>	<b>40,518,373</b>	<b>200,061,936</b>	<b>200,061,936</b>
<b>Liabilities</b>					
<i>Financial liabilities measured at fair value</i>					
Derivative liabilities	-	611,590	-	611,590	611,590
<i>Financial liabilities not measured at fair value</i>					
Investment payables	-	-	29	29	29
Others	-	-	331,212	331,212	331,212
<b>Total liabilities</b>	<b>-</b>	<b>611,590</b>	<b>331,241</b>	<b>942,831</b>	<b>942,831</b>

**Allianz Ayudhya Assurance Public Company Limited**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

	Fair value through profit or loss (FVPL) Thousand Baht	Fair value through other comprehensive income (FVOCI) Thousand Baht	Amortised cost Thousand Baht	Total carrying amount Thousand Baht	Fair value Thousand Baht
<b>As at 31 December 2021</b>					
<b>Assets</b>					
<i>Financial assets measured at fair value (FV)</i>					
Derivative assets	-	262,907	-	262,907	262,907
Investment in debt securities	125,821	158,432,320	-	158,558,141	158,558,141
Investment in equity securities	-	15,423,071	-	15,423,071	15,423,071
Assets held to cover linked liabilities	943,335	-	-	943,335	943,335
<i>Financial assets not measured at fair value</i>					
Cash and cash equivalents	-	-	6,489,635	6,489,635	6,489,635
Accrued investment income	-	-	1,343,096	1,343,096	1,343,096
Investment in debt securities	-	-	19,518,473	19,518,473	19,518,473
Deposits at financial institutions with original maturities more than 3 months	-	-	2,000,000	2,000,000	2,000,000
Mortgage loans	-	-	6,135	6,135	6,135
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 fair value</i>					
Derivative liabilities	93,793	1,325,014	-	1,418,807	1,418,807
<i>Financial liabilities not 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>

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.

**Allianz Ayudhya Assurance Public Company Limited**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

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 2022 and 2021.

	2022			
	Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	Total Thousand Baht
<b>Financial assets</b>				
Derivative assets	-	432,455	-	432,455
Investment in securities				
Investments measured at fair value through other comprehensive income				
Debt securities	-	150,005,478	-	150,005,478
Equity securities	7,758,519	-	8,409	7,766,928
Investments designated at fair value				
Debt securities	118,090	-	-	118,090
Assets held to cover linked liabilities	8,878	1,211,734	-	1,220,612
<b>Total</b>	<b>7,885,487</b>	<b>151,649,667</b>	<b>8,409</b>	<b>159,543,563</b>
<b>Financial liabilities</b>				
Derivative liabilities	-	611,590	-	611,590
<b>Total</b>	<b>-</b>	<b>611,590</b>	<b>-</b>	<b>611,590</b>
	2021			
	Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	Total Thousand 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
Assets held to cover linked liabilities	9,168	934,167	-	943,335
<b>Total</b>	<b>25,004,944</b>	<b>150,175,678</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>

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

There was no change in valuation techniques during the year.

## 5.2 Valuation techniques for assets and liabilities measured at fair value

The carrying amounts of the following financial assets and financial liabilities are considered to be approximate to their fair values: cash and cash equivalents, accrued investment income, investment receivables, other receivables, due to reinsurers, investment payables 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 debt and 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, bond forward contracts and foreign exchange forward contracts based on broker quotes. The cross currency swap have been fair valued based on interest rates and 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 foreign exchange forward contracts have been fair valued based on forward foreign exchange rates that are observable in publicly available source. 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 2022 and 2021.

	<b>2022</b>	<b>2021</b>
	<b>Thousand</b>	<b>Thousand</b>
	<b>Baht</b>	<b>Baht</b>
	<hr/>	<hr/>
Beginning balance	6,832	881,574
Derecognition	-	(875,639)
Gain on remeasuring investments measured at fair value through other comprehensive income	<hr/> 1,577	<hr/> 897
Closing balance	<hr/> 8,409	<hr/> 6,832

Valuation techniques used to derive Level 3 fair values

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

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

**6 Critical accounting estimates, assumptions and judgements**

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

**6.1 Insurance contract liabilities and investment contract liabilities**

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

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

Process involved in determining assumptions

The Company determines assumptions in relation to mortality, morbidity and discount rate that were established at the time when insurance products were designed. These assumptions are locked-in and used for calculating the liabilities over the life of the contract.

**6.1.2 Short-term technical reserves**

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

#### 6.1.3 Liabilities adequacy testing

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

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

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

### 6.3 Determination of lease terms

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

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

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

#### **6.4 Determination of discount rate applied to leases**

The Company determines the incremental borrowing rate as follows:

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

#### **6.5 Impairment of investments**

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

### **7 Capital risk management**

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

### **8 Cash and cash equivalents, net**

	<b>2022</b>	<b>2021</b>
	<b>Thousand</b>	<b>Thousand</b>
	<b>Baht</b>	<b>Baht</b>
Cash on hand	479	479
Deposits at banks - call deposits	15,540,995	4,258,240
Short-term investments	2,906,566	2,230,951
<u>Less Expected credit losses</u>	<u>(79)</u>	<u>(35)</u>
Total cash and cash equivalents, net	<u>18,447,961</u>	<u>6,489,635</u>

As at 31 December 2022, cash and cash equivalents were denominated in foreign currencies amounting to Baht 26.06 million (2021: Baht 113.69 million).

9 Premiums receivable, net

The balances of premiums receivable as at 31 December 2022 and 2021 were aged as follows:

	From direct insurance	
	2022 Thousand Baht	2021 Thousand Baht
Within credit terms	1,407,304	1,382,931
Overdue:		
Less than 30 days	167,975	180,657
31 - 60 days	15,289	2,957
61 - 90 days	14,554	18,379
91 days - 1 year	16,019	17,884
Over 1 year	4,707	7,694
Total	1,625,848	1,610,502
<u>Less</u> Allowance for doubtful accounts	(192,407)	(193,243)
Premiums receivable, net	1,433,441	1,417,259

In case of individual policies, premiums receivable 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 receivable 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 premiums receivable, the Company is processing the collection in accordance with the Company's policy.

10 Reinsurance assets

	2022 Thousand Baht	2021 Thousand Baht
Loss reserves	81,282	-
Total reinsurance assets	81,282	-

**Allianz Ayudhya Assurance Public Company Limited**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

**11 Amount due from reinsurance**

	2022 Thousand Baht	2021 Thousand Baht
Due from reinsurance (Note 36)	486,518	542,822
Total reinsurance receivable	<u>486,518</u>	<u>542,822</u>

Aging analysis for amount due from reinsurance is as follows:

	2022 Thousand Baht	2021 Thousand Baht
Within credit terms	486,518	542,822
Total	<u>486,518</u>	<u>542,822</u>

**12 Derivatives**

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

	2022 Fair value		2021 Fair value	
	Assets Thousand Baht	Liabilities Thousand Baht	Assets Thousand Baht	Liabilities Thousand Baht
Held for hedge derivatives - Applied hedge accounting	432,455	611,590	262,907	1,418,807
Total derivatives	<u>432,455</u>	<u>611,590</u>	<u>262,907</u>	<u>1,418,807</u>

The details of derivative assets are as follows:

