

ALLIANZ AYUDHYA CAPITAL PUBLIC COMPANY LIMITED

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2020





Independent Auditor's Report

To the shareholders of Allianz Ayudhya Capital Public Company Limited

My opinion

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

What I have audited

The consolidated financial statements and the separate financial statements comprise:

- the consolidated and separate statements of financial position as at 31 December 2020;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate 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 consolidated and separate financial statements section of my report. I am independent of the Group and the Company in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that are relevant to my audit of the consolidated and separate financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.



Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

| Key audit matter | How my audit addressed the key audit matter |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Valuation of claim reserves</p> <p><i>Refer to Note 5, critical accounting estimates, assumptions and judgements in consolidated financial statements in relation to claim reserves and Note 21, claim reserves in consolidated financial statements</i></p> <p>Claim reserves of Baht 2,437 million composed of reported claim reserves not yet settled, claim payable, and claims incurred but not reported (IBNR), as well as claims handling reserve and payable</p> <p>I focused on the valuation of claim reserves because of the size of the liability and inherent uncertainty when assessing the claims that had been incurred as of the end of the year. Estimation process therefore involved complexity and the significant judgements that management needed to make to estimate the related balance.</p> <p>Management hired the external actuarial specialist to calculate the claim reserves for the Group. The key assumptions that underpinned the reserve calculations included the expected ultimate loss ratio and the loss development factor by types of insurances. The valuation of claim reserves depended on complete and accurate data about the number of claims, claim amounts and the pattern of historical claims since these were often used to form expectations about future claims.</p> | <p>My key audit procedures in relation to the claim reserves included:</p> <ul style="list-style-type: none">• Obtained an understanding of the process to estimate claim reserves and setting processes in accordance with actuarial methodology.• Assessed the design and tested operating effectiveness of key controls around the claims handling and claim reserves setting processes.• Evaluated the competence, capabilities and objectivity of the actuary, who was management's expert.• Evaluated whether the Group's actuarial methodologies were consistent with those used in the industry and prior year. Obtained an understanding of the assumptions involved when determining the valuation of claim reserves. I evaluated the reasonableness of management's significant assumptions by comparing weighted average ultimate loss ratios in the past with the expected loss ratio used by the Group's actuary and investigated any significant differences.• Tested the completeness of data used in the actuarial reserving calculations by reconciling with data in accounting system.• Engaged auditor's actuarial specialists to carry out independent modelling to assess if the Group's best estimate of gross and net claims reserves fell into estimated reasonable ranges for selected types of insurance. Auditor's actuarial specialists' estimates of outstanding claims reserves were based on a statistical data of the claims process. <p>Based on all of the above procedures, I considered the management's assumptions used for valuation of claim reserves were reasonable based on available evidences.</p> |



Key audit matter

How my audit addressed the key audit matter

Assessment of goodwill impairment

Refer to Note 5, critical accounting estimates, assumptions and judgements in consolidated financial statements in relation to goodwill and Note 16, goodwill in consolidated financial statements

As at 31 December 2020, the Group had goodwill of Baht 508.88 million as at 31 December 2020, which related to cash generating units in insurance business. The Group is required to, at least annually, test goodwill for impairment.

I focused on this area due to the fact that goodwill balance was around 2% of total consolidated assets and the forecasts of cash flows each year involved significant management's judgement, which was based on various assumptions that were affected by expected future market and economic conditions.

For the year ended 31 December 2020, the management performed an impairment assessment over the goodwill balance by:

1. Calculating the value in use for each Cash Generating Unit ("CGU") using a discounted cash flow model. The model used cash flows (revenues and expenses) for each CGU for 5 years, with constant terminal growth rate applied to the 5th year. These cash flows were then discounted to net present value using the weighted average cost of capital (WACC). The key assumptions were disclosed in Note 16.
2. Comparing the resulting value in use of each CGU to their respective book values.

My key audit procedures in relation to the assessment of goodwill impairment included:

- Understood and evaluated the composition of cash flow forecasts and calculation process, including test the mathematical accuracy of the management's underlying calculations.
- Compared cash flow forecasts with the budget and approved business plan and other evidences supporting the plan.
- Assessed management's key assumptions used in the forecasts by comparing them to historical results and economic and industry outlook by comparing with the observable data in the industry. The assumptions also included the business growth rate and expense forecasts.
- Reviewed parameters used to determine the discount rate applied.
- Assessed management on the adequacy of their sensitivity calculations over all their CGUs. The valuation of goodwill was sensitive to changes in key assumptions such as revenue growth and discount rate, in case they were not achieved, could reasonably be expected to give rise to impairment charge in the future.
- Evaluated the adequacy of the disclosures made in notes of the financial statements, including those regarding the key assumptions and sensitivity of those assumptions.

Based on all of the above procedures, I considered management's key assumptions used in assessing the goodwill impairment were reasonable based on available evidences.



Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and separate financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the consolidated and separate financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated and separate financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to the audit committee.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with TFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and 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 the directors either intend to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee assists the directors in discharging their responsibilities for overseeing the Group's and the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

My objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group's and the Company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 Group's and 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 consolidated and separate 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 Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with the audit committee 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.

From the matters communicated with the audit committee, I determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers ABAS Ltd.

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

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

Allianz Ayudhya Capital Public Company Limited
Statement of Financial Position
As at 31 December 2020

| | Notes | Consolidated financial statements | | Separate financial statements | |
|-------------------------------------------------------------------------------|--------|--------------------------------------|-----------------------|----------------------------------|-----------------------|
| | | 2020 Thousand Baht | 2019 Thousand Baht | 2020 Thousand Baht | 2019 Thousand Baht |
| Assets | | | | | |
| Cash and cash equivalents, net | 8 | 2,801,346 | 4,497,250 | 1,265,386 | 179,669 |
| Premium receivable, net | 9 | 555,606 | 771,000 | - | - |
| Accrued investment income | | 25,141 | 12,412 | 10,695 | 4,627 |
| Reinsurance assets | 10 | 2,060,737 | 2,741,204 | - | - |
| Amounts due from reinsurers | 11 | 439,285 | 496,239 | - | - |
| Financial assets measured at fair value through profit or loss | 12 | - | - | 881,715 | - |
| Financial assets measured at fair value through other comprehensive income | 12 | - | - | 2,126,089 | - |
| Financial assets measured at amortised cost | 12 | - | - | 143,041 | - |
| Investments | | | | | |
| Investments in securities, net | 12, 13 | 7,384,276 | 7,352,462 | - | 4,318,476 |
| Loans and interest receivable | | - | 14 | - | - |
| Investment in an associate | 14 | 11,252,204 | 10,715,018 | 5,455,863 | 5,455,863 |
| Investment in a subsidiary | 14 | - | - | 2,572,379 | 2,572,379 |
| Property, plant and equipment, net | 15 | 53,896 | 49,292 | 1,673 | 1,698 |
| Goodwill | 16 | 508,877 | 508,877 | - | - |
| Right-of-use asset, net | 17 | 208,804 | - | - | - |
| Intangible assets, net | 18 | 77,032 | 85,075 | 6,531 | 1,968 |
| Deferred tax asset, net | 19 | 419,272 | 328,450 | 64,141 | 26,644 |
| Deferred commission expenses | | 78,959 | 72,514 | - | - |
| Other assets | 20 | 142,127 | 186,673 | 9,193 | 7,651 |
| Total assets | | 26,007,562 | 27,816,480 | 12,536,706 | 12,568,975 |

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

Allianz Ayudhya Capital Public Company Limited
Statement of Financial Position (Cont'd)
As at 31 December 2020

| | Notes | Consolidated financial statements | | Separate financial statements | |
|--------------------------------------------------------------------------------------------------|-------|--------------------------------------|-----------------------|----------------------------------|-----------------------|
| | | 2020 Thousand Baht | 2019 Thousand Baht | 2020 Thousand Baht | 2019 Thousand Baht |
| Liabilities and equity | | | | | |
| Liabilities | | | | | |
| Insurance contract liabilities | 21 | 5,157,764 | 5,797,941 | - | - |
| Amounts due to reinsurers | 22 | 1,249,805 | 1,944,672 | - | - |
| Payable from purchase of securities | | - | 992,853 | - | - |
| Employee benefit obligations | 23 | 151,266 | 135,518 | - | 7,669 |
| Premium written received in advance | | 343,710 | 421,446 | - | - |
| Commission and brokerage payables | | 99,257 | 107,767 | - | - |
| Accrued expenses | | 460,023 | 389,470 | 12,977 | 15,089 |
| Lease liabilities | 24 | 207,876 | - | - | - |
| Other liabilities | 25 | 276,796 | 281,476 | 244 | 2,227 |
| Total liabilities | | 7,946,497 | 10,071,143 | 13,221 | 24,985 |
| Equity | | | | | |
| Share capital | | | | | |
| Authorised share capital | | | | | |
| 463,473,361 ordinary shares of 1 Baht each | 26 | 463,473 | 463,473 | 463,473 | 463,473 |
| Issued and paid-up share capital | | | | | |
| 389,266,931 ordinary shares of 1 Baht each (2019: 384,964,961 ordinary shares of 1 Baht each) | 26 | 389,267 | 384,965 | 389,267 | 384,965 |
| Premium on share capital | | 10,066,331 | 9,907,791 | 10,066,331 | 9,907,791 |
| Retained earnings | | | | | |
| Appropriated | | | | | |
| Legal reserve | 28 | 50,000 | 50,000 | 50,000 | 50,000 |
| Unappropriated | | 3,126,145 | 3,076,794 | 2,046,076 | 2,320,224 |
| Other components of equity | | | | | |
| Surplus (discount) on investments measured at fair value through other comprehensive income | | 43,455 | (113,644) | (28,189) | (118,990) |
| Share of other comprehensive income in an associate | | 4,385,867 | 4,439,431 | - | - |
| Total equity | | 18,061,065 | 17,745,337 | 12,523,485 | 12,543,990 |
| Total liabilities and equity | | 26,007,562 | 27,816,480 | 12,536,706 | 12,568,975 |

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

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

| | Consolidated financial statements | | Separate financial statements | | |
|----------------------------------------------------------------------------------------|--------------------------------------|------------------|----------------------------------|----------------|----------------|
| | 2020 | 2019 | 2020 | 2019 | |
| | Notes | Thousand Baht | Thousand Baht | Thousand Baht | Thousand Baht |
| Revenues | | | | | |
| Gross premiums written | | 5,676,918 | 5,757,300 | - | - |
| <u>Less</u> premiums ceded | | (1,564,003) | (2,290,390) | - | - |
| Net premiums written | | 4,112,915 | 3,466,910 | - | - |
| <u>Add (Less)</u> unearned premium reserve decreased (increased) from previous year | | 57,381 | (59,254) | - | - |
| Net premiums earned | | 4,170,296 | 3,407,656 | - | - |
| Fees and commission income | | 292,826 | 605,176 | - | - |
| Net investment income | | 128,608 | 118,917 | 513,172 | 577,641 |
| Gain (loss) on investment in securities | 32 | (116,378) | (98,099) | (121,458) | (69,563) |
| Gain (loss) on fair value | | 4,105 | - | 35,977 | - |
| Share of profit on investment in an associate | 14 | 1,049,595 | 553,245 | - | - |
| Other income | | 62,053 | 32,399 | 241 | 9,475 |
| Total revenues | | 5,591,105 | 4,619,294 | 427,932 | 517,553 |
| Expenses | | | | | |
| Gross claim paid | | 3,456,194 | 2,695,109 | - | - |
| <u>(Less)</u> Claim recovered from reinsurers | | (981,646) | (756,371) | - | - |
| Net claim paid | | 2,474,548 | 1,938,738 | - | - |
| Commission and brokerage expenses | | 854,028 | 754,742 | - | - |
| Other underwriting expenses | | 766,695 | 814,213 | - | - |
| Operating expenses | 33 | 839,182 | 906,280 | 31,645 | 60,770 |
| Finance cost | | 4,652 | - | - | - |
| Impairment loss on equity instruments | | 150,503 | - | - | - |
| Expected credit loss (Reversal) | 35 | 208 | - | 331 | - |
| Total expenses | | 5,089,816 | 4,413,973 | 31,976 | 60,770 |
| Profit before income tax | | 501,289 | 205,321 | 395,956 | 456,783 |
| Income tax expense (income) | 36 | (129,825) | 15,694 | (29,263) | (409) |
| Net profit | | 631,114 | 189,627 | 425,219 | 457,192 |