31 December 2022					Change In fair value for the year ended 31 December 2022 Thousand Baht
Type of contract	Purpose	Number of contracts	Notional value Thousand Baht	Derivative book value Thousand Baht	
Cross currency swap	To hedge foreign currency risk of investment in foreign currency	60	9,131,653	387,412	284,962
Bond forward	To hedge reinvestment risk	16	2,985,000	45,043	(115,414)
Total derivative assets		<u>76</u>	<u>12,116,653</u>	<u>432,455</u>	<u>169,548</u>
31 December 2021					Change In fair value for the year ended 31 December 2021 Thousand Baht
Type of contract	Purpose	Number of contracts	Notional value Thousand Baht	Derivative book value Thousand Baht	
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 derivative assets		<u>22</u>	<u>5,215,820</u>	<u>262,907</u>	<u>(479,127)</u>

**Allianz Ayudhya Assurance Public Company Limited**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

The details of derivative liabilities are as follows:

31 December 2022					Change in fair value for the year ended
Type of contract	Purpose	Number of contracts	Notional value Thousand Baht	Derivative book value Thousand Baht	31 December 2022 Thousand Baht
Cross currency swap	To hedge foreign currency risk of investment in foreign currency	76	10,065,728	499,241	766,752
Bond forward	To hedge reinvestment risk	29	3,050,000	112,349	(53,328)
<b>Total derivative liabilities</b>		<b>105</b>	<b>13,115,728</b>	<b>611,590</b>	<b>713,724</b>

31 December 2021					Change in fair value for the year ended
Type of contract	Purpose	Number of contracts	Notional value Thousand Baht	Derivative book value Thousand Baht	31 December 2021 Thousand Baht
Cross currency swap	To hedge foreign currency risk of investment in 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 forward	To hedge fair value	6	3,209,726	93,793	93,793
<b>Total derivative liabilities</b>		<b>162</b>	<b>23,047,207</b>	<b>1,418,807</b>	<b>1,657,339</b>

As at 31 December 2022, 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 580.95 million, EUR Dollar 13 million and SGD Dollar 2.25 million (2021: U.S. Dollar 596.45 million, EUR Dollar 13 million and SGD Dollar 2.25 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 2022 and 2021 are as follows:

	<b>2022</b>	
	<b>Cost/ amortised cost Thousand Baht</b>	<b>Fair value Thousand Baht</b>
<b>Investments measured at fair value through other comprehensive income</b>		
Government and state enterprise debt securities	102,133,377	101,102,525
Private debt securities	30,244,548	29,828,005
Foreign debt securities	21,037,787	19,074,948
Equity securities	7,819,164	7,540,582
Foreign equity securities	255,978	226,346
<b>Total</b>	<b>161,490,854</b>	<b>157,772,406</b>
<u>Less</u> Unrealised loss	<u>(3,718,448)</u>	<u>-</u>
<b>Total investments measured at fair value through other comprehensive income</b>	<b>157,772,406</b>	<b>157,772,406</b>
<b>Investments measured at amortised cost</b>		
Government and state enterprise debt securities	16,023,931	
Private debt securities	1,964,431	
Deposits at financial institutions with original maturities more than 3 months	1,000,000	
<b>Total</b>	<b>18,988,362</b>	
<u>Less</u> Expected credit losses	<u>(442)</u>	
<b>Total investments measured at amortised cost</b>	<b>18,987,920</b>	
<b>Investments designated at fair value through profit or loss</b>		
Foreign debt securities	90,140	118,090
<u>Add</u> Unrealised gain	<u>27,950</u>	<u>-</u>
<b>Total investments designated at fair value through profit or loss</b>	<b>118,090</b>	<b>118,090</b>
<b>Total investments in securities, net</b>	<b>176,878,416</b>	

Allianz Ayudhya Assurance Public Company Limited  
Notes to Financial Statements  
For the year ended 31 December 2022

	2021	
	Cost/ amortised cost Thousand Baht	Fair value Thousand Baht
<b>Investments measured at fair value 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	29,651,770	31,448,183
Equity securities	14,251,390	14,823,837
Foreign equity securities	613,825	599,234
<b>Total</b>	<b>164,487,905</b>	<b>173,855,391</b>
<u>Add</u> Unrealised gain	9,367,486	-
<b>Total investments measured at fair value through other comprehensive income</b>	<b>173,855,391</b>	<b>173,855,391</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 original maturities more than 3 months	2,000,000	
<b>Total</b>	<b>21,518,473</b>	
<u>Less</u> Expected credit losses	(2,135)	
<b>Total investments measured at amortised cost</b>	<b>21,516,338</b>	
<b>Investments designated at fair value through profit or loss</b>		
Foreign debt securities	92,955	125,821
<u>Add</u> Unrealised gain	32,866	-
<b>Total investments designated at fair value through profit or loss</b>	<b>125,821</b>	<b>125,821</b>
<b>Total investments in securities, net</b>	<b>195,497,550</b>	

For the year ended 31 December 2022, the Company recorded interest income and dividend income amounting to Baht 6,330.15 million and Baht 1,077.38 million, respectively (2021: Baht 6,200.08 million and Baht 1,719.66 million, respectively).

For the year ended 31 December 2022, the Company received consideration from selling available-for-sale investments amounting to Baht 20,682.75 million (2021: Baht 18,054.47 million).

As at 31 December 2022, the Company had investment in securities deposited with the Office of Insurance Commission in order to comply with Section 20 of the Life Assurance Act B.E. 2535 with a book value amounting to Baht 23.87 million (31 December 2021: Baht 25.97 million) (Note 37.1).

As at 31 December 2022, the Company had investment in securities deposited with the Office of Insurance Commission in order to comply with Section 24 of the Life Insurance Act B.E. 2535 and amendment Act (No. 2) B.E. 2551 with a fair value amounting to Baht 41,963.42 million (2021: Baht 42,062.30 million) (Note 37.2).

13.1 Investment measured at fair value through other comprehensive income

a) Expected credit loss

	2022	
	Fair value Thousand Baht	Expected credit losses recognised in other comprehensive income Thousand Baht
Investments in debt securities which credit risk has not significantly increased (Stage 1)	150,005,478	(9,334)
Investment in debt securities which credit risk has significantly increased (Stage 2)	-	-
Credit-impaired investments in debt securities (Stage 3)	-	-
<b>Total</b>	<b>150,005,478</b>	<b>(9,334)</b>
	2021	
	Fair value Thousand Baht	Expected credit losses recognised in other comprehensive income Thousand Baht
Investments in debt securities which credit risk has not significantly increased (Stage 1)	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) 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:

	2022 Thousand Baht	2021 Thousand Baht
Losses recognised in other comprehensive income	(13,160,073)	(7,455,718)
Gains reclassified from other comprehensive income to profit or loss on the sale of investments measured at FVOCI	815,763	1,524,600
Interests from debt securities measured at FVOCI recognised in profit or loss	4,784,942	4,432,973
Dividends from equity securities measured at FVOCI recognised in profit or loss	1,077,380	1,719,658
(Reversal of) expected credit losses for debt securities measured at fair value through other comprehensive income recognised in profit or loss	(13,894)	6,703



**Allianz Ayudhya Assurance Public Company Limited**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

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 2022 and 2021 are aged as follows:

	2022						2021					
	Maturing within			Total			Maturing within			Total		
	1 year Thousand Baht	1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	1 year Thousand Baht	1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
<b>Investment in securities measured at fair value through other comprehensive income</b>												
Government bonds and State Own Enterprise bonds	9,384,575	18,620,106	74,128,696	102,133,377			4,407,674	20,148,633	68,489,143	93,045,450		
Private enterprises securities	663,466	10,870,990	18,710,092	30,244,548			1,207,272	4,962,355	20,755,843	26,925,470		
Foreign securities	1,099,149	7,987,708	11,950,930	21,037,787			9,230,601	6,855,459	13,565,710	29,651,770		
<b>Total</b>	<b>11,147,190</b>	<b>37,478,804</b>	<b>104,789,718</b>	<b>153,415,712</b>			<b>14,845,547</b>	<b>31,966,447</b>	<b>102,810,696</b>	<b>149,622,690</b>		
<b>Add (Less) Unrealised gains (losses)</b>	<b>58,521</b>	<b>609,203</b>	<b>(4,077,958)</b>	<b>(3,410,234)</b>			<b>761,819</b>	<b>1,960,936</b>	<b>6,086,875</b>	<b>8,809,630</b>		
<b>Total investment in securities measured at fair value through other comprehensive income</b>	<b>11,205,711</b>	<b>38,088,007</b>	<b>100,711,760</b>	<b>150,005,478</b>			<b>15,607,366</b>	<b>33,927,383</b>	<b>108,897,571</b>	<b>158,432,320</b>		

13.2 Investment measured at amortised cost

a) Amounts recognised in profit or loss

	2022 Thousand Baht	2021 Thousand Baht
Interest income	941,923	1,143,987

b) Expected credit loss

	2022		
	Gross carrying value Thousand Baht	Expected credit losses Thousand Baht	Carrying value Thousand Baht
Investments in debt securities which credit risk has not significantly increased (Stage 1)	18,988,362	(442)	18,987,920
Investment in debt securities which credit risk has significantly increased (Stage 2)	-	-	-
Credit-impaired investments in debt securities (Stage 3)	-	-	-
<b>Total</b>	<b>18,988,362</b>	<b>(442)</b>	<b>18,987,920</b>
	2021		
	Gross carrying value Thousand Baht	Expected credit losses Thousand Baht	Carrying value Thousand Baht
Investments in debt securities which credit risk has not significantly increased (Stage 1)	21,518,473	(2,135)	21,516,338
Investment in debt securities which credit risk has significantly increased (Stage 2)	-	-	-
Credit-impaired investments in debt securities (Stage 3)	-	-	-
<b>Total</b>	<b>21,518,473</b>	<b>(2,135)</b>	<b>21,516,338</b>

**Allianz Ayudhya Assurance Public Company Limited**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

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

The details of investment in securities measured at amortised cost as at 31 December 2022 and 2021 are aged as follows:

	2022				2021			
	Maturing within		Over 5 years		Maturing within		Over 5 years	
	1 year Thousand Baht	1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Total Thousand Baht	1 year Thousand Baht	1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Total Thousand Baht
<b>Investment in securities measured at amortised cost</b>								
Government bonds and State Own Enterprise bonds*	4,011,793	4,700,897	7,311,241	16,023,931	730,726	8,725,241	7,346,678	16,802,645
Private enterprises securities	1,000,000	964,431	-	1,964,431	750,000	1,965,828	-	2,715,828
Deposits at financial institutions with original maturities more than 3 months	-	1,000,000	-	1,000,000	1,000,000	1,000,000	-	2,000,000
<b>Total</b>	<b>5,011,793</b>	<b>6,665,328</b>	<b>7,311,241</b>	<b>18,988,362</b>	<b>2,480,726</b>	<b>11,691,069</b>	<b>7,346,678</b>	<b>21,518,473</b>
<b>Less Expected credit loss</b>	<b>(159)</b>	<b>(210)</b>	<b>(73)</b>	<b>(442)</b>	<b>(444)</b>	<b>(1,467)</b>	<b>(224)</b>	<b>(2,135)</b>
<b>Total investment in securities measured at amortised cost</b>	<b>5,011,634</b>	<b>6,665,118</b>	<b>7,311,168</b>	<b>18,987,920</b>	<b>2,480,282</b>	<b>11,689,602</b>	<b>7,346,454</b>	<b>21,516,338</b>

\* As at 31 December 2022, government bonds amounting to Baht 23.87 million (2021: Baht 25.97 million) have been deposited as a security with the registrar in accordance with the Life Insurance Act (No. 2) B.E 2551 (Note 37.1).

Allianz Ayudhya Assurance Public Company Limited  
Notes to Financial Statements  
For the year ended 31 December 2022

13.3 Investments designated at fair value through profit or loss

a) Amounts recognised in profit or loss

	2022 Thousand Baht	2021 Thousand Baht
Fair value losses on debt securities designated at fair value through profit or loss recognised in fair value losses	(4,916)	(2,903)

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 2022 and 2021 are aged as follows:

	Cost					
	2022			2021		
	Maturing within		Total Thousand Baht	Maturing within		Total Thousand Baht
1 year Thousand Baht	1 - 5 years Thousand Baht	Over 5 years Thousand Baht		1 year Thousand Baht	1 - 5 years Thousand Baht	
Investments designated at fair value through profit or loss						
Foreign securities	13,678	76,462	90,140	24,434	68,521	92,955
Add Unrealised gains	15,570	12,380	27,950	7,712	25,154	32,866
<b>Total investments designated at fair value through profit or loss</b>	<b>29,248</b>	<b>88,842</b>	<b>118,090</b>	<b>32,146</b>	<b>93,675</b>	<b>125,821</b>

Allianz Ayudhya Assurance Public Company Limited  
Notes to Financial Statements  
For the year ended 31 December 2022

14 Loans and accrued interest receivable

As at 31 December 2022 and 2021, the balance of loans and accrued interest receivable are aged as follows:

Outstanding periods	2022						
	Policy loans		Mortgage loans		Total		
	Principal Thousand Baht	Accrued interest Thousand Baht	Principal Thousand Baht	Accrued interest Thousand Baht	Principal Thousand Baht	Accrued interest Thousand Baht	
Within credit terms	8,318,549	1,443,247	1,973	1	8,320,522	1,443,248	9,763,770
Overdue	-	-	-	-	-	-	-
Less than 3 months	-	-	-	-	-	-	-
Over 3 - 6 months	-	-	-	-	-	-	-
Over 6 - 12 months	-	-	-	-	-	-	-
Over 12 months	-	-	43,128	3,966	43,128	3,966	47,094
Total	8,318,549	1,443,247	45,101	3,967	8,363,650	1,447,214	9,810,864
Less: Allowance for expected credit loss	-	-	(43,150)	(3,966)	(43,150)	(3,966)	(47,116)
Loans and accrued interest receivable, net	8,318,549	1,443,247	1,951	1	8,320,500	1,443,248	9,763,748

**Allianz Ayudhya Assurance Public Company Limited**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

Outstanding periods	2021							
	Policy loans		Mortgage loans			Total		
	Principal Thousand Baht	Accrued interest Thousand Baht	Principal Thousand Baht	Accrued interest Thousand Baht	Principal Thousand Baht	Accrued interest Thousand Baht	Total Thousand Baht	
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>	
Less: Allowance for expected credit loss	-	-	(43,562)	(4,002)	(43,562)	(4,002)	(47,564)	
Loans and accrued interest receivable, net	8,307,815	1,434,214	6,118	17	8,313,933	1,434,231	9,748,164	

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 2022, the Company had mortgage loans to staffs amounting to Baht 0.04 million (2021: Baht 0.19 million) with interest rates at 5% per annum (2021: 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 2022 and 2021, details of assets held to cover linked liabilities are as follows:

	<b>2022</b>	<b>2021</b>
	<b>Thousand</b>	<b>Thousand</b>
	<b>Baht</b>	<b>Baht</b>
Investment in mutual fund - Debt securities	273,890	209,191
Investment in mutual fund - Equity	937,844	724,976
Cash at bank for purchasing investment	8,878	9,168
<b>Total assets held to cover linked liabilities</b>	<b>1,220,612</b>	<b>943,335</b>

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

	<b>2022</b>	<b>2021</b>
	<b>Thousand</b>	<b>Thousand</b>
	<b>Baht</b>	<b>Baht</b>
Beginning balance of the year	943,335	632,844
Additions	443,727	385,798
Disposals	(174,895)	(152,825)
Realised gain (loss)	(6,026)	1,439
Unrealised gain in profit or loss	14,761	70,430
Increase (Decrease) in cash at bank for purchasing investment	(290)	5,649
<b>Ending balance of the year</b>	<b>1,220,612</b>	<b>943,335</b>

Allianz Ayudhya Assurance Public Company Limited  
Notes to Financial Statements  
For the year ended 31 December 2022

16 Premises and equipment, net

	2022												2021											
	Beginning balance				Additions				Cost				Accumulated depreciation				Premises and equipment beginning balance							
	Thousand	Baht	Thousand	Baht	Thousand	Baht	Thousand	Baht	Thousand	Baht	Thousand	Baht	Thousand	Baht	Thousand	Baht	Thousand	Baht						
Land	247,916	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	247,916	243,116				
Building	504,546	-	-	-	-	(4,800)	-	243,116	-	-	-	19,784	-	-	-	-	-	-	121,624	79,620				
Computer	276,508	29,356	(30,308)	-	(99,785)	(30,308)	-	404,761	-	-	-	14,278	(77,565)	(30,307)	-	-	-	28,852	43,929					
Office equipment	169,184	4,853	(10,029)	-	275,556	(10,029)	-	275,556	-	-	-	14,095	(9,969)	(9,969)	-	-	-	45,947	36,645					
Furniture	3,925	117	(354)	-	164,008	(354)	-	164,008	-	-	-	368	(354)	-	-	-	-	1,304	1,053					
Fitting	411,872	12,189	(15,316)	-	3,688	(15,316)	-	3,688	-	-	-	23,468	(15,310)	-	-	-	-	159,522	148,237					
Vehicles	553	-	-	-	408,745	-	-	408,745	-	-	-	-	-	-	-	-	-	-	-	-				
Assets under installation	-	140	-	-	553	-	-	553	-	-	-	-	-	-	-	-	-	-	-	140				
<b>Total</b>	<b>1,614,504</b>	<b>46,655</b>	<b>(160,592)</b>	<b>-</b>	<b>1,500,567</b>	<b>(160,592)</b>	<b>-</b>	<b>1,009,339</b>	<b>71,993</b>	<b>(133,505)</b>	<b>-</b>	<b>947,827</b>	<b>605,165</b>	<b>552,740</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>605,165</b>	<b>552,740</b>	<b>552,740</b>				
	<b>2021</b>																							
Land	247,916	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	247,916	247,916				
Building	504,546	-	-	-	-	-	-	247,916	-	-	-	22,840	-	-	-	-	-	-	144,464	121,624				
Computer	283,150	5,489	(12,131)	-	504,546	(12,131)	-	360,082	-	-	-	20,039	(12,130)	-	-	-	-	-	43,403	28,852				
Office equipment	157,870	18,342	(12,055)	-	276,508	(12,055)	-	239,747	-	-	-	14,354	(11,777)	-	-	-	-	-	37,210	45,947				
Furniture	3,671	691	(498)	-	169,184	(498)	-	120,660	5,027	-	-	355	(457)	-	-	-	-	-	948	1,304				
Fitting	350,937	21,292	(10,337)	-	3,925	(10,337)	-	236,303	61	-	-	23,452	(7,405)	-	-	-	-	-	114,634	159,522				
Vehicles	1,030	-	(477)	-	411,872	(477)	-	1,030	49,980	-	-	-	(477)	-	-	-	-	-	-	-				
Assets under installation	56,170	-	(1,102)	-	553	(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>(36,600)</b>	<b>-</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>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>644,745</b>	<b>605,165</b>				



17 Right-of-use assets, net

	Building and improvement Thousand Baht	Others Thousand Baht	Total Thousand Baht
<b>At 1 January 2022</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>
<b>For the year ended 31 December 2022</b>			
Beginning net book amount	481,551	8,065	489,616
Write-off	(12,249)	-	(12,249)
Amortisation charge	(71,550)	(2,821)	(74,371)
Closing net book amount	<u>397,752</u>	<u>5,244</u>	<u>402,996</u>
<b>At 31 December 2022</b>			
Cost	644,648	12,157	656,805
<u>Less</u> Accumulated amortisation	(246,896)	(6,913)	(253,809)
Net book amount	<u>397,752</u>	<u>5,244</u>	<u>402,996</u>

Allianz Ayudhya Assurance Public Company Limited  
Notes to Financial Statements  
For the year ended 31 December 2022

18 Intangible assets, net

	2022												2021											
	Cost						Accumulated amortisation						Intangible assets											
	Beginning balance Thousand Baht	Additions Thousand Baht	Disposal / write off Thousand Baht	Transfer in (out) Thousand Baht	Ending balance Thousand Baht	Beginning balance Thousand Baht	Amortisation charges Thousand Baht	Disposal / write off Thousand Baht	Transfer in (out) Thousand Baht	Ending balance Thousand Baht	Intangible assets beginning balance Thousand Baht	Intangible assets ending balance Thousand Baht												
Developed in-house Computer software	626,052	65,790	-	5,015	696,857	383,162	99,075	-	-	482,237	242,890	214,620												
Work-in-process	9,442	13,592	-	(5,015)	18,019	-	-	-	-	-	9,442	18,019												
Total	635,494	79,382	-	-	714,876	383,162	99,075	-	-	482,237	252,332	232,639												
Buying Computer software	240,064	16,573	-	-	256,637	147,759	16,586	-	-	164,345	92,305	92,292												
Total	240,064	16,573	-	-	256,637	147,759	16,586	-	-	164,345	92,305	92,292												
Right to utilise benefits	970,000	-	(370,000)	-	600,000	490,000	120,000	(370,000)	-	240,000	480,000	360,000												
Grand total	1,845,558	95,955	(370,000)	-	1,571,513	1,020,921	235,651	(370,000)	-	886,582	824,637	684,931												
	2021																							
	Cost						Accumulated amortisation						Intangible assets											
	Beginning balance Thousand Baht	Additions Thousand Baht	Disposal / write off Thousand Baht	Transfer in (out) Thousand Baht	Ending balance Thousand Baht	Beginning balance Thousand Baht	Amortisation charges Thousand Baht	Disposal / write off Thousand Baht	Transfer in (out) Thousand Baht	Ending balance Thousand Baht	Intangible assets beginning balance Thousand Baht	Intangible assets ending balance Thousand Baht												
Developed in-house Computer software	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												
Total	560,839	88,332	(7,274)	(6,403)	635,494	284,501	104,923	(6,262)	-	383,162	276,338	252,332												
Buying Computer software	233,849	146	(334)	6,403	240,064	128,279	19,721	(241)	-	147,759	105,570	92,305												
Total	233,849	146	(334)	6,403	240,064	128,279	19,721	(241)	-	147,759	105,570	92,305												
Right to utilise benefits	370,000	600,000	-	-	970,000	370,000	120,000	-	-	490,000	-	480,000												
Grand total	1,164,688	688,478	(7,608)	-	1,845,558	782,780	244,644	(6,503)	-	1,020,921	381,908	824,637												