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

Allianz Ayudhya Capital Public Company Limited
Statement of Comprehensive Income (Cont'd)
For the year ended 31 December 2020

| | Notes | Consolidated financial statements | | Separate financial statements | |
|-----------------------------------------------------------------------------------------------------|-------|--------------------------------------|------------------|----------------------------------|----------------|
| | | 2020 | 2019 | 2020 | 2019 |
| | | Thousand Baht | Thousand Baht | Thousand Baht | Thousand Baht |
| Other comprehensive income (loss) | | | | | |
| Items that will not be subsequently reclassified to profit or loss | | | | | |
| Actuarial gain (loss) on defined employee benefits plans | 23 | - | 6,069 | - | (969) |
| Loss on revaluation of equity instruments measured at fair value through other comprehensive income | | - | - | (59,971) | - |
| Share of other comprehensive loss in an associate | 14 | (40,730) | (10,268) | - | - |
| Income tax related to items that will not be subsequently reclassified to profit or loss | | 8,146 | 840 | 11,994 | 194 |
| Total items that will not be subsequently reclassified to profit or loss | | (32,584) | (3,359) | (47,977) | (775) |
| Items that will be subsequently reclassified to profit or loss | | | | | |
| Gain on revaluation of investment measured at fair value through other comprehensive income | | 131,873 | 117,659 | - | 90,534 |
| Gain on revaluation of debt instruments measured at fair value through other comprehensive income | | - | - | 18,849 | - |
| Share of other comprehensive income (loss) in an associate | 14 | (460,245) | 4,706,696 | - | - |
| Income tax relating to items that will be reclassified subsequently | | 65,675 | (964,871) | (3,770) | (18,107) |
| Total items that will be subsequently reclassified to profit or loss | | (262,697) | 3,859,484 | 15,079 | 72,427 |
| Other comprehensive income (loss) for the year, net of income tax | | (295,281) | 3,856,125 | (32,898) | 71,652 |
| Total comprehensive income (loss) for the year | | <u>335,833</u> | <u>4,045,752</u> | <u>392,321</u> | <u>528,844</u> |
| Earnings per share | | | | | |
| Basic earnings per share (Baht) | 31 | 1.63 | 0.53 | 1.10 | 1.28 |
| Weighted average number of ordinary shares (Shares) | | 387,563 | 356,058 | 387,563 | 356,058 |
| Diluted earnings per share (Baht) | 31 | 1.63 | 0.53 | 1.10 | 1.27 |
| Weighted average number of ordinary shares (Shares) | | 387,563 | 360,582 | 387,563 | 360,582 |

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

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

Consolidated financial statements

| | Retained earnings | | Other components of equity | | | | Total equity Thousand Baht |
|----------------------------------------------------------------------------------------------|---------------------------------------------------|-------------------------------------------|--------------------------------|---------------------------------|----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|-------------------------------|
| | Issued and paid-up share capital Thousand Baht | Premium on share capital Thousand Baht | Legal reserve Thousand Baht | Unappropriated Thousand Baht | Change in fair value of investments measured at fair value through other comprehensive income Thousand Baht | Share of other comprehensive income of an associate Thousand Baht | |
| Balance as at 1 January 2019 | 296,417 | 5,276,028 | 50,000 | 3,179,208 | (207,771) | 674,074 | 9,267,956 |
| Increase capital | 88,548 | 4,631,763 | - | - | - | - | 4,720,311 |
| Net profit | - | - | - | 189,627 | - | - | 189,627 |
| Other comprehensive income (loss) | - | - | - | (3,358) | 94,127 | 3,765,357 | 3,856,126 |
| Interim dividends | - | - | - | (288,683) | - | - | (288,683) |
| Balance as at 31 December 2019 | 384,965 | 9,907,791 | 50,000 | 3,076,794 | (113,644) | 4,439,431 | 17,745,337 |
| Balance as at 1 January 2020 | 384,965 | 9,907,791 | 50,000 | 3,076,794 | (113,644) | 4,439,431 | 17,745,337 |
| Adjustment from adoption of new financial reporting standards (Note 4) | - | - | - | (1,089) | 51,601 | 347,216 | 397,728 |
| Balance after adjustment | 384,965 | 9,907,791 | 50,000 | 3,075,705 | (62,043) | 4,786,647 | 18,143,065 |
| Capital increase (Note 26) | 4,302 | 158,540 | - | - | - | - | 162,842 |
| Dividend paid (Note 30) | - | - | - | (580,674) | - | - | (580,674) |
| Net profit | - | - | - | 631,114 | - | - | 631,114 |
| Other comprehensive income (loss) | - | - | - | - | 105,498 | - | 105,498 |
| Gain on revaluation of instruments measured at fair value through other comprehensive income | - | - | - | - | - | (400,780) | (400,780) |
| Share of other comprehensive loss in an associate | - | - | - | - | - | - | - |
| Balance as at 31 December 2020 | 389,267 | 10,066,331 | 50,000 | 3,126,145 | 43,455 | 4,385,867 | 18,061,065 |

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

Allianz Ayudhya Capital Public Company Limited
Statement of Changes in Equity (Cont'd)
For the year ended 31 December 2020

| | Separate financial statements | | | | | | Total equity Thousand Baht |
|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|-------------------------------------------|--------------------------------|---------------------------------|--------------------------------------------------------------------------------------------|-------------------|-------------------------------|
| | Retained earnings | | | Other components of equity | | | |
| | Issued and paid-up share capital Thousand Baht | Premium on share capital Thousand Baht | Legal reserve Thousand Baht | Unappropriated Thousand Baht | Financial asset measured at fair value through other comprehensive income Thousand Baht | | |
| Balance as at 1 January 2019 | 296,417 | 5,276,027 | 50,000 | 2,152,489 | (191,417) | 7,583,516 | |
| Increase capital | 88,548 | 4,631,764 | - | - | - | 4,720,312 | |
| Net profit | - | - | - | 457,192 | - | 457,192 | |
| Other comprehensive income (loss) | - | - | - | (775) | 72,427 | 71,652 | |
| Interim dividends | - | - | - | (288,682) | - | (288,682) | |
| Balance as at 31 December 2019 | 384,965 | 9,907,791 | 50,000 | 2,320,224 | (118,990) | 12,543,990 | |
| Balance as at 1 January 2020 | 384,965 | 9,907,791 | 50,000 | 2,320,224 | (118,990) | 12,543,990 | |
| Adjustment from adoption of new financial reporting standards (Note 4) | - | - | - | (123,741) | 123,699 | (42) | |
| Balance after adjustment | 384,965 | 9,907,791 | 50,000 | 2,196,483 | 4,709 | 12,543,948 | |
| Capital increase (Note 26) | 4,302 | 158,540 | - | - | - | 162,842 | |
| Dividend paid (Note 30) | - | - | - | (580,674) | - | (580,674) | |
| Net profit | - | - | - | 425,219 | - | 425,219 | |
| Other comprehensive income (loss) | - | - | - | - | - | - | |
| Financial assets measured at fair value through other comprehensive income | - | - | - | - | (32,898) | (32,898) | |
| Realised gain from sale of investments measured at fair value through other comprehensive income transferred to profit or loss | - | - | - | 5,048 | - | 5,048 | |
| Balance as at 31 December 2020 | 389,267 | 10,066,331 | 50,000 | 2,046,076 | (28,189) | 12,523,485 | |

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

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

| | Consolidated financial statements | | Separate financial statements | |
|----------------------------------------------------------------------------------------------------|--------------------------------------|------------------|----------------------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Notes | Thousand Baht | Thousand Baht | Thousand Baht | Thousand Baht |
| Cash flows from operating activities | | | | |
| Direct premium received | 5,540,022 | 5,547,714 | - | - |
| Cash received (paid) to reinsurance | (622,169) | 224,595 | - | - |
| Interest income | 101,166 | 38,165 | 57,572 | 4,995 |
| Dividend income | 450,474 | 581,469 | 450,458 | 570,744 |
| Other income | 65,313 | 32,099 | 6 | 10,209 |
| Loss incurred from direct insurance | (3,410,586) | (3,067,333) | - | - |
| Commission and brokerage paid from direct insurance | (838,300) | (740,428) | - | - |
| Other underwriting expenses | (766,695) | (778,130) | - | - |
| Operating expenses | (642,526) | (799,284) | (36,547) | (66,035) |
| Income tax expense | (7,362) | (72,215) | - | (1,651) |
| Cash received from investments in securities | 16,022,440 | 1,546,839 | 11,448,829 | 12,609 |
| Cash paid for investments in securities | (17,432,156) | - | (10,492,474) | (748,800) |
| Cash received from Deposits at bank with maturity over 3 months and deposits used as collateral | (236,301) | (12,319) | - | (170,189) |
| Cash paid for Deposits at bank with maturity over 3 months and deposits used as collateral | 572,527 | - | 83,877 | - |
| Loans | 14 | 15 | - | - |
| Net cash flow provided by (used in) operating activities | (1,204,139) | 2,501,187 | 1,511,721 | (388,118) |
| Cash flows from investing activities | | | | |
| <u>Cash flows provided</u> | | | | |
| Cash provided by investing activities | 703 | 4,053 | 8 | 3,419 |
| <u>Cash flows used</u> | | | | |
| Paid for purchase entire business transfer | - | (848,800) | - | - |
| Property, plant and equipment | (24,641) | (8,287) | - | (17) |
| Intangible assets | (20,063) | (2,670) | (6,703) | - |
| Net cash flow provided by (used in) investing activities | (44,001) | (855,704) | (6,695) | 3,402 |
| Cash flows from financing activities | | | | |
| Increase capital | 162,842 | 751,712 | 162,842 | 751,712 |
| Cash paid for principal elements of lease payments | (24,563) | - | (1,324) | - |
| Cash paid for interest elements of lease payments | (4,777) | - | (125) | - |
| Dividend paid | 30 (580,673) | (288,683) | (580,673) | (288,683) |
| Net cash flow provided by (used in) financing activities | (447,171) | 463,029 | (419,280) | 463,029 |
| Net increase (decrease) in cash and cash equivalents | (1,695,311) | 2,108,512 | 1,085,746 | 78,313 |
| Cash and cash equivalents as at 1 January | 4,497,250 | 1,341,340 | 179,669 | 101,356 |
| Cash received from the entire business transfer | - | 1,047,398 | - | - |
| Cash and cash equivalents as at 31 December | 2,801,939 | 4,497,250 | 1,265,415 | 179,669 |
| <u>Less</u> Allowance for expected credit loss | (593) | - | (29) | - |
| Cash and cash equivalents, net as at 31 December | 8 2,801,346 | 4,497,250 | 1,265,386 | 179,669 |
| Non-cash transactions | | | | |
| Payable from purchase of securities | - | 992,853 | - | - |
| Payable from purchasing property, plant and equipment | - | 1,968 | - | 1,968 |

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

1 General information

Allianz Ayudhya Capital Public Company Limited (formerly "Sri Ayudhya Capital Public Company Limited") (the "Company") is a public limited company which listed on The Stock Exchange of Thailand. The Company is incorporated and domiciled in Thailand. The address of the Company's registered office is as follows: Ploenchit Tower, 7th floor, 898 Ploenchit Road, Lumpini, Pathumwan, Bangkok.

The principal business operations of the Company are an investment holding company.

The Company has a subsidiary company, Allianz Ayudhya General Insurance Public Company Limited (formerly "Sri Ayudhya General Insurance Public Company Limited"), which operates non-life insurance business, holding by 99.99%.

The Company and its subsidiary are subsequently referred as "the Group".

The consolidated and separate financial statements are presented in Thai Baht and rounded to the nearest thousand, unless otherwise stated.

The consolidated and separate financial statements were authorised for issue by the board of directors on 25 February 2021.

2 Significant events during the current period

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, it has resulted in the effects on the operating results for the year ended 31 December 2020 as follows:

The Group can continue the business as usual. There was only Phuket branch which had been temporarily closed from March to April 2020 according to the lockdown policy of the province, The Group has activated its Business Continuity Plan with introduction of digital sales tools and implemented work from home. 80%-90% of staff have been working from home to ensure continuity of operation. Furthermore, an internal COVID taskforce established and included key members of the management to immediately handle matters related to COVID-19.

3 Accounting policies

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

3.1 Basis of preparation of financial statements

The consolidated and separate financial statements have been prepared in accordance with Thai Financial Reporting Standards ("TFRS") and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act. In addition, the financial statements presentation is based on the formats of non-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 non-life insurance company (No.2) B.E. 2562" dated on 4 April 2019 ('OIC Notification').

These consolidated financial statements include the financial statements of Allianz Ayudhya Capital Public Company Limited and Allianz Ayudhya General Insurance Public Company Limited which 99.99% owned by the Company. Significant transactions for the year ended 31 December 2020 and balances between the Company and the subsidiary have been eliminated.

For consolidated financial statements preparation, the accounting period and significant accounting policies used for the financial statements of the subsidiary is the same as those of the Company.

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

The preparation of financial statements in conformity with TFRS requires management to use certain critical accounting estimates and to exercise its judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas that are more likely to be materially adjusted due to changes in estimates and assumptions are disclosed in Note 5.