19 Deferred income tax

As at 31 December 2022 and 2021, deferred tax assets and liabilities are as follows:

	2022 Thousand Baht	2021 Thousand Baht
<b>Deferred tax assets:</b>		
Deferred tax asset to be recovered within 12 months	650,020	254,653
Deferred tax asset to be recovered after more than 12 months	1,734,043	1,339,687
	<u>2,384,063</u>	<u>1,594,340</u>
<b>Deferred tax liabilities:</b>		
Deferred tax liability to be settled within 12 months	(309,714)	(276,603)
Deferred tax liability to be settled after more than 12 months	(1,160,870)	(2,695,347)
	<u>(1,470,584)</u>	<u>(2,971,950)</u>
<b>Deferred tax assets (liabilities) - net</b>	<u>913,479</u>	<u>(1,377,610)</u>

Deferred income tax is calculating from liability method on temporary differences and using tax rate of 20% (2021: 20%).

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

	2022			
	As at 1 January 2022 Thousand Baht	Increase (decrease) in profit or loss Thousand Baht	Increase (decrease) in other comprehensive income Thousand Baht	As at 31 December 2022 Thousand Baht
<b>Deferred tax assets</b>				
Allowance for doubtful accounts	76,145	9,129	-	85,274
Provisions	178,508	48,492	-	227,000
Insurance reserves	363,474	(25,728)	-	337,746
Employee benefit obligations	130,414	(1,038)	(10,907)	118,469
Unrealised loss on derivative instruments	45,469	-	298	45,767
Cost of hedge	21,751	-	(40,763)	(19,012)
Unrealised loss on FVOCI investments	321,188	-	1,018,882	1,340,070
Allowance for impairment	353,640	(193,463)	-	160,177
Expected credit losses	455	(3,118)	2,779	116
Lease liabilities	103,296	(14,840)	-	88,456
<b>Total</b>	<u>1,594,340</u>	<u>(180,566)</u>	<u>970,289</u>	<u>2,384,063</u>
<b>Deferred tax liabilities</b>				
Unrealised gain on derivative instruments	(8,222)	-	(272,195)	(280,417)
Cost of hedge	(27,006)	-	1,547	(25,459)
Unrealised gain on FVOCI investments	(2,529,987)	-	1,773,505	(756,482)
Premiums receivable	(276,603)	(827)	-	(277,430)
Right of use assets	(97,923)	17,324	-	(80,599)
Impact from shadow accounting adjustments	(28,460)	-	16,151	(12,309)
Insurance reserves	-	(32,284)	-	(32,284)
Others	(3,749)	(1,855)	-	(5,604)
<b>Total</b>	<u>(2,971,950)</u>	<u>17,642</u>	<u>1,519,008</u>	<u>(1,470,584)</u>
<b>Deferred tax income, net</b>	<u>(1,377,610)</u>	<u>(198,208)</u>	<u>2,489,297</u>	<u>913,479</u>

**Allianz Ayudhya Assurance Public Company Limited**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

	2021			
	As at 1 January 2021 Thousand Baht	Increase (decrease) in profit or loss Thousand Baht	Increase (decrease) in other comprehensive income Thousand Baht	As at 31 December 2021 Thousand 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>	<b>1,467,630</b>	<b>(29,132)</b>	<b>155,842</b>	<b>1,594,340</b>
<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)
Premiums receivable	(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>	<b>(4,773,612)</b>	<b>159,975</b>	<b>1,641,687</b>	<b>(2,971,950)</b>
Deferred tax income, net	(3,305,982)	130,843	1,797,529	(1,377,610)

## 20 Other assets

Other assets as at 31 December 2022 and 2021 comprise:

	2022 Thousand Baht	2021 Thousand Baht
Cash collateral from derivative contracts	1,590,675	1,328,818
Other account receivables	47,492	66,699
<u>Less</u> Expected credit losses	(37)	(60)
Net other account receivables	47,455	66,639
Prepaid expenses	43,990	65,341
Withholding tax assets	65,121	-
Others	62,266	68,004
<b>Total other assets</b>	<b>1,809,507</b>	<b>1,528,802</b>

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

## 21 Insurance contract liabilities

	2022			2021		
	Insurance contract liabilities Thousand Baht	Liabilities recovered from reinsurance Thousand Baht	Net Thousand Baht	Insurance contract liabilities Thousand Baht	Liabilities recovered from reinsurance Thousand Baht	Net Thousand Baht
Long-term technical reserves	178,479,013	-	178,479,013	172,611,811	-	172,611,811
Short-term technical reserves						
Loss reserves and outstanding claims						
- Reported claims	800,129	(80,136)	719,993	442,586	-	442,586
- Claims incurred but not reported	312,923	(81,282)	231,641	386,065	-	386,065
Total loss reserves and outstanding claims	1,113,052	(161,418)	951,634	828,651	-	828,651
Unearned premium reserves	3,836,218	-	3,836,218	3,561,853	-	3,561,853
Total short-term technical reserves	4,949,270	(161,418)	4,787,852	4,390,504	-	4,390,504
Unpaid policy benefits	5,657,343	-	5,657,343	5,427,296	-	5,427,296
Due to insured	1,616,329	-	1,616,329	1,482,790	-	1,482,790
Total insurance contract liabilities	190,701,955	(161,418)	190,540,537	183,912,401	-	183,912,401

### 21.1 Long-term technical reserves

	2022 Thousand Baht	2021 Thousand Baht
Beginning balances for the year	172,611,811	170,363,700
Reserves increased from new and inforce policies in the year	20,452,669	19,011,957
Reserves released for benefits payment under insurance policies, lapse and cancelled policies in the year	(14,585,467)	(16,763,846)
Change in assumption	-	-
Closing balances at the end of year	178,479,013	172,611,811

The assumptions used in actuarial estimation are as follows;

	2022 %	2021 %
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:

	<b>2022</b>	<b>2021</b>
	<b>Thousand</b>	<b>Thousand</b>
	<b>Baht</b>	<b>Baht</b>
Beginning balances for the year	828,651	642,535
Claims incurred during the year	6,228,506	5,176,596
Claims paid during the year	<u>(5,944,105)</u>	<u>(4,990,480)</u>
Closing balances at the end of year	<u>1,113,052</u>	<u>828,651</u>

21.2.2 Aging of loss reserve and outstanding claims' repayment

	<b>2022</b>	<b>2021</b>
	<b>Thousand</b>	<b>Thousand</b>
	<b>Baht</b>	<b>Baht</b>
Expected repayment within 1 year	1,113,052	828,651
Expected repayment after 1 year	<u>-</u>	<u>-</u>
Total	<u>1,113,052</u>	<u>828,651</u>

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

	<b>Change in</b>	<b>Impact on</b>	<b>Impact on</b>	<b>Impact on</b>
	<b>Assumptions</b>	<b>loss reserve</b>	<b>profit or loss</b>	<b>equity</b>
	<b>%</b>	<b>and unallocated</b>	<b>Thousand</b>	<b>Thousand</b>
	<b>%</b>	<b>loss adjustment</b>	<b>Thousand</b>	<b>Thousand</b>
	<b>%</b>	<b>expense</b>	<b>Baht</b>	<b>Baht</b>
	<b>%</b>	<b>Thousand</b>	<b>Baht</b>	<b>Baht</b>
	<b>%</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Expected loss ratio	0.5%	179,507	(179,507)	(179,507)
	(0.5%)	(147,764)	147,764	147,764