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

3 Accounting policies (Cont'd)

3.2 New financial reporting standards, amended financial reporting standards, and related interpretations that are relevant and have significant impacts to the Group

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

a) Financial instruments

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

| | |
|-------------------------|------------------------------------------------------------------------------------|
| TAS 32 | Financial instruments: Presentation |
| TFRS 7 | Financial instruments: Disclosures |
| TFRS 9 | Financial instruments |
| TFRIC 16 | Hedges of a Net Investment in a Foreign Operation |
| TFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments |
| The Accounting Guidance | Financial instruments and disclosures for insurance companies' accounting guidance |

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

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

3 Accounting policies (Cont'd)

3.2 New financial reporting standards, amended financial reporting standards, and related interpretations that are relevant and have significant impacts to the Group (Cont'd)

3.2.1 New and amended financial reporting standards that are effective for accounting period beginning on or after 1 January 2020 and have significant impacts to the Group (Cont'd)

a) Financial instruments (Cont'd)

For assessment of impact if the Company applied TFRS 9 – Financial Instruments, financial assets of the Group 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:

| | <u>Consolidated financial statements</u> | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|----------------------|
| | 2020 | |
| | <u>Fair value</u> | <u>Change in</u> |
| | <u>Thousand Baht</u> | <u>Fair value</u> |
| | | <u>Thousand Baht</u> |
| Financial assets | | |
| Financial assets only give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates except for financial assets for trading as defined by TFRS9 (when announced) or financial assets managed by the Company and performance evaluated on a fair value basis | 8,901,000 | (17,688) |
| Cash flows that are not solely payments of principal and interest on the principal amount outstanding on specified dates | 240 | 200 |
| Financial assets defined as held-for-sell | - | - |
| Financial assets which the performance is evaluated based on fair value. | 24,792 | 6,082 |
| Other financial assets | 1,359,315 | (1,143) |

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

Certain financial assets included within the financial statements, including amount due from reinsurance and premium receivables amounting to Baht 994.89 million are not included above.

On 1 January 2020, the Group has adopted the financial reporting standards related to financial instruments in its financial statements. The impact from the first-time adoption has been disclosed in Note 4.

3 Accounting policies (Cont'd)

3.2 New financial reporting standards, amended financial reporting standards, and related interpretations that are relevant and have significant impacts to the Group (Cont'd)

3.2.1 New and amended financial reporting standards that are effective for accounting period beginning on or after 1 January 2020 and have significant impacts to the Group (Cont'd)

b) TFRS 16, Leases

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

On 1 January 2020, the Group has adopted the new lease standard in its financial statements. The impact from the first-time adoption has been disclosed in Note 4.

- c) **Amendment to TAS 12**, Income tax clarified that the income tax consequences of dividends of financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
- d) **Amendment to TAS 19**, Employee benefits (plan amendment, curtailment or settlement) - clarified accounting for defined benefit plan amendments, curtailments and settlements that the updated assumptions on the date of change are applied to determine current service cost and net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement.
- e) **Amendment to TAS 23**, Borrowing costs clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.
- f) **Amendment to TAS 28**, Investments in associates and joint ventures (long-term interests in associates and joint ventures) clarified the accounting for long-term interests in an associate or joint venture, which is in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. The Group must account for such interests under TFRS 9, Financial instruments before applying the loss allocation and impairment requirements in TAS 28, Investments in associates and joint ventures.
- g) **Amendment to TFRS 3**, Business combinations clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. The previously held interest is therefore re-measured.
- h) **Amendment to TFRS 11**, Joint arrangements clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.

3 Accounting policies (Cont'd)

3.2 New financial reporting standards, amended financial reporting standards, and related interpretations that are relevant and have significant impacts to the Group (Cont'd)

3.2.1 New and amended financial reporting standards that are effective for accounting period beginning on or after 1 January 2020 and have significant impacts to the Group (Cont'd)

- i) **TFRIC 23**, Uncertainty over income tax treatments explained how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:
- that the Group should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored.
 - that the Group should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment.
 - that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

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

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

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

The amendment also includes the revision to the definition of an asset and liability in the financial statements, assets and liabilities recognition basis and clarification to the prominence of stewardship of Group's economic resources, prudence and uncertainty of the measurement in the objective of financial reporting.

- b) Amendment to TFRS 3, Business combinations amended the definition of a business which requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers and to exclude returns in the form of lower costs and other economic benefits.
- c) Amendment to TFRS 9, Financial instruments and TFRS 7, Financial instruments: disclosures amended to provide relief from applying specific hedge accounting requirements to the uncertainty arising from interest rate benchmark reform such as IBOR. The amendment also requires disclosure of hedging relationships directly affected by the uncertainty.

3 Accounting policies (Cont'd)

3.2 New financial reporting standards, amended financial reporting standards, and related interpretations that are relevant and have significant impacts to the Group (Cont'd)

3.2.2 New and amended financial reporting standards that are effective for accounting period beginning on or after 1 January 2021 and have significant impacts to the Group (Cont'd)

- d) Amendment to TAS 1, Presentation of financial statements and TAS 8, Accounting policies, changes in accounting estimates and errors amended to definition of materiality. The amendment allows for a consistent definition of materiality throughout the Thai Financial Reporting Standards and the Conceptual Framework for Financial Reporting. It also clarified when information is material and incorporates some of the guidance in TAS 1 about immaterial information.
- e) Amendment to TFRS 16, Leases amended to provide a practical expedient where lessees are exempted from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications. It applies to rent concessions that reduce lease payments due from 1 June 2020 to 30 June 2021. The amendment is effective for the annual accounting period beginning on or after 1 June 2020 where early application is permitted.

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

The Group's management is currently assessing the impacts from these standards.

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

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

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

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

3 Accounting policies (Cont'd)

3.3 Principles of consolidation accounting

a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group until the date that control ceases. In the separate financial statements, investments in subsidiaries are accounted for using cost method.

b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting. In the separate financial statements, investments in associates are accounted for using cost method.

c) Equity method

The investment is initially recognised at cost which is consideration paid and directly attributable costs. The Group subsequently recognises shares of its associates' profits or losses and other comprehensive income in the profit or loss and other comprehensive income, respectively. The subsequent cumulative movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in associates equals or exceeds its interest in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates.

d) Intercompany transactions on consolidation

Intra-group transactions, balances and unrealised gains on transactions are eliminated. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated in the same manner unless the transaction provides evidence of an impairment of the asset transferred.

3 Accounting policies (Cont'd)

3.4 Insurance contract classification

The Group has classified its contracts written as either insurance contracts or investment contracts, depending on the level of insurance risk.

An insurance contract is a contract under which the Group (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Once a contract is classified as an insurance contract, it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

However, the contract that has financial risk to the Group but has no insurance risk is not classified as insurance contract.

Short term insurance contracts are insurance contract which the term of contract is less than 1 year.

Long term insurance contracts are insurance contract which the term of contract is more than 1 year or less than 1 year or equal to 1 year which have automatic approve of renewal which the Group cannot terminate and cannot increase or decrease of premium including of change in other benefit throughout the contract term.

3.5 Foreign currency transactions

a) Functional and presentation currency

The financial statements are presented in Thai Baht, which is the Group's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or revaluation where items are re-measured at the statement of financial position date to Thai Baht.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Any exchange component of gains and losses on a non-monetary item that recognised in profit or loss, or other comprehensive income is recognised following the recognition of a gain or loss on the non-monetary item.

3 Accounting policies (Cont'd)

3.6 Cash and cash equivalents

Cash and cash equivalents include cash on hand and all types of deposits with banks including investment in securities-notes with original maturity within 3 months or less and not subject to withdrawal restrictions.

3.7 Premium due and uncollected and allowance for doubtful debt

Premium receivable are carried at its net realisable value. The Group sets up an allowance for doubtful accounts based on the estimated loss that may be incurred in collection of the premium due, on the basis of collection experience and a review of current status of the premium due as at the Statement of Financial Position date. Bad debts are written off during the year in which they are identified.

3.8 Reinsurance assets

Reinsurance assets are stated at insurance reserve refundable from reinsurers.

Insurance reserve refundable from reinsurers is estimated based on the related reinsurance contract of premium reserve and loss reserve and outstanding claims.

3.9 Due to and due from reinsurers

- (a) Amount due from reinsurance are stated at the outstanding balance of amount due from reinsurers and amounts deposit on reinsurance.

Amounts due from reinsurers consist of accrued commission and brokerage income, claims and various other items receivable from reinsurers less allowance for doubtful accounts. The Group records allowance for doubtful accounts for the estimated losses that may be incurred due to inability to make collection, taking into account collection experience and the status of receivables from reinsurers as at the end of the reporting the year.

- (b) Amounts due to reinsurers are stated at the outstanding balance payable from reinsurance and amounts withheld on reinsurance.

Amounts due to reinsurers consist of reinsurance premiums and other items payable to reinsurers, excluding claims.

3 Accounting policies (Cont'd)

3.10 Financial asset

a) Classification

Separate financial statements for the year ended 31 December 2020

From 1 January 2020, the Company classifies its debt instrument financial assets in the following measurement categories depending on i) business model for managing the asset and ii) the cash flow characteristics of the asset whether they represent solely payments of principal and interest (SPPI).

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- those to be measured at amortised cost.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

For investments in equity instruments, the Company has an irrevocable election at the time of initial recognition to account for the equity investment at fair value through profit or loss (FVPL) or at fair value through other comprehensive income (FVOCI) except those that are held for trading, they are measured at FVPL.

Consolidated financial statements for the year ended 31 December 2020

From 1 January 2020, the Group classifies its financial assets depending on the purpose of investment as follows:

- Investments measured at fair value through profit or loss
- Investments measured at fair value through other comprehensive income
- 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.

b) Recognition and derecognition

Regular way purchases, acquisitions and sales of financial assets are recognised on trade-date, the date on which the Group 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 Group has transferred substantially all the risks and rewards of ownership.

3 Accounting policies (Cont'd)

3.10 Financial asset (Cont'd)

c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Separate financial statements for the year ended 31 December 2020

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the financial assets. There are three measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in net investment income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of comprehensive income.
- FVOCI: Financial assets that are held for i) collection of contractual cash flows; and ii) for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest income using the effective interest method, and foreign exchange gains and losses which are recognised in profit or loss. When the financial assets is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income is included in other income. Impairment expenses are presented separately in the statement of comprehensive income.
- FVPL: Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Company measures all equity investments at fair value. Where the Company has elected to present fair value gains and losses on equity instruments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as dividend income when the right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of comprehensive income.

Impairment losses (and reversal of impairment losses) on equity investments are reported together with changes in fair value.

3 Accounting policies (Cont'd)

3.10 Financial asset (Cont'd)

c) Measurement (Cont'd)

Consolidated financial statements for the year ended 31 December 2020

Debt instruments

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

- Amortised cost: Investments in securities that are held to maturity are measured at amortised cost. Interest income from these investments in securities is included in net investment income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of comprehensive income.
- FVOCI: Investments in securities that are held i) for maturity; and ii) for selling are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of interest income using the effective interest method, and foreign exchange gains and losses which are recognised in profit or loss. When the Investments in securities are derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income is included in net investment income. Impairment expenses are presented separately in the statement of comprehensive income.
- FVPL: Investments in securities that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss that is subsequently measured at FVPL is recognised in profit or loss and presented net within gains/(losses) from fair value in the period in which it arises.

Equity instruments

The Group measures all equity investments at fair value. Where the Group has elected to present fair value gains and losses on equity instruments in OCI, there is subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as net investment income when the right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of comprehensive income.

Impairment losses (and reversal of impairment losses) on equity investments are reported together with changes in fair value.

Consolidated and separate financial statements for the year ended 31 December 2020

The Group 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.

3 Accounting policies (Cont'd)

3.10 Financial asset (Cont'd)

d) Impairment

Consolidated and separate financial statements for the year ended 31 December 2020

From 1 January 2020, the Group assesses expected credit loss on a forward looking basis for its debt securities carried at fair value through other comprehensive income and at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group always accounts for expected credit losses which involves a three-stage expected credit loss impairment model. The stage dictates how the entity measures impairment losses and applies the effective interest rate method. In which, the three-stage expected credit loss impairment will be as the following stages:

- Stage 1 - from initial recognition of a financial assets to the date on which the credit risk of the asset has 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 equal to full lifetime expected credit losses is to be recognised.

The expected credit loss will be recognised in profit or loss as a separate item.

Consolidated financial statements for the year ended 31 December 2020

In addition, the Group assesses the impairment of equity instruments and unit trusts measured at FVOCI by considering supporting factors that the Group might not recover the cost of investment in equity. The Group also consider for a significant or prolonged decline in the fair value of an investment in equity instruments below its cost or net book value of the entity that the Group held the investment. The Group will immediately recognise impairment for equity instruments and unit trust which carried at fair value through other comprehensive income in profit or loss if there is existence of objective evidence that lead the instruments to be devalued.