21.2 Short-term technical reserves

21.2.4 Claim Development Table

21.2.4.1 Claim development table before and net of reinsurance

Incident Year / Reported Year	Unit: Thousand Baht							
	2016	2017	2018	2019	2020	2021	2022	Total
Estimated claim:								
- At the end of the year	2,683,858	2,989,148	4,935,198	5,268,150	4,604,174	4,785,519	5,388,549	
- After 1 year	109,973	127,894	211,978	243,216	255,632	252,017	-	
- After 2 years	7,960	4,312	10,771	5,225	5,179	-	-	
- After 3 years	2,341	3,435	2,204	1,831	-	-	-	
- After 4 years	479	890	965	-	-	-	-	
- After 5 years	302	459	-	-	-	-	-	
- After 6 years	155	-	-	-	-	-	-	
Ultimate claim	2,805,084	3,126,162	5,161,491	5,519,612	4,892,123	5,050,411	6,459,983	33,014,866
Cumulative claim paid	(2,805,068)	(3,126,138)	(5,161,116)	(5,518,422)	(4,864,985)	(5,037,536)	(5,388,549)	(31,901,814)
Other claim	16	24	375	1,190	27,138	12,875	1,071,434	1,113,052
Claim liabilities before reinsurance								-
Claim recoveries								1,113,052
Claim liabilities after reinsurance								(161,418)
								951,634

**Allianz Ayudhya Assurance Public Company Limited**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

21.2.5 Unearned premium reserve

	<b>2022</b>	<b>2021</b>
	<b>Thousand</b>	<b>Thousand</b>
	<b>Baht</b>	<b>Baht</b>
Beginning balances for the year	3,561,853	3,402,310
Premiums written for the year	10,215,214	10,417,332
Premiums earned in the year	(9,940,849)	(10,257,789)
Closing balances at the end of year	<u>3,836,218</u>	<u>3,561,853</u>

21.2.6 Unexpired risk reserve

No reserve for unexpired risks was established as at 31 December 2022 as the unexpired risk reserve estimated by the Company was lower than the unearned premium reserve.

**21.3 Unpaid policy benefits**

	<b>2022</b>	<b>2021</b>
	<b>Thousand</b>	<b>Thousand</b>
	<b>Baht</b>	<b>Baht</b>
Death benefits	137,588	177,631
Dividend	4,261,902	4,172,640
Others	1,257,853	1,077,025
Total	<u>5,657,343</u>	<u>5,427,296</u>

**21.4 Due to insured**

	<b>2022</b>	<b>2021</b>
	<b>Thousand</b>	<b>Thousand</b>
	<b>Baht</b>	<b>Baht</b>
Uncashed cheques	1,102,165	997,352
Premiums received during underwriting	514,000	485,279
Others	164	159
Total	<u>1,616,329</u>	<u>1,482,790</u>



**22 Investment contract liabilities**

	<b>2022</b> <b>Thousand</b> <b>Baht</b>	<b>2021</b> <b>Thousand</b> <b>Baht</b>
Investment contract liabilities with discretionary participation features	3,232,350	3,362,975
Unit-linked contract liabilities (Note 15)	1,220,612	943,335
<b>Total investment contract liabilities</b>	<b>4,452,962</b>	<b>4,306,310</b>

Movement of investment contract liabilities with discretionary participation features during the year are as follows:

	<b>2022</b> <b>Thousand</b> <b>Baht</b>	<b>2021</b> <b>Thousand</b> <b>Baht</b>
Beginning balance for the year	3,362,975	3,384,179
Reserves increased from in-force policies in the year	183,086	190,354
Reserves released for benefits payment, lapse, and cancelled policies during the year	(313,711)	(211,558)
<b>Closing balance at the end of year</b>	<b>3,232,350</b>	<b>3,362,975</b>

**23 Amount due to reinsurance**

	<b>2022</b> <b>Thousand</b> <b>Baht</b>	<b>2021</b> <b>Thousand</b> <b>Baht</b>
Due to reinsurers (Note 36)	496,292	627,870
<b>Total amount due to reinsurance</b>	<b>496,292</b>	<b>627,870</b>

**24 Accrued expenses**

	<b>2022</b> <b>Thousand</b> <b>Baht</b>	<b>2021</b> <b>Thousand</b> <b>Baht</b>
Accrued commission expenses	396,936	407,153
Accrued selling expenses	960,062	834,840
Accrued agency overhead	535,214	502,817
Accrued administration expenses	310,104	226,154
Others	114,900	76,803
<b>Total accrued expenses</b>	<b>2,317,216</b>	<b>2,047,767</b>

25 Employee benefits

	2022 Thousand Baht	2021 Thousand Baht
<b>Statement of Financial Position</b>		
Short - term employee benefits	223,152	261,965
Long - term employee benefits	89,909	97,509
Retirement benefits	358,678	378,360
Employment benefit obligation	671,739	737,834

25.1 Employee benefits obligation

The amounts recognised in profit or loss are as follows:

	2022 Thousand Baht	2021 Thousand Baht
<u>Defined benefits obligation</u>		
Prior year service costs	(2,139)	(9,181)
Current service costs	33,282	39,166
Interest cost	7,624	5,379
Total expenses	38,767	35,364
<u>Commitment from defined benefit plans</u>		
Present value of employee benefits obligations	358,678	378,360
<u>Changes in the present value of employee benefits</u>		
As at 1 January	378,360	427,178
Prior year service costs	(2,139)	(9,181)
Current service costs	33,282	39,166
Interest cost	7,624	5,379
<u>Less</u> Benefits paid	(3,912)	(27,088)
<u>Less</u> Curtailments during the year	-	-
Gain on actuarial remeasurement	(54,537)	(57,094)
As at 31 December	358,678	378,360

Change in significant assumptions used in the actuarial calculation are summarised as follows:

	2022	2021
Discount rate (per annum)	1.31% - 5.64%	0.52% - 3.44%
Salary increase rate (per annum)	4.0% - 9.0%	4.0% - 9.0%
Retirement ages (years)	60	60
Turnover rate	0.0% - 17.0%	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	
	2022 Percentage	2021 Percentage	2022 Thousand Baht	2021 Thousand Baht	2022 Thousand Baht	2021 Thousand Baht
Discount rate	0.5%	0.5%	(15,222)	(18,882)	16,246	20,304
Salary increase rate	0.25%	0.25%	(10,690)	13,275	10,997	(12,899)
Turnover rate	1.0%	1.0%	(16,340)	(22,074)	17,983	24,555

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.

	2022	2021
Weighted average duration of the defined benefit obligation (years)	11.8	11.6
Maturity analysis of undiscounted benefits expected to be paid (Thousand Baht)		
Benefits expected to be paid within 1 year	19,638	10,584
Benefits expected to be paid between 1 - 5 years	115,603	90,406
Benefits expected to be paid more than 5 years	969,238	1,053,350

## 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 2022 and 2021, 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 2022 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 2022, the total Company's contribution under this plan was Baht 4.39 million (2021: Baht 3.92 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 realised if the plan participant remains employed within the Allianz Group or under certain conditions.

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

	RSU	
	2022 Number of shares	2021 Number of shares
As at 1 January	17,286	16,297
Granted/Transferred in	5,045	5,143
Exercised	(3,851)	(4,057)
Forfeited/Transferred out	(1,157)	(97)
As at 31 December	17,323	17,286

The total returns recognised compensation in other employee benefits for the year ended 31 December 2022 amounting to Baht 29.98 million (2021: Baht 37.64 million) and the total compensation liabilities under "Employee benefits" amounting to Baht 79.39 million (2021: Baht 85.76 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**

As at 31 December 2022, significant lawsuits were brought against the Company, in the normal course of business, as the insurer with the estimated amount of Baht 148.37 million (2021: Baht 130.81 million). The Company's management believes that the amount of provision recorded in the financial statements for the potential losses in respect of lawsuit is adequate.

**27 Other liabilities**

	<b>2022</b>	<b>2021</b>
	<b>Thousand</b>	<b>Thousand</b>
	<b>Baht</b>	<b>Baht</b>
Cash collateral from derivative contract	77,400	54,700
Other creditors	182,143	189,757
Lease liabilities	442,278	516,481
Others	252,461	228,952
<b>Total other liabilities</b>	<b>954,282</b>	<b>989,890</b>

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

The maturity analysis of lease liabilities are aged as follows:

	<b>2022</b>	<b>2021</b>
	<b>Thousand</b>	<b>Thousand</b>
	<b>Baht</b>	<b>Baht</b>
<b>Maturing</b>		
Within 1 year	64,918	65,121
Between 1 to 2 years	66,527	69,144
Between 2 to 3 years	66,849	70,833
Between 3 to 4 years	69,712	67,467
Between 4 to 5 years	70,672	69,649
Later than 5 years	103,600	174,267
<b>Total</b>	<b>442,278</b>	<b>516,481</b>
Including: - Principal	485,870	574,316
- Interest	(43,592)	(57,835)

For the year ended 31 December 2022, interest expense on lease liabilities amounted to Baht 14.08 million (2021: Baht 16.26 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 21 April 2022, the shareholders approved the appropriation of dividend payment from the Company's performance for the year 2021 of Baht 10 per share, on 295 million shares, totaling to the amount of Baht 2,950 million. On 1 June 2022, the Office of Insurance Commission endorsed for distribution of profit for the year 2021 for dividend payments within an amount of Baht 2,534.40 million, on 295 million shares or Baht 8.59 per share. The dividend payment was made on 23 June 2022. (2021: At the annual general meeting of the shareholders of the Company held on 22 April 2021, the shareholders approved the appropriation of dividend payment from the Company's performance for the year 2020 of Baht 7.49 per share, on 295 million shares, totaling to the amount of Baht 2,209.55 million. On 8 June 2021, the Office of Insurance Commission endorsed for distribution of profit for the year 2020 for dividend payments within an amount of Baht 2,209.55 million, on 295 million shares or Baht 7.49 per share. The dividend payment was made on 28 June 2021.)

**30 Net investment income**

		2022 Thousand Baht	(Reclassified) 2021 Thousand Baht
	Note		
<b>Dividend income</b>			
Other related parties	36	15,034	319,857
Other parties		1,062,346	1,399,801
		<u>1,077,380</u>	<u>1,719,658</u>
<b>Interest income</b>			
Other related parties	36	1,473	1,780
Other parties	3	6,322,969	6,152,014
		<u>6,324,442</u>	<u>6,153,794</u>
<b>Investment expenses</b>		<u>(172,379)</u>	<u>(174,654)</u>
Total net investment income		<u>7,229,443</u>	<u>7,698,798</u>

**31 Operating expenses**

	2022 Thousand Baht	2021 Thousand Baht
Employee expenses not relating to underwriting expenses and loss adjustment expenses	1,127,952	1,176,597
Property and equipment expenses not relating to underwriting expenses	369,869	540,984
Tax expenses	196,994	195,361
Bad debt and doubtful debt expenses (Reversal)	437	(98,057)
Other operating expenses	798,622	662,388
Total operating expenses	<u>2,493,874</u>	<u>2,477,273</u>

**32 Employee expenses**

	2022 Thousand Baht	2021 Thousand Baht
Salary and wages	1,321,189	1,379,427
Social securities	6,666	7,538
Provident fund	68,650	66,564
Other employee benefits	262,880	275,186
Total employee expenses	<u>1,659,385</u>	<u>1,728,715</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>2022</b>	<b>2021</b>
	<b>Thousand</b>	<b>Thousand</b>
	<b>Baht</b>	<b>Baht</b>
Cash and cash equivalents (Reversal)	44	(5,321)
Investment in debt securities (Reversal)	(15,587)	624
Loans (Reversal)	(448)	(281)
Other receivables (Reversal)	(23)	(452)
<b>Total expected credit losses (Reversal)</b>	<b>(16,014)</b>	<b>(5,430)</b>

**34 Income tax expenses**

	<b>2022</b>	<b>2021</b>
	<b>Thousand</b>	<b>Thousand</b>
	<b>Baht</b>	<b>Baht</b>
Current tax on profit for the year	525,778	1,058,937
Prior year tax adjustment	13,983	32,399
Increase (Decrease) in deferred tax (Note 19)	198,208	(130,843)
<b>Income taxes for the year</b>	<b>737,969</b>	<b>960,493</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>2022</b>	<b>2021</b>
	<b>Thousand</b>	<b>Thousand</b>
	<b>Baht</b>	<b>Baht</b>
Profit before tax	3,809,375	4,822,668
Income tax rate	20%	20%
Tax calculated at tax rate	761,875	964,534
Impact:		
Income not subject to tax	(27,892)	(37,893)
Expenses not deductible for tax purposes	772	1,506
Additional deduction for tax purposes	(1,265)	(53)
Previously unrecognised deferred tax assets	(9,504)	-
Prior year tax adjustment	13,983	32,399
<b>Income taxes for the year</b>	<b>737,969</b>	<b>960,493</b>

The effective tax rate for 2022 is 19.37% (2021: 19.92%). 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.

Tax effect on other comprehensive income

	2022			2021		
	Before Tax Thousand Baht	Tax benefit (expense) Thousand Baht	Net of tax Thousand Baht	Before Tax Thousand Baht	Tax benefit (expense) Thousand Baht	Net of tax Thousand Baht
<b>31 December</b>						
Unrealised loss from fair value measurement of investment measured at FVOCI	(13,160,073)	2,632,014	(10,528,059)	(7,455,718)	1,491,143	(5,964,575)
Items in other comprehensive income transferred to profit or loss	(1,478,658)	295,731	(1,182,927)	(1,524,600)	304,920	(1,219,680)
Actuarial gain (loss) from employment benefit plan	54,537	(10,907)	43,630	57,094	(11,419)	45,675
Unrealised loss from hedging instruments	1,997,810	(399,563)	1,598,247	(583,195)	116,639	(466,556)
Unrealised gain (loss) from deferred cost of hedge	220,647	(44,129)	176,518	210,282	(42,056)	168,226
Change in long-term technical reserve from shadow adjustment	(80,753)	16,151	(64,602)	308,491	(61,698)	246,793
<b>Total</b>	<b>(12,446,490)</b>	<b>2,489,297</b>	<b>(9,957,193)</b>	<b>(8,987,646)</b>	<b>1,797,529</b>	<b>(7,190,117)</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.