Consolidated and separate financial statements for the year ended 31 December 2019

Investments in debt and equity securities

Investments other than investments in subsidiaries, associates and joint ventures are initially recognised at fair value of consideration paid plus direct transaction cost.

Available-for-sale investments

Available-for-sale investments are subsequently measured at fair value. The unrealised gains and losses of available for sale investments are recognised in other comprehensive income and are subsequently reclassified to profit or loss when the investment is disposed.

Held-to-maturity investments

Held-to-maturity investments are carried at amortised cost using the effective interest method less impairment.

3 Accounting policies (Cont'd)

3.10 Financial asset (Cont'd)

d) Impairment (Cont'd)

Consolidated and separate financial statements for the year ended 31 December 2019 (Cont'd)

General investments

General investments are carried at cost less impairment

Disposal of investments

On a disposal of an investment, the difference between the net disposal proceeds and the carrying amount (including cumulative changes in fair value recognised in equity) is recognised to the profit or loss. When the Group disposes an investment partially, the carrying amount of the disposed part is determined by the weighted average method.

3.11 Loans

Loans are stated at their principal amount less allowance for doubtful accounts, if any. The Group estimates the allowance for doubtful accounts based on an analysis of payment histories, future expectation of each customer payments and the valuation of the assets pledged.

3.12 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment, if any.

The cost of property, plant and equipment comprises its purchase price, import duties and non-refundable purchase taxes (after deducting trade discounts and rebates) and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. These can include the initial estimate of costs of dismantling and removing the items, and restoring the site on which it is located, the obligation for which a Group incurs either when the item is acquired or as a consequence of having used the item during a particular the year.

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Land is not depreciated. Depreciation is calculated based on the depreciable amount of plant and equipment, which is the cost of an asset, or other amount substituted for cost, less its residual value.

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

| | |
|------------------------------------------|--------------|
| Building | 5 years |
| Leasehold improvement | 5 - 10 years |
| Office equipment, furniture and fixtures | 5 years |
| Vehicles | 5 years |
| Computer equipment | 5 years |

3 Accounting policies (Cont'd)

3.12 Property, plant and equipment (Cont'd)

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

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 within other gains and losses in the statements of comprehensive income.

3.13 Business combinations and goodwill

The Group recognises the business combinations by using the acquisition method. The Group (acquirer) measures the cost of the acquisition by using the fair value at the acquisition date of consideration transferred.

The Group recognises the acquisition-related cost as expenses in the periods of which the costs are incurred and the services are received. The measurement of goodwill at initial recognition is measured at the fair value of the acquisition less the net recognised amount (fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Subsequent to the initial recognition, goodwill is measured at cost less allowance for impairment. The Group assesses an impairment of goodwill annually, without consideration of indication that such goodwill may be impaired.

3.14 Intangible assets

Intangible assets with definite useful life are stated at cost less accumulated amortisation and impairment losses (if any).

Amortisation is charged to the statement of profit or loss and other comprehensive income on a straight-line basis from the date that intangible assets are available for use over the estimated useful lives of the assets. The estimated useful lives are as follows:

| | |
|-------------------------|--------------|
| Computer software | 5 - 10 years |
| Bancassurance agreement | 10 years |

Intangible assets with definite useful lives are tested for impairment when there is an indicator that the asset may be impaired. Intangible assets with indefinite useful lives are tested for impairment annually or when there is an indicator that the asset may be impaired.

3.15 Impairment of assets

Assets that have an indefinite useful life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Assets that are subject to amortisation are reviewed for impairment whenever there is an indication of impairment. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Where the reasons for previously recognised impairments no longer exist, the impairment losses on the assets concerned other than goodwill is reversed

3 Accounting policies (Cont'd)

3.16 Leases

For the year ended 31 December 2020

Leases - where the Group is the lessee

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 Group. 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.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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 payments 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 office equipment.

3 Accounting policies (Cont'd)

3.16 Leases (Cont'd)

For the year ended 31 December 2019

Leases - where the Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

At the inception of finance lease, the lower of the fair value of the leased property and the present value of the minimum lease payments is capitalised. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the liabilities balance outstanding. The corresponding rental obligations is presented net of finance charges. Finance cost is charged to profit or loss over the lease period.

3.17 Insurance liabilities

3.17.1 Unearned premium reserve

Unearned premium reserve is set aside in compliance with the basis as specified in the Notification of the Office of Insurance Commission as follows:

| | |
|------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| Fire, Marine (Hull), Motor and Miscellaneous | - Monthly average basis (the one - twenty fourth basis) |
| Transportation (Cargo), travelling accident with coverage periods of not over six-months | - 100% of premiums as from the effective date of the inforce policies over the insurance coverage period |

3.17.2 Loss reserve and outstanding claims

Loss reserve and outstanding claims have been provided upon receipt of claim advices from the insured and recorded at the amount appraised by an independent appraiser or by the Group's appraiser. In addition, the Group records a provision for losses incurred but not yet reported (IBNR) which assessed by certified actuary.

3.17.3 Unexpired risk reserve

Unexpired risks reserves are the best estimate of the claims that are expected be incurred during the remaining period of coverage of in-force policies, based on analysis of historical claims data by an actuary.

Unexpired risk reserves are only recognised in the financial statements to the extent that they exceed unearned premium reserves.

3.17.4 Liability adequacy test

The liability of the Group under insurance contracts is tested for adequacy by comparing the best estimate of future contractual cash flows with the carrying amount of gross insurance contract provisions for unearned premiums and insurance claims. Provisions for insurance, claims are assessed based on the Group's experience and historical data which use actuarial methods. Where an expected shortfall is identified, additional provisions are made for unearned premiums or insurance claims and are recognised in profit or loss.

3 Accounting policies (Cont'd)

3.18 Employee benefits

a) Provident fund

The Group has a provident fund which is contributory by the employee and the Group matching the individuals' contributions. The provident fund has been registered in accordance with the Provident Fund Act B.E. 2530 (1987). The Group's contribution to the Fund is recorded as expense for the year.

b) Employee benefit obligations

The Group provides for employee benefit obligations, payable to employees under the Thai Labor Protection Act. The liability in respect of employee benefits is the present value of the defined benefit obligation which is calculated by an actuary using the projected unit credit method. The present value of the defined benefits obligation is determined by discounting estimated future cash flows using yields on the government bonds which have terms to maturity approximating the terms of related liability. The estimated future cash flows shall reflect employee salaries, turnover rate, length of service and other factor. Actuarial gains or losses will be recognized in the statement of profit or loss and other comprehensive income in the period to which they are related. The costs associated with providing these benefits are charged to the statement of profit or loss and other comprehensive income so as to spread the cost over the employment period during which the entitlement to benefits is earned.

Past service cost related to the plan amendment is recognized as an expense in the statement of profit or loss and other comprehensive income when the plan amendment is effective.

3.19 Share-based compensation

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

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

3.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.21 Share capital

Ordinary shares and premium on ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options (net of tax) are shown as a deduction in equity.

3 Accounting policies (Cont'd)

3.22 Recognition of revenues and expenses

3.22.1 Premium written

For insurance policies with coverage period for one year, premium income is recognised on the date the insurance policy is effective after deducting premium ceded and premium cancelled and refunded. For long-term insurance policies which coverage periods is longer than one year, related revenues and expenses are recorded as unearned and prepaid items which recognised as income and expenses over the coverage annual.

3.22.2 Reinsurance premium

Reinsurance premium income is recognised when the Group receives the reinsurance application or statement of accounts from the ceding company. Reinsurance profit commissions are recognised when the subsidiary receives the statement of accounts from the reinsurers.

3.22.3 Commission and brokerage income

Commission and brokerage income are recognised as income on an accrual basis.

3.22.4 Interest and dividend income

Interest income is recognised as income on an accrual basis. Dividend income are recognised as income on the declaration date.

3.22.5 Claim and loss adjustment expenses

Claim and loss adjustment expenses consist of claim and loss adjustment expenses of direct insurance and reinsurance of both reported claims and not reported claims, and are stated at the amounts of the claims, related expenses, and claim adjustments of the current and prior period incurred during the year, less residual value and other recoveries (if any), and claim recovery from reinsurers.

Claim and loss adjustment expenses of direct insurance are recognised upon the receipt of the claims advice from the insured, based on the claims notified by the insured and estimates made by the Group's management. The maximum value of claims estimated is not however, to exceed the sum-insured under the relevant policy.

Claim and loss adjustment expenses of reinsurance are recognised when the reinsurer places the loss advice with the Group.

3.22.6 Claim recovery from reinsurers

Claim recovery from reinsurers is recognised when claim and loss adjustment expenses are recorded. They are estimated as proportion and condition relevant to reinsurance contracts. The Group presents the claim recoverable amount as a deduction from gross claims.

3.22.7 Commissions and brokerages and other expenses

Commissions and brokerages and other expenses are recognised as expenses on an accrual basis.

3 Accounting policies (Cont'd)

3.23 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.

3.24 Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognised on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not recognised for temporary differences arise from:

- initial recognition of an asset or liability in a transaction other than a business combination that affects neither accounting nor taxable profit or loss is not recognised
- investments in subsidiaries, associates and joint arrangements where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is measured using tax rates of the period in which temporary difference is expected to be reversed, based on tax rates and laws that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3 Accounting policies (Cont'd)

3.25 Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Group (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by dividing profit for the year attributable to equity holders of the Group (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that such conversion took place either at the beginning of the period or on the date the potential ordinary shares were issued.

4 Impacts from initial application of the new and revised financial reporting standards

On 1 January 2020, the Group met criteria of temporary exemption from TFRS 9, Financial Instruments and TFRS 7, Financial Instruments: Disclosures under TFRS 4 (revised 2018), Insurance Contracts. The Group is eligible to apply the 'financial instruments and disclosures for insurance companies' accounting guidelines' ('The Accounting Guidance) in consolidated financial statements as the Group has not previously applied TFRS 9, Financial Instrument and the Group's activities are predominantly connected with insurance business. Insurance liabilities under TFRS 4 (revised 2018) Insurance Contracts as at 1 January 2018 is greater than 90% of total liabilities. Impact from the adoption of this financial reporting standard is explained in this note.

On 30 April 2019, the Group purchased and accepted the entire business transfer of Allianz General Insurance Public Company Limited. The Group reassesses the criteria of temporary exemption from TFRS 9, Financial Instruments and TFRS 7, Financial Instruments: Disclosures under TFRS 4 (revised 2018), Insurance Contracts. The Group still meets the criteria of temporary exemption from financial reporting standards related to financial instruments. Insurance liabilities under TFRS 4 (revised 2018) Insurance Contracts as at 31 December 2019 were greater than 80% but not less than 90% of total liabilities and the Group does not have any other predominant non-insurance activities.

However, the Company does not meet criteria of temporary exemption from TFRS 9, Financial Instruments and TFRS 7, Financial Instruments: Disclosures, so the Company has adopted financial reporting standards relating to financial instruments (TFRS 7 and TFRS 9) in the separate financial statements and has different reporting level from the Group's consolidated financial statements.

The Group has adopted financial reporting standards relating to financial instruments (TAS 32) and leases standard (TFRS 16) in consolidated and separate financial statements.

The Group has adopted new financial reporting standards retrospectively from 1 January 2020 but has not restated comparatives for the 2019 reporting period, as permitted in the standards. The reclassifications and adjustments arising from the new requirements were therefore recognised in the opening statement of financial position on 1 January 2020.