	2022	2021
Net profit for the year attributable to ordinary shareholders of the Company (Thousand Baht)	3,071,406	3,862,175
Number of ordinary shares outstanding (Thousand shares)	295,000	295,000
Basic earnings per share (Baht per share)	10.41	13.09

These are no potential dilutive ordinary shares in issue for the years ended 31 December 2022 and 2021.

**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.



**Allianz Ayudhya Assurance Public Company Limited**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

Relationships with key management and related parties were as follows:

Name of entities	Country of incorporation/ nationality	Nature of relationships
Key management personnel	Thai/foreigners	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Company
Allianz SE	Germany	Ultimate parent, 16.10% shareholding
Allianz SE, Singapore Branch	Singapore	Related company of ultimate parent
Allianz Technology SE	Germany	Related company of ultimate parent
Allianz Global Benefits GmbH	Germany	Related company of ultimate parent
Allianz SE Reinsurance Branch Asia Pacific	Singapore	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	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
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
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
Allianz Ayudhya General Insurance 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
Health Care Management Company Limited	Thailand	Related company of major shareholders and common director
Minor Health Enterprise Limited	Thailand	Related company of major shareholders and common director
My Health Services (Thailand) Limited	Thailand	Related company of major shareholders and common director
Aetna Health Insurance (Thailand) Public Company Limited	Thailand	Related company of major shareholders and common director
Aqua Holdings (Thailand) 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 2022**

Significant transactions for the year ended 31 December 2022 and 2021 with key management and related parties were as follows:

	<b>2022</b> <b>Thousand</b> <b>Baht</b>	<b>2021</b> <b>Thousand</b> <b>Baht</b>
<b>Gross premiums written</b>		
Other related parties	325,492	304,443
<b>Premiums ceded</b>		
Ultimate parent	115,310	117,511
Other related parties	705,839	709,681
<b>Fees and commission income</b>		
Ultimate parent	23,341	23,901
Other related parties	191,149	59,661
<b>Net investment income</b>		
Other related parties	16,507	321,637
<b>Gains on investment</b>		
Other related parties	47,609	1,377,187
<b>Other income</b>		
Other related parties	3,491	-
<b>Benefits payments and insurance claims expenses</b>		
Other related parties	306,954	266,799
<b>Benefits and claim paid recovery from reinsurers</b>		
Ultimate parent	82,582	69,653
Other related parties	409,462	348,456
<b>Other underwriting expenses</b>		
Other related parties	120,000	120,000
<b>Operating expenses</b>		
Ultimate parent	87,699	189,910
Other related parties	802,679	614,788
<b>Key management personnel compensation</b>		
Short-term benefits	155,304	178,765
Long-term benefits	23,998	25,335
Post-employment benefits	11,159	11,587
<b>Total</b>	<b>190,461</b>	<b>215,687</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 0.70 million. (31 December 2021: SGD 1.19 million). The term of the agreement is for 1 year from 1 January 2022 to 31 December 2022. The payments are made on quarterly basis. Either party may terminate this agreement at any time by giving 6 months prior written notice to another party.
- (b) The Company entered into an agreement with ultimate parent whereby ultimate parent will provide the support services to the Company. The Company was charged a service fee of EUR 0.99 million (31 December 2021: EUR 1.23 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) (2021: Baht 4.87 million).

#### Investments in related parties

Investments in related parties as at 31 December 2022 and 2021 and dividends received for the year ended 31 December 2022 and 2021 were as follows:

	Book value		Dividend income	
	2022	2021	2022	2021
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Investments - equity securities	-	151,224	15,034	319,857
<b>Total</b>	<b>-</b>	<b>151,224</b>	<b>15,034</b>	<b>319,857</b>

During the year ended 31 December 2022, the Company sold the investment in related parties amounting to Baht 151.35 million and received gain on sale of investment amounting to Baht 47.61 million. (During the year ended 31 December 2021, the Company sold the investment in related parties amounting to Baht 1,417.20 million and received gain on sale of investment amounting to Baht 1,377.19 million.)

**Allianz Ayudhya Assurance Public Company Limited**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

Significant balances with related parties as at 31 December 2022 and 2021 were as follows:

	<b>2022</b>	<b>2021</b>
	<b>Thousand</b>	<b>Thousand</b>
	<b>Baht</b>	<b>Baht</b>
<b>Cash and cash equivalents, net</b>		
Other related parties	12,284,256	1,886,955
<b>Amount due from reinsurance</b>		
Ultimate parent	50,967	40,465
Other related parties	316,926	411,666
<b>Investment in debt securities</b>		
Ultimate parent	118,090	125,821
<b>Other assets</b>		
Other related parties	15,556	22,827
<b>Amount due to reinsurance</b>		
Other related parties	450,137	559,822
<b>Accrued expenses</b>		
Ultimate parent	36,367	31,202
Other related parties	102,781	52,056
<b>Other liabilities</b>		
Ultimate parent	3,124	-
Other related parties	392,866	438,758

**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:

	<b>2022</b>		<b>2021</b>	
	<b>Book value</b>	<b>Face value</b>	<b>Book value</b>	<b>Face value</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>
<b>Investments measured at fair value through other comprehensive income</b>				
Government bonds	23,867	20,000	25,969	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:

	2022		2021	
	Book value Thousand Baht	Face value Thousand Baht	Book value Thousand Baht	Face value Thousand Baht
<b>Investments measured at fair value through other comprehensive income</b>				
Government bonds	34,584,891	32,140,000	26,209,559	20,840,000
State enterprise bonds	-	-	6,398,755	5,620,000
<b>Total</b>	<b>34,584,891</b>	<b>32,140,000</b>	<b>32,608,314</b>	<b>26,460,000</b>
<b>Investments measured at amortised cost</b>				
Government bonds	6,078,533	5,912,000	8,153,990	7,712,000
State enterprise bonds	1,300,000	1,300,000	1,300,000	1,300,000
<b>Total</b>	<b>7,378,533</b>	<b>7,212,000</b>	<b>9,453,990</b>	<b>9,012,000</b>

### 38 Asset-backed

As of 31 December 2022 and 2021, 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:

	2022		2021	
	Book value Thousand Baht	Appraised value Thousand Baht	Book value Thousand Baht	Appraised value Thousand Baht
Deposits with financial institutions	3,515,303	3,515,303	3,423,562	3,423,562
Equity securities	7,766,928	7,766,928	24,876,787	24,576,587
Debt securities	170,900,406	171,880,670	170,728,028	172,390,604
<b>Total</b>	<b>182,182,637</b>	<b>183,162,901</b>	<b>199,028,377</b>	<b>200,390,753</b>

**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>2022</b>	<b>2021</b>
	<b>Thousand</b>	<b>Thousand</b>
	<b>Baht</b>	<b>Baht</b>
Due within 1 year	133,372	50,557
Due more than 1 year but not later than 5 years	117,730	53,333
Later than 5 years	8,828	13,065
<b>Total</b>	<b>259,930</b>	<b>116,955</b>

The Company has entered into several lease agreements in respect of office space and service agreements. The maximum period of the agreements remains up to 2029.

**39.2 Investment commitments**

As at 31 December 2022, the Company had commitments to invest in several series of bills of exchange issued by banks amounting to Baht 13 million (2021: Baht 69 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>2022</b>	<b>2021</b>
	<b>Thousand</b>	<b>Thousand</b>
	<b>Baht</b>	<b>Baht</b>
Within 1 year	13,000	56,000
More than 1 year but not later than 5 years	-	13,000
<b>Total</b>	<b>13,000</b>	<b>69,000</b>