Allianz Ayudhya Capital Public Company Limited
Notes to the Consolidated and Separate Financial Statements
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4 Impacts from initial application of the new and revised financial reporting standards (Cont'd)

The adjustments made to the amounts recognised in each line item in the statement of financial position upon adoption of the financial reporting standards relate to financial instruments (TAS 32 and The Accounting Guidance) and leases standard (TFRS 16) in consolidated financial statements are as follows.

| | Notes | Consolidated financial statements | | | |
|------------------------------------------------------------------------------------------------------------------------------|-------|-------------------------------------------------------------------|------------------------------------------------------------------------------------------------|------------------------------------------------------------------|------------------------------------------------------|
| | | As at 31 December 2019 Previously reported Thousand Baht | TAS 32 and The Accounting Guidance Adjustments and reclassifications Thousand Baht | TFRS 16 Adjustments and reclassifications Thousand Baht | As at 1 January 2020 Restated Thousand Baht |
| Assets | | | | | |
| Cash and cash equivalents | A | 4,497,250 | (932) | - | 4,496,318 |
| Available-for-sale investments | B | 6,616,034 | (6,616,034) | - | - |
| Held-to-maturity investments | B | 716,362 | (716,362) | - | - |
| General investments | B | 20,066 | (20,066) | - | - |
| Investments measured at fair value through other comprehensive income | B | - | 6,700,210 | - | 6,700,210 |
| Investments measured at amortised cost | A, B | - | 716,324 | - | 716,324 |
| Deferred income tax | A, B | 328,450 | (12,628) | - | 315,822 |
| Investment in an associate | A, B | 10,715,018 | 347,216 | - | 11,062,234 |
| Property, Plant and Equipment | C | 49,292 | - | (802) | 48,490 |
| Right-of-use assets | C | - | - | 148,330 | 148,330 |
| Other assets | C | 186,673 | - | (4,015) | 182,658 |
| Total assets | | 23,129,145 | 397,728 | 143,513 | 23,670,386 |
| Liabilities and equity | | | | | |
| Liabilities | | | | | |
| Lease liabilities | C | - | - | 143,513 | 143,513 |
| Total liabilities | | - | - | 143,513 | 143,513 |
| Equity | | | | | |
| Retained earnings | A | 3,076,794 | (1,089) | - | 3,075,705 |
| Unrealised gain (loss) on changes in value of investments measured at fair value through other comprehensive income | A, B | (113,644) | 51,601 | - | (62,043) |
| Share of other comprehensive income (loss) on investment in an associate | A, B | 4,439,431 | 347,216 | - | 4,786,647 |
| Total Equity | | 7,402,581 | 397,728 | - | 7,800,309 |
| Total liabilities and equity | | 7,402,581 | 397,728 | 143,513 | 7,943,822 |

Note:

- A) Adjustments on impairment of financial assets (Note 4.1)
B) Impacts from changes in classification and measurement of financial assets (Note 4.1)
C) Recognition of right-of-use assets and lease liabilities under TFRS 16 (Note 4.2)

Allianz Ayudhya Capital Public Company Limited
Notes to the Consolidated and Separate Financial Statements
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4 Impacts from initial application of the new and revised financial reporting standards (Cont'd)

The adjustments made to the amounts recognised in each line item in the statement of financial position upon adoption of the financial reporting standards relate to financial instruments (TAS 32 and TFRS 9) and leases standard (TFRS 16) in separate financial statements are as follows.

| | Notes | Separate financial statements | | | As at 1 January 2020 Restated Thousand Baht |
|------------------------------------------------------------------------------------------------------------------------------|-------|-------------------------------------------------------------------|----------------------------------------------------------------------------|------------------------------------------------------------------|------------------------------------------------------|
| | | As at 31 December 2019 Previously reported Thousand Baht | TAS 32 and TFRS 9 Adjustments and reclassifications Thousand Baht | TFRS 16 Adjustments and reclassifications Thousand Baht | |
| Assets | | | | | |
| Cash and cash equivalents | A | 179,669 | (40) | - | 179,629 |
| Available-for-sale investments | B | 4,073,550 | (4,073,550) | - | - |
| Held-to-maturity investments | B | 226,928 | (226,928) | - | - |
| General investments | B | 17,998 | (17,998) | - | - |
| Investments measured at fair value through profit and loss | B | - | 2,979,485 | - | 2,979,485 |
| Investments measured at fair value through other comprehensive income | B | - | 1,112,063 | - | 1,112,063 |
| Investments measured at amortised cost | A, B | - | 226,916 | - | 226,916 |
| Deferred income tax | A, B | 26,644 | 10 | - | 26,654 |
| Right-of-use assets | C | - | - | 17,508 | 17,508 |
| Total assets | | 4,524,789 | (42) | 17,508 | 4,542,255 |
| Liabilities and equity | | | | | |
| Liabilities | | | | | |
| Lease liabilities | C | - | - | 17,508 | 17,508 |
| Total liabilities | | - | - | 17,508 | 17,508 |
| Equity | | | | | |
| Retained earnings - unappropriated | A | 2,320,224 | (123,741) | - | 2,196,483 |
| Unrealised gain (loss) on changes in value of investments measured at fair value through other comprehensive income | A, B | (118,990) | 123,699 | - | 4,709 |
| Total Equity | | 2,201,234 | (42) | - | 2,201,192 |
| Total liabilities and equity | | 2,201,234 | (42) | 17,508 | 2,218,700 |

Note:

- A) Adjustments on impairment of financial assets (Note 4.1)
B) Impacts from changes in classification and measurement of financial assets (Note 4.1)
C) Recognition of right-of-use assets and lease liabilities under TFRS 16 (Note 4.2)

4 Impacts from initial application of the new and revised financial reporting standards (Cont'd)

4.1 Financial instruments

Accounting Guidance (Consolidated financial statements)

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

| | Consolidated financial statements |
|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| | Thousand Baht |
| Unappropriated retained earnings as of 31 December 2019 (as previously reported) | 3,076,794 |
| Adjustment in relation to expected credit losses | (1,362) |
| Increase in deferred tax assets / deferred tax liabilities related to the above adjustments | <u>273</u> |
| Unappropriated retained earnings as of 1 January 2020 after reflecting TAS 32 and the Accounting Guidance adoption | <u><u>3,075,705</u></u> |

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

| | Consolidated financial statements | | |
|-------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| | Unrealised gains (losses) on changes in fair value of investments Thousand Baht | Share of other comprehensive income (loss) of an associate Thousand Baht | Effect on retained earnings Thousand Baht |
| Balance as of 31 December 2019 (Previously reported) | (113,644) | 4,439,431 | 3,076,794 |
| Reclassification of equity investments from available-for-sale to FVOCI | - | - | - |
| Reclassification of debt investments from available-for-sale to FVOCI | - | - | - |
| Reclassification general investments to FVOCI | 51,287 | 338,986 | - |
| Adjustment in relation to expected credit losses | <u>314</u> | <u>8,230</u> | <u>(1,089)</u> |
| Opening balance as of 1 January 2020 - TAS 32 and the Accounting Guidance adoption | <u><u>(62,043)</u></u> | <u><u>4,786,647</u></u> | <u><u>3,075,705</u></u> |

4 Impacts from initial application of the new and revised financial reporting standards (Cont'd)

4.1 Financial instruments (Cont'd)

Accounting Guidance (Consolidate financial statements) (Cont'd)

On 1 January 2020, the management has assessed and reclassified its financial instruments as follows:

| | Consolidated financial statements | | | | | |
|-------------------------------------------------------------------------------------|--------------------------------------------|------------------------------------------------|--------------------------------------|----------------------------------------------|------------------------------------------------|---------------------------------------------------------------|
| | Cash and cash equivalents Thousand Baht | Available-for-sale securities Thousand Baht | General investments Thousand Baht | Held-to-maturity securities Thousand Baht | Investments measured at FVOCI Thousand Baht | Investments measured at Amortised cost (AMC) Thousand Baht |
| Financial assets | | | | | | |
| Balance as at 31 December 2019 (Previously reported) | 4,497,250 | 6,616,034 | 20,066 | 716,362 | - | - |
| Reclassify equity investments from available-for-sale to FVOCI | - | (521,361) | - | - | 521,361 | - |
| Reclassify debt investments from available-for-sale to FVOCI | - | (6,094,673) | - | - | 6,094,673 | - |
| Reclassify general investments to FVOCI | - | - | (20,066) | - | 84,176 | - |
| Reclassify investments from held-to-maturity to amortised cost | - | - | - | (716,362) | - | 716,362 |
| Recognition of an allowance for expected credit losses | (932) | - | - | - | - | (38) |
| Opening balance 1 January 2020 - TAS 32 and the Accounting Guidance adoption | 4,496,318 | - | - | - | 6,700,210 | 716,324 |

4 Impacts from initial application of the new and revised financial reporting standards (Cont'd)

4.1 Financial instruments (Cont'd)

Accounting Guidance (Consolidated financial statements) (Cont'd)

The adoption of the new financial reporting standards on financial instruments mainly affects the Group's accounting treatment as follows:

i) Impairment of financial assets

The new requirements on the impairment losses of debt instruments classified as available-for-sale investments will lead to expected credit losses having to be considered and recognised at the initial recognition and subsequent period. The Group accounts for expected credit losses which involves a three-stage expected credit loss impairment model. The stage dictates how the entity measures impairment losses and applies the effective interest rate method. As of 1 January 2020, the Group recognised impairment losses for deposits with bank and financial institution of Baht 932,307 and investment in securities of Baht 429,730. The transition adjustment will be recognised as an adjustment to the opening balance of retained earnings.

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

As of 1 January 2020, the Group elected to present in OCI changes in the fair value of all its equity investments and debt instruments previously classified as available-for-sale based on investment objectives. As a result, the Group's assets with a fair value of Baht 6,616 million were reclassified from available-for-sale investments to investments measured at FVOCI and fair value loss, net of tax, of Baht 114 million were reclassified from Unrealised gains (losses) on changes in fair value of investments to the Remeasurements of investments measured at fair value through other comprehensive income.

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

Currently, the Group has equity instruments measured at cost of Baht 20.06 million. These instruments will be reclassified and remeasured to fair value through other comprehensive income with a corresponding adjustment to other components of equity of Baht 51.29 million as of 1 January 2020.

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

Debenture and government bonds that would have previously been classified as held-to-maturity are now classified at amortised cost. The Group intends to hold the assets to maturity. There was no difference between the previous carrying amount and the revised carrying amount of the investments. However, the Group recognised an increase of Baht 0.03 million, net of tax, in the loss allowance for these assets in opening retaining earnings.

4 Impacts from initial application of the new and revised financial reporting standards (Cont'd)

4.1 Financial instruments (Cont'd)

Financial reporting standards relate to financial instruments (TAS 32 and TFRS 9) (Separate financial statements)

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

| | <u>Separate financial statements</u> |
|-----------------------------------------------------------------------------------------------------|--------------------------------------|
| | <u>Thousand Baht</u> |
| Unappropriated retained earnings as of 31 December 2019 (as previously reported) | 2,320,224 |
| Increase in provision for debt investments at amortised cost | (53) |
| Increase in provision for debt investments at fair value through other comprehensive income (FVOCI) | (105) |
| Fair value adjustments on investments at fair value through profit or loss (FVPL) | (154,518) |
| Increase in deferred tax assets / deferred tax liabilities related to the above adjustments | <u>30,935</u> |
| Unappropriated retained earnings as of 1 January 2020 after reflecting TFRS9 adoption | <u><u>2,196,483</u></u> |

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

| | <u>Separate financial statement</u> | |
|---------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| | <u>Remeasurement of investments measured at fair value through other comprehensive income (FVOCI) Thousand Baht</u> | <u>Effect on retained earnings Thousand Baht</u> |
| Balance as of 31 December 2019 (Previously reported) | (118,990) | 2,320,224 |
| Reclassify investments from available-for-sale to FVPL | 123,614 | (123,614) |
| Adjustment in relation to expected credit losses | <u>85</u> | <u>(127)</u> |
| Opening balance as of 1 January 2020 - TFRS9 adoption | <u>4,709</u> | <u>2,196,483</u> |

4 Impacts from initial application of the new and revised financial reporting standards (Cont'd)

4.1 Financial instruments (Cont'd)

Financial reporting standards relate to financial instruments (TAS 32 and TFRS 9) (Separate financial statements) (Cont'd)

On 1 January 2020, the management has assessed and reclassified its financial instruments as follows:

| | Separated financial statements | | | | | | Amortised cost (AMC) |
|----------------------------------------------------------------|--------------------------------|-------------------------------|---------------------|-----------------------------|------------------|------------------|----------------------|
| | Cash and cash equivalents | Available-for-sale securities | General investments | Held-to-maturity securities | FVPL | FVOCI | |
| Financial assets | | | | | | | |
| Balance as at 31 December 2019 (Previously reported) | 179,669 | 4,073,550 | 17,998 | 226,928 | - | - | - |
| Impairment adjustments on financial assets | (40) | - | - | - | - | - | (12) |
| Reclassify equity investments from available-for-sale to FVOCI | - | (6,833) | - | - | - | 6,833 | - |
| Reclassify debt investments from available-for-sale to FVOCI | - | (1,087,232) | - | - | - | 1,087,232 | - |
| Reclassify general investments to FVOCI | - | - | (17,998) | - | - | 17,998 | - |
| Reclassify investments from available-for-sale to FVPL | - | (2,979,485) | - | (226,928) | 2,979,485 | - | - |
| Reclassify investments from held-to-maturity to amortised cost | - | - | - | - | - | - | 226,928 |
| Opening balance 1 January 2020 - TFRS9 adoption | 179,629 | - | - | - | 2,979,485 | 1,112,063 | 226,916 |

4 Impacts from initial application of the new and revised financial reporting standards (Cont'd)

4.1 Financial instruments (Cont'd)

Financial reporting standards relate to financial instruments (TAS 32 and TFRS 9) (Separate financial statements) (Cont'd)

The adoption of the new financial reporting standards on financial instruments mainly affects the Company's accounting treatment as follows:

- a. Reclassification from available-for-sale debt instruments to financial assets measured at fair value through profit or loss (FVPL)

As of 1 January 2020, certain investments were reclassified from available-for-sale to financial assets at FVPL amounting to Baht 2,979 million. They did not meet the TFRS 9 criteria for classification at amortised cost, because their cash flows did not represent solely payments of principal and interest.

Related fair value loss, net of tax, of Baht 123 million were transferred from the AFS reserve to retained earnings on 1 January 2020.

- b. Reclassification from held-to-maturity investments to financial assets measured at amortised cost

Debentures and zero-coupon bonds that were previously classified as held-to maturity are now classified at amortised cost. The Company intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest (SPPI) on the principal amount outstanding. The allowance for impairment of investment will be recognised to the opening balance of retained earnings.

- c. Reclassification from available-for-sale debt instruments to financial assets measured at fair value through other comprehensive income (FVOCI)

As of 1 January, listed and unlisted bonds were reclassified from available-for-sale to FVOCI, as the Company's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest (SPPI). As a result, the Company's listed and unlisted bonds with a fair value of Baht 1 million were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains of Baht 3 million were reclassified from the AFS reserve to the FVOCI reserve.

- d. Reclassification from general investments to financial assets measured at fair value through other comprehensive income (FVOCI)

As of 1 January 2020, the Company had equity instruments measured at cost less allowance for impairment of Baht 18 million which were reclassified and remeasured to fair value through other comprehensive income.

4 Impacts from initial application of the new and revised financial reporting standards (Cont'd)

4.1 Financial instruments (Cont'd)

Financial reporting standards relate to financial instruments (TAS 32 and TFRS 9) (Separate financial statements) (Cont'd)

- e. Reclassification from available-for-sale equity investments to financial assets measured at fair value through other comprehensive income (FVOCI)

As of 1 January 2020, the Company elected to present in OCI changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments. As a result, the Company's assets with a fair value of Baht 6.8 million were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value loss, net of tax, of Baht 0.4 million were reclassified from AFS reserve to the FVOCI reserve on 1 January 2020.

- f. Impairment of financial assets

The Company has following financial assets that are subject to the expected credit loss model:

- cash and cash equivalents
- debt instruments carried at amortised cost; and
- debt instruments carried at FVOCI

The new requirements on the impairment losses of debt instruments will lead to expected credit losses having to be considered and recognised at the initial recognition and subsequent period. The Company accounts for expected credit losses which involves a three-stage expected credit loss impairment model. The stage dictates how the entity measures impairment losses and applies the effective interest rate method. As of 1 January 2020, the Company recognised impairment losses for deposits with bank and financial institution of Baht 40,430 and investment in securities of Baht 117,549. The transition adjustment will be recognised as an adjustment to the opening balance of retained earnings.

4.2 Leases

On adoption of TFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of TAS 17 Leases for leases with lease terms more than 12 months. These liabilities on the date of TFRS 16 adoption were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2020. The weighted average the Group's incremental borrowing rate applied to the lease liabilities was 2.93%.

| | Consolidated financial statements Thousand Baht | Separate financial statements Thousand Baht |
|------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|--------------------------------------------------------------------|
| Operating lease commitments disclosed as at 31 December 2019 | 26,183 | 966 |
| Less: discounted using the lessee's incremental borrowing rate of at the date of initial application | (9,052) | (846) |
| Less: short-term leases recognised on a straight-line basis as expense | (195) | - |
| Add: adjustments as a result of a different treatment of extension and termination options | 126,577 | 17,388 |
| Lease liability recognised as at 1 January 2020 | 143,513 | 17,508 |

4 Impacts from initial application of the new and revised financial reporting standards (Cont'd)

4.2 Leases (Cont'd)

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

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

| | Consolidated financial statements | | Separate financial statements | |
|----------------------------------|-----------------------------------------|---------------------------------------|-----------------------------------------|---------------------------------------|
| | 31 December 2020 Thousand Baht | 1 January 2020 Thousand Baht | 31 December 2020 Thousand Baht | 1 January 2020 Thousand Baht |
| Buildings | 207,289 | 144,997 | - | 17,508 |
| Vehicles | 1,515 | 3,333 | - | - |
| Total right-of-use assets | 208,804 | 148,330 | - | 17,508 |

Practical expedients applied

In applying TFRS 16 for the first time with the existing leases the Group had before 1 January 2020, the Group has used the following practical expedients permitted by the standard:

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

5 Critical accounting estimates and judgements

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

5.1 Loss reserves

The Group determines the loss reserves and outstanding claims in accordance with survey information, and also reviews the outstanding claims at the end of each reporting date which are sufficient to cover any liabilities arising out of insurance contracts to the extent that can be reasonably foreseen.

There are 3 major methods to estimate the ultimate loss which are Chain Ladder, Bornhuetter-Ferguson and Expected Loss Ratio. The most appropriate method for each product category was selected based on actuarial judgement for both gross and net of reinsurance basis.

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.

5.2 Fair value of certain financial assets

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Details of key assumptions used are included in note 7.

5.3 Goodwill impairment

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The calculations use cash flow projections based on financial budget approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in note 16. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

5.4 Deferred tax asset

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. The Group considers future taxable income and ongoing prudent and feasible tax planning strategies in assessing whether to recognise deferred tax assets. The Group's assumptions regarding the future profitability and the anticipated timing of utilisation of deductible temporary differences and significant changes in these assumptions from year to year may have a material impact on the Group's reported financial position and results of operations.

5 Critical accounting estimates and judgements (Cont'd)

5.5 Lease liabilities

Determination of lease terms

Critical judgement in determining the lease term, the Group 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 offices and vehicles leases have not been included in the lease liability, because the Group 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 Group 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 Group.

Determination of discount rate applied to leases

The Group 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.

5.6 Impairment of premium receivable and amount due from reinsurers

The Group sets an allowance for doubtful accounts and amount due from reinsurers to reflect impairment of premium due, uncollected receivables and claim recoveries from reinsurer. The allowance for doubtful accounts and amount due from reinsurers are based on collection experience and a review of current status of the premium due as at the date of statement of financial position.

5.7 Reinsurance assets estimation

Reinsurance assets are determined from estimation using the same methods as the estimation of claims incurred but not yet reported by insured (Note 5.1) and the unearned premium reserve calculation. The reinsurance assets are assessed at the period end date to ensure that the amount shown in financial statement reflects the expected amount to be received in the future by taking into account the credit rating of reinsurance company and the contractual terms of reinsurance contracts.

5.8 Unexpired risk reserve

Unexpired risk reserve is calculated using an actuarial method, based on a best estimate of the claims expected to incur over the remaining term of the insurance. Estimating the reserve requires the management to exercise judgment, with reference to historical data and the best estimates available at the time.

5 Critical accounting estimates and judgements (Cont'd)

5.9 Liability adequacy test

At the end of each reporting period, the Group assesses the adequacy of Insurance contract liabilities recognised in the financial position by comparing to the present value of the estimated future cash flows from insurance contracts. If the assessment shows that the carrying amount of Insurance contract liabilities less related deferred acquisition cost is inadequate when compared to the estimated future cash flows. The liabilities is increased by the deficiency and it is charged to profit or loss.

5.10 Employee benefits obligations

Employee benefits obligations are determined by independent actuary. The amount recognised in the statement of financial position is determined on an estimation basis utilising various assumptions including the rate of salary inflation and employee turnover. Any change in these assumptions will impact the estimation for employee benefits. On an annual basis the Group determines the appropriate assumptions, which represents the provision expected to be required to settle the employee benefits.

6 Insurance and financial risk management

6.1 Insurance risk

a) Insurance risk management policy

The Group's managements take a responsibility to make a strategic decisions and pre-planned with clear steps to be taken so that the process of translating strategy into implementation is appropriate actionable, timely reaction to change and situatoin.

Insurance risk means the fluctuation of the frequency, extent of damage, and number of events that is out of the standard assumption used in establishing rate of insurance, calculations for insurance contract liabilities, and underwriting considerations. The Group examines thoroughly the level of risks that is acceptable to take by referring to the insurance underwriting manual and insurance rates included the consideration to ensure that there is no concentrated risk by way of geography or by type of risks. If the risks exceed the defined level, the Group extends the risks to reinsurers by proportional reinsurance agreed terms.

Risk management is integral to the whole business of the Group. The Group 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 Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

The key elements of the Group's insurance risk management framework are as below.

Product Design and Development and Price Structure

In developing any new non-life insurance product, considerations are given to the range of coverage as well as applying actuarial science methods to calculate insurance rates. This is to ensure that products are competitive and sufficient in covering for claims. Monitoring procedures and evaluations for each product are regularly conducted in order to make appropriate improvements in coverage and/or pricing.

6 Insurance and financial risk management (Cont'd)

6.1 Insurance risk (Cont'd)

a) Insurance risk management policy (Cont'd)

Underwriting strategy

The underwriting strategy is set out in an annual business plan that establishes the classes of business to be written, the business to be written and the industry sectors to be written. This strategy is cascaded by the business units to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by line size, class of business risk, scope and industry in order to ensure appropriate risk selection within the portfolio.

Reinsurance strategy

The Group has a combination of proportionate and non-proportionate reinsurance treaties. In term of significant exposure loss, reinsurer is responsible for claim as specified in the agreement to limit the net exposure loss to the Group.

The Group sets the minimum security criteria for acceptable reinsurance and monitoring the purchase of reinsurance by the business units against those criteria. The Group's management monitors developments in the reinsurance programme and its ongoing adequacy.

b) Concentration insurance risk

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

The Group sets out the total aggregate exposure that it is prepared to accept in relation to general insurance risk concentrations. It monitors these exposures both at the time of underwriting a risk and on a monthly basis by reviewing reports which show the key aggregations to which the Group is exposed. A number of additional stress and scenario tests are run during the year to identify risk concentrations.

The following table shows the Group's exposure to concentration of insurance contract liabilities per category of business.

| | Fire Thousand Baht | Marine Thousand Baht | Motor Thousand Baht | Miscellaneous Thousand Baht | Total Thousand Baht |
|-------------------------|--------------------------|----------------------------|---------------------------|-----------------------------------|---------------------------|
| 31 December 2020 | | | | | |
| Gross | 88,568 | 107,442 | 776,061 | 1,464,710 | 2,436,781 |
| Net of reinsurance | 56,077 | 19,001 | 711,778 | 235,834 | 1,022,690 |
| 31 December 2019 | | | | | |
| Gross | 23,060 | 110,290 | 802,777 | 1,524,576 | 2,460,703 |
| Net of reinsurance | 15,316 | 15,765 | 682,322 | 211,616 | 925,019 |

6 Insurance and financial risk management (Cont'd)

6.2 Financial risk

The Group exposes to a variety of financial risk: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Financial risk management is carried out by the Group's Risk Management Committee. The Group's policy includes areas such as foreign exchange risk, interest rate risk, price risk, credit risk and liquidity risk. The framework parameters are approved by the Board of Directors and uses as the key communication and control tools by Risk Management Committee.

6.2.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Market risk consists of three types of risks: foreign exchange risk, interest rate risk and price risk.

a) Foreign exchange risk

The Group operates internationally and is exposed to foreign currency risk arises from insurance premium and reinsurance with foreign insurance companies that are denominated in foreign currencies. The Group has no forward exchange contract to reduce the exposure. However, the management believes that the Group has no significant effect.

The Group's exposure to foreign currency risk as of 31 December 2020 and 2019, expressed in Thousand Baht are as follows:

| | Consolidated financial statements | | | |
|---------------------------|-----------------------------------|-------------------------|-------------------------------|-------------------------|
| | 2020 | | 2019 | |
| | US Dollar Thousand Baht | EUR Thousand Baht | US Dollar Thousand Baht | EUR Thousand Baht |
| Cash and cash equivalents | 9,079 | 72 | 9,109 | 66 |

The Company has no exposure to foreign currency risk as of 31 December 2020 and 2019.

Foreign exchange risk sensitivity analysis

The Group calculated the impact on the sensitivity of exchange rates. However, the management considered that the Group has no significant effect.

6 Insurance and financial risk management (Cont'd)

6.2 Financial risk (Cont'd)

6.2.1 Market risk (Cont'd)

b) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value of financial instruments and cash flows will fluctuate due to changes in market interest rates. The Group's investments include both short-term and long-term investments with the return of both floating rate and fixed rate. The Group manage the risk by considering the risk of investments together with the return on such investments.

As at 31 December 2020 and 2019, significant financial assets and financial liabilities classified by type of interest rate and maturity date were as follows:

| | | Consolidated financial statements | | | | | | | | |
|----------------------------------------------|--|-----------------------------------|------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------------------|---------------------------------------|------------------------|--------------------------|
| | | 2020 | | | | | | | | |
| | | Variable interest rate | | | Fixed interest rate | | | Non-interest bearing Thousand Baht | Total Thousand Baht | Interest rate (% p.a) |
| | | Within 1 year Thousand Baht | 1 - 5 years Thousand Baht | Over 5 years Thousand Baht | Within 1 year Thousand Baht | 1 - 5 years Thousand Baht | Over 5 years Thousand Baht | | | |
| Financial assets | | | | | | | | | | |
| Cash and cash equivalents | | 2,339,936 | - | - | 445,761 | - | - | 16,241 | 2,801,938 | 0.22 - 2.25 |
| Investment in securities | | | | | | | | | | |
| Government and state enterprise securities | | 1,170,586 | 1,747,579 | 5,704 | - | - | - | - | 2,923,869 | 0.61 - 6.40 |
| Private debt securities | | 484,774 | 1,822,909 | 327,595 | - | - | - | 240 | 2,635,518 | 1.17 - 5.50 |
| Foreign debt securities | | 60,680 | - | - | - | - | - | 24,791 | 85,471 | 0.88 |
| Deposits at bank with maturity over 3 months | | 380,136 | - | - | - | - | - | - | 380,136 | 0.55 - 0.79 |
| | | 4,436,112 | 3,570,488 | 333,299 | 445,761 | - | - | 41,272 | 8,826,932 | |
| Financial liabilities | | | | | | | | | | |
| Lease liabilities | | 29,642 | 96,418 | 81,816 | - | - | - | - | 207,876 | 2.93 |
| | | 29,642 | 96,418 | 81,816 | - | - | - | - | 207,876 | |
| | | | | | | | | | | |
| | | Consolidated financial statements | | | | | | | | |
| | | 2019 | | | | | | | | |
| | | Variable interest rate | | | Fixed interest rate | | | Non-interest bearing Thousand Baht | Total Thousand Baht | Interest rate (% p.a) |
| | | Within 1 year Thousand Baht | 1 - 5 years Thousand Baht | Over 5 years Thousand Baht | Within 1 year Thousand Baht | 1 - 5 years Thousand Baht | Over 5 years Thousand Baht | | | |
| Financial assets | | | | | | | | | | |
| Cash and cash equivalents | | 3,970,115 | - | - | 499,588 | - | - | - | 4,469,702 | 1.29 |
| Investment in securities | | | | | | | | | | |
| Government and state enterprise securities | | 1,430,428 | 999,433 | 5,596 | - | - | - | - | 2,435,457 | 1.53 |
| Private debt securities | | 462,667 | 902,198 | 17,870 | - | - | - | - | 1,382,735 | 1.99 |
| Foreign debt securities | | - | 60,670 | - | - | - | - | - | 60,670 | 3.00 |
| Deposits at bank with maturity over 3 months | | 453,567 | 718 | - | 12,928 | - | - | - | 467,213 | 1.48 |
| | | 6,316,776 | 1,963,019 | 23,466 | 512,516 | - | - | - | 8,815,777 | |

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Notes to the Consolidated and Separate Financial Statements
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6 Insurance and financial risk management (Cont'd)

6.2 Financial risk (Cont'd)

6.2.1 Market risk (Cont'd)

b) Cash flow and fair value interest rate risk

As at 31 December 2020 and 2019, significant financial assets and financial liabilities classified by type of interest rate and maturity date were as follows: (Cont'd)

| | Separate financial statements | | | | | | | | |
|----------------------------------------------|-------------------------------|----------------|----------------|---------------------|---------------|---------------|-----------------------|------------------|---------------|
| | 2020 | | | | | | | | |
| | Variable interest rate | | | Fixed interest rate | | | Non- interest bearing | Total | Interest rate |
| | Within 1 year | 1 - 5 years | Over 5 years | Within 1 year | 1 - 5 years | Over 5 years | | | |
| Thousand Baht | Thousand Baht | Thousand Baht | Thousand Baht | Thousand Baht | Thousand Baht | Thousand Baht | Thousand Baht | Thousand Baht | (% p.a) |
| Financial assets | | | | | | | | | |
| Cash and cash equivalents | 1,242,914 | - | - | 18,875 | - | - | 3,626 | 1,265,415 | 0.22 |
| Investment in securities | | | | | | | | | |
| Government and state enterprise securities | 460,780 | - | 5,704 | - | - | - | - | 466,484 | 2.16 |
| Private debt securities | 164,412 | 734,227 | 327,595 | - | - | - | 240 | 1,226,474 | 3.11 |
| Deposits at bank with maturity over 3 months | 143,050 | - | - | - | - | - | - | 143,050 | 0.55 |
| | <u>2,011,396</u> | <u>734,227</u> | <u>333,299</u> | <u>18,875</u> | <u>-</u> | <u>-</u> | <u>3,866</u> | <u>3,101,423</u> | |

| | Separate financial statements | | | | | | | | |
|----------------------------------------------|-------------------------------|----------------|---------------|---------------------|---------------|---------------|-----------------------|------------------|---------------|
| | 2019 | | | | | | | | |
| | Variable interest rate | | | Fixed interest rate | | | Non- interest bearing | Total | Interest rate |
| | Within 1 year | 1 - 5 years | Over 5 years | Within 1 year | 1 - 5 years | Over 5 years | | | |
| Thousand Baht | Thousand Baht | Thousand Baht | Thousand Baht | Thousand Baht | Thousand Baht | Thousand Baht | Thousand Baht | Thousand Baht | (% p.a) |
| Financial assets | | | | | | | | | |
| Cash and cash equivalents | 162,937 | - | - | 14,369 | - | - | - | 177,306 | 1.13 |
| Investment in securities | | | | | | | | | |
| Government and state enterprise securities | 19,923 | 462,650 | 5,596 | - | - | - | - | 488,169 | 1.51 |
| Private debt securities | 223,015 | 358,177 | 17,870 | - | - | - | - | 599,062 | 1.70 |
| Deposits at bank with maturity over 3 months | 214,000 | - | - | 12,928 | - | - | - | 226,928 | 1.60 |
| | <u>619,875</u> | <u>820,827</u> | <u>23,466</u> | <u>27,297</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,491,465</u> | |

6 Insurance and financial risk management (Cont'd)

6.2 Financial risk (Cont'd)

6.2.1 Market risk (Cont'd)

b) Cash flow and fair value interest rate risk

Interest rate sensitivity

Profit or loss is sensitive to higher or lower interest income from cash and cash equivalents, and interest expenses as a result of changes in interest rates.

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

| | Consolidated financial statements 2020 | |
|--------------------------------------|--------------------------------------------------|--------------------------------------------------|
| | Interest rate - increase 1%* Thousand Baht | Interest rate - decrease 1%* Thousand Baht |
| Impact to net profit | 4,525 | (690) |
| Impact to other components of equity | (112,257) | 112,257 |
| | Separate financial statements 2020 | |
| | Interest rate - increase 1%* Thousand Baht | Interest rate - decrease 1%* Thousand Baht |
| Impact to net profit | 254 | 21 |
| Impact to other components of equity | (39,276) | 39,276 |

* Holding all other variables constant

c) Equity price risk

The Group's exposure to equity securities price risk arises from equity instruments held by the Group which are classified either as at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVPL).

The Group manages the capital risk by establishing guideline of investment policy and written investment plan. The guideline sets the framework and investment direction for the year by specifying the limitation in all types and levels of investments based on targeted rate of returns and liquidity by setting both internal investment limits and compliance to the Office of Insurance Commission.

Sensitivity

The Group calculated the impact on the sensitivity of equity price. However, the management considered that the Group has no significant effect.

6 Insurance and financial risk management (Cont'd)

6.2 Financial risk (Cont'd)

6.2.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation including the change in one party's credit rating.

Credit risk arises from cash and cash equivalents, contractual cash flows of investment in debt instruments carried at amortised cost and at fair value through other comprehensive income (FVOCI).

a) Risk management

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

b) Impairment of financial assets

The Group has 3 types of financial assets that are subject to the expected credit loss model:

- Cash and cash equivalents
- Other receivables
- Investment in debt instruments measured at amortised cost and FVOCI

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

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

Debt instruments

The Group 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 consider '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.

6 Insurance and financial risk management (Cont'd)

6.2 Financial risk (Cont'd)

6.2.2 Credit risk (Cont'd)

b) Impairment of financial assets (Cont'd)

Debt instruments (Cont'd)

Other financial assets measured at amortised cost include debenture assets, zero coupon bonds and listed corporate bonds (previously held-to-maturity).

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

| | Consolidated financial statements | |
|--------------------------------------------------------------------------------------------------------|-----------------------------------|------------------------|
| | Fixed deposit Thousand Baht | Total Thousand Baht |
| As at 31 December 2019 - calculated under TAS 101 | - | - |
| Amount restated through opening retained earnings | 38 | 38 |
| Opening loss allowance as at 1 January 2020 - calculated under TAS 32 and accounting guidance | 38 | 38 |
| Reverse expected credit loss | (4) | (4) |
| As at 31 December 2020 | 34 | 34 |
| | Separate financial statements | |
| | Fixed deposit Thousand Baht | Total Thousand Baht |
| As at 31 December 2019 - calculated under TAS 101 | - | - |
| Amount restated through opening retained earnings | 12 | 12 |
| Opening loss allowance as at 1 January 2020 - calculated under TFRS 9 and accounting guidance | 12 | 12 |
| Reverse expected credit loss | (3) | (3) |
| As at 31 December 2020 | 9 | 9 |

6 Insurance and financial risk management (Cont'd)

6.2 Financial risk (Cont'd)

6.2.2 Credit risk (Cont'd)

b) Impairment of financial assets (Cont'd)

Debt instruments (Cont'd)

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

| | Consolidated financial statements | | | |
|-----------------------------------------------------------|----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|------------------------|
| | 2020 | | | |
| | 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 | Total Thousand Baht |
| Investment in debt instruments measured at amortised cost | | | | |
| Beginning balance | 38 | - | - | 38 |
| Changes occurred from measurement | (4) | - | - | (4) |
| Ending balance | 34 | - | - | 34 |
| | Separate financial statements | | | |
| | 2020 | | | |
| | 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 | Total Thousand Baht |
| Debt instruments measured at amortised cost | | | | |
| Beginning balance | 12 | - | - | 12 |
| Changes occurred from measurement | (3) | - | - | (3) |
| Ending balance | 9 | - | - | 9 |

6 Insurance and financial risk management (Cont'd)

6.2 Financial risk (Cont'd)

6.2.2 Credit risk (Cont'd)

b) Impairment of financial assets (Cont'd)

Debt instruments (Cont'd)

Debt instruments measured at fair value through other comprehensive income

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

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

| | Consolidated financial statements Thousand Baht | Separate financial statements Thousand Baht |
|-------------------------------------------------------------------------|--------------------------------------------------------------------|----------------------------------------------------------------|
| As at 31 December 2019 | - | - |
| Amount restated through opening retained earnings | 390 | 105 |
| Opening loss allowance as at 1 January 2020 | 390 | 105 |
| Increase in loss allowance recognised in profit or loss during the year | 552 | 345 |
| As at 31 December 2020 | 942 | 450 |

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

| | Consolidated financial statements | | | Total |
|---------------------------------------------------------|------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| | 2020 | | | |
| | 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 | Thousand Baht |
| Investment in debt instruments measured at FVOCI | | | | |
| As at 31 December 2019 | 390 | - | - | 390 |
| New financial assets purchased or originated | 605 | - | - | 605 |
| Derecognised financial assets | (33) | - | - | (33) |
| Write-off | (20) | - | - | (20) |
| As at 31 December 2020 | 942 | - | - | 942 |

6 Insurance and financial risk management (Cont'd)

6.2 Financial risk (Cont'd)

6.2.2 Credit risk (Cont'd)

b) Impairment of financial assets (Cont'd)

Debt instruments (Cont'd)

Debt instruments measured at fair value through other comprehensive income (Cont'd)

The allowance of expected credit loss for debt instruments measured at FVOCI by stage of risk are as follows: (Cont'd)

| | Separate financial statements | | | Total |
|--------------------------------------------------|----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------|
| | 2020 | | | |
| | 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 | Thousand Baht |
| Investment in debt instruments measured at FVOCI | | | | |
| As at 31 December 2019 | 105 | - | - | 105 |
| New financial assets purchased or originated | 397 | - | - | 397 |
| Derecognised financial assets | (33) | - | - | (33) |
| Write-off | (19) | - | - | (19) |
| As at 31 December 2020 | 450 | - | - | 450 |

Financial asset measured at fair value through profit or loss

The Group 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.

The maximum exposure to credit risk of the financial asset

The exposure to credit risk of the Group equals their carrying amount in the statement of financial position as at reporting date.

6 Insurance and financial risk management (Cont'd)

6.2 Financial risk (Cont'd)

6.2.3 Liquidity risk

Liquidity risk, is the risk that the Group will encounter difficulty to settle the obligation related to financial liabilities which must be settled in cash or other financial assets

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 and to close out market positions. At the end of the reporting period the Group held deposits at call of Baht 449 million (2019: Baht 502 million) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, the Group Treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors i) rolling forecasts of the Group's liquidity reserve (comprising the undrawn borrowing facilities below); and ii) cash and cash equivalents on the basis of expected cash flows. In addition, the Group'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.

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.

| Consolidated financial statements | | | | | |
|----------------------------------------------------------------|--------------------------------|-----------------------------------|------------------------------|----------------------------------|--------------------------------------------------|
| Maturity of financial liabilities | At present Thousand Baht | Within 1 year Thousand Baht | 1-5 year Thousand Baht | Over 5 years Thousand Baht | BV of assets/ liabilities Thousand Baht |
| As at 31 December 2020 | | | | | |
| Lease liabilities | 3,735 | 25,906 | 96,419 | 81,816 | 207,876 |
| Other payables | 85,677 | - | - | - | 85,677 |
| Total financial liabilities that is not derivatives | 89,412 | 25,906 | 96,419 | 81,816 | 293,553 |
| Separate financial statements | | | | | |
| Maturity of financial liabilities | At present Thousand Baht | Within 1 year Thousand Baht | 1-5 year Thousand Baht | Over 5 years Thousand Baht | BV of assets/ liabilities Thousand Baht |
| As at 31 December 2020 | | | | | |
| Other payables | 84 | - | - | - | 84 |
| Total financial liabilities that is not derivatives | 84 | - | - | - | 84 |

6 Insurance and financial risk management (Cont'd)

6.3 Capital management

The objectives when managing capital are to:

- safeguard their ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt and comply with the requirements of the Office of Insurance Commission.

7 Fair value

7.1 Fair value estimation

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

| | Consolidated financial statements | | | | Fair value Thousand Baht |
|--------------------------------------------------------------------------------------|-----------------------------------------------------------------|---------------------------------------------------------------------------------|---------------------------------|-------------------------------------------------|--------------------------------|
| | 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 | |
| As at 31 December 2020 | | | | | |
| Assets | | | | | |
| <i>Financial assets measured at fair value (FV)</i> | | | | | |
| Debt securities | 24,792 | 5,620,067 | - | 5,644,859 | 5,644,859 |
| Equity securities | - | 1,359,315 | - | 1,359,315 | 1,359,315 |
| <i>Financial assets not measured at fair value</i> | | | | | |
| Cash and cash equivalents | - | - | 2,801,938 | 2,801,938 | 2,801,938 |
| Deposits at financial institutions with original maturities more than 3 months | - | - | 380,136 | 380,136 | 380,136 |
| Accrued investment income | - | - | 25,141 | 25,141 | 25,141 |
| Others | - | - | 73,958 | 73,958 | 73,958 |
| Total assets | 24,792 | 6,979,382 | 3,281,173 | 10,285,347 | 10,285,347 |
| Liabilities | | | | | |
| <i>Financial liabilities not measured at fair value</i> | | | | | |
| Lease liabilities | - | - | 207,876 | 207,876 | 207,876 |
| Others | - | - | 85,677 | 85,677 | 85,677 |
| Total liabilities | - | - | 293,553 | 293,553 | 293,553 |

7 Fair value (Cont'd)

7.1 Fair value estimation (Cont'd)

The following table shows fair values of financial assets and liabilities by category, excluding those with the carrying amount approximates fair value. (Cont'd)

| | Separate financial statements | | | Total carrying amount Thousand Baht | Fair value Thousand Baht |
|--------------------------------------------------------------------------------|-----------------------------------------------------------|------------------------------------------------------------------------|---------------------------------|----------------------------------------|-----------------------------|
| | Fair value through profit or loss (FVPL) Thousand Baht | Fair value through other comprehensive income (FVOCI) Thousand Baht | Amortised cost Thousand Baht | | |
| As at 31 December 2020 | | | | | |
| Assets | | | | | |
| <i>Financial assets measured at fair value (FV)</i> | | | | | |
| Debt securities | 240 | 1,692,718 | - | 1,692,958 | 1,692,958 |
| Equity securities | 881,475 | 433,371 | - | 1,394,846 | 1,314,846 |
| <i>Financial assets not measured at fair value</i> | | | | | |
| Cash and cash equivalents | - | - | 1,265,415 | 1,265,415 | 1,265,415 |
| Deposits at financial institutions with original maturities more than 3 months | - | - | 143,050 | 143,050 | 143,050 |
| Accrued investment income | - | - | 10,695 | 10,695 | 10,695 |
| Others | - | - | 7,376 | 7,376 | 7,376 |
| Total assets | 881,715 | 2,126,089 | 1,426,536 | 4,434,340 | 4,434,340 |
| Liabilities | | | | | |
| <i>Financial liabilities not measured at fair value</i> | | | | | |
| Others | - | - | 84 | 84 | 84 |
| Total liabilities | - | - | 84 | 84 | 84 |

The 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 Group 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 Group 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.

7 Fair value (Cont'd)

7.1 Fair value estimation (Cont'd)

The following table presents the Group's financial assets and liabilities that are measured and recognised at fair value on the financial statements as at 31 December 2020 and 2019.

| | Consolidated financial statements | | | |
|-----------------------------------------------------------------------|-----------------------------------|-----------------------------|-----------------------------|---------------------------|
| | Level 1 Thousand Baht | Level 2 Thousand Baht | Level 3 Thousand Baht | Total Thousand Baht |
| As at 31 December 2020 | | | | |
| Financial assets | | | | |
| Investments in securities | | | | |
| Investments measured at fair value through other comprehensive income | | | | |
| Debt securities | - | 5,620,067 | - | 5,620,067 |
| Equity securities | 828,296 | 480,187 | 50,832 | 1,359,315 |
| Investments designated at fair value through profit or loss | | | | |
| Debt securities | 24,792 | - | - | 24,792 |
| Total financial assets | 853,088 | 6,100,254 | 50,832 | 7,004,174 |
| As at 31 December 2019 | | | | |
| Financial assets | | | | |
| Investment in securities | | | | |
| Available-for-sale investments | | | | |
| Debt securities | - | 3,629,716 | - | 3,629,716 |
| Equity securities | 521,361 | 2,464,957 | - | 2,986,318 |
| Total financial assets | 521,361 | 6,094,673 | - | 6,616,034 |
| Separate financial statements | | | | |
| | Level 1 Thousand Baht | Level 2 Thousand Baht | Level 3 Thousand Baht | Total Thousand Baht |
| As at 31 December 2020 | | | | |
| Financial assets | | | | |
| Investments measured at fair value through other comprehensive income | | | | |
| Debt securities | - | 1,692,718 | - | 1,692,718 |
| Equity securities | 427,008 | - | 6,363 | 433,371 |
| Investments designated at fair value through profit or loss | | | | |
| Debt securities | - | 240 | - | 240 |
| Equity securities | 401,288 | 480,187 | - | 881,475 |
| Total financial assets | 828,296 | 2,173,145 | 6,363 | 3,007,804 |
| As at 31 December 2019 | | | | |
| Financial assets | | | | |
| Investment in securities | | | | |
| Available-for-sale investments | | | | |
| Debt securities | - | 1,087,232 | - | 1,087,232 |
| Equity securities | 521,361 | 2,464,957 | - | 2,986,318 |
| Total financial assets | 521,361 | 3,552,189 | - | 4,073,550 |

7 Fair value (Cont'd)

7.2 Valuation techniques used to measure fair value of financial assets and liabilities

Book value of financial assets and liabilities as follows; cash and cash equivalent, accrued investment income, premium receivables, amounts due from reinsurers, other receivables, amounts due to reinsurers and other payables are approximately similar to fair value.

Valuation techniques used to measure fair value level 1

The fair value of financial instruments in level one is based on the latest bid price of common stock on the last working day of the reporting period as quoted on the Stock Exchange of Thailand.

Valuation techniques used to measure fair value level 2

Fair value of debt securities in level two are determined using the latest bid prices of the last working day of the reporting period as quoted by the Thai Bond Market Associate.

Fair value of debt securities in level two are determined using the unit trust's net asset value of the last working day of the reporting period.

Valuation techniques used to measure fair value level 3

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 financial instruments that are not traded in an active market is determined by using valuation techniques. In Level 3 fair values, discounted cash flows were used as the valuation techniques. The valuation model considers the present value of the expected future cash flow without risk-adjusted which the discount rate has been adjusted to include total return to compensate the risk that market needs.

Changes in level 3 financial instruments for the year ended 31 December 2020 is as follows.

| | Consolidated financial statements |
|-------------------------------------------------------------------------------------------------|----------------------------------------------|
| | 2020 |
| | Thousand Baht |
| Beginning balance | 103,525 |
| Gain on remeasuring investments measured at fair value through other comprehensive income | (52,693) |
| Closing balance | <u>50,832</u> |

7 Fair value (Cont'd)

7.2 Valuation techniques used to measure fair value of financial assets and liabilities (Cont'd)

| | Separate financial statements |
|-------------------------------------------------------------------------------------------------|------------------------------------------|
| | 2020 |
| | Thousand Baht |
| Beginning balance | 17,998 |
| Gain on remeasuring investments measured at fair value through other comprehensive income | (11,635) |
| Closing balance | <u>6,363</u> |

Transfer between fair value levels

During the year ended 31 December 2020 and 2019, there is no significant change in economic condition or business that effect to fair value of the Group's financial assets and there is no change in financial asset classification.

There was no transfer between levels during the year and there was no change in valuation techniques during the year.

8 Cash and cash equivalents

Cash and cash equivalents as at 31 December 2020 and 2019 consisted of the following:

| | Consolidated financial statements | | Separate financial statements | |
|---------------------------------------------------|------------------------------------------|-------------------------|--------------------------------------|-----------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Thousand Baht | Thousand Baht | Thousand Baht | Thousand Baht |
| Cash on hand | 3,733 | 316 | - | 10 |
| Cheque on hand | 8,882 | 24,412 | - | - |
| Deposits at bank - at call | 449,387 | 502,407 | 22,501 | 16,722 |
| Short-term investments | 2,339,936 | 3,970,115 | 1,242,914 | 162,937 |
| Total | 2,801,938 | 4,497,250 | 1,265,415 | 179,669 |
| <u>Less</u> Allowance for expected credit loss | (592) | - | (29) | - |
| Total | <u>2,801,346</u> | <u>4,497,250</u> | <u>1,265,386</u> | <u>179,669</u> |

9 Premium receivable - net

As at 31 December 2020 and 2019, the balances of premiums receivable - net were aged as follows:

| | Consolidated financial statements | |
|---------------------------------------------|------------------------------------------|----------------------|
| | 2020 | 2019 |
| | Thousand Baht | Thousand Baht |
| Within credit terms | 393,625 | 614,032 |
| Overdue: | | |
| Less than 30 days | 63,494 | 20,480 |
| 31 - 60 days | 34,837 | 43,305 |
| 61 - 90 days | 24,286 | 31,132 |
| Over 90 days | 70,189 | 95,153 |
| Total | 586,431 | 804,102 |
| <u>Less</u> Allowance for doubtful accounts | (30,825) | (33,102) |
| Premiums due and uncollected, net | <u>555,606</u> | <u>771,000</u> |

For premium receivables due from agents and brokers, the Group has stipulated the collection guideline in accordance with the law of the premium collection. For overdue premium receivables, the Group has the process with such agents and brokers in accordance with the Group's policy and procedure.

10 Reinsurance assets

Reinsurance assets as at 31 December 2020 and 2019 consisted of the following:

| | Consolidated financial statements | |
|-----------------------------------------------------|------------------------------------------|----------------------|
| | 2020 | 2019 |
| | Thousand Baht | Thousand Baht |
| Insurance reserve refundable from reinsurers | | |
| Loss reserves | 1,414,091 | 1,535,684 |
| Unearned premium reserve | | |
| - Unearned reinsurance premium reserve | 646,646 | 1,205,520 |
| Total reinsurance assets | <u>2,060,737</u> | <u>2,741,204</u> |

11 Amount due from reinsurers

Amount due from reinsurers as at 31 December 2020 and 2019 consisted of the following:

| | Consolidated financial statements | |
|---------------------------------|------------------------------------------|----------------------|
| | 2020 | 2019 |
| | Thousand Baht | Thousand Baht |
| Amount deposit on reinsurance | - | 841 |
| Due from reinsurers | 439,285 | 495,398 |
| Total reinsurance assets | 439,285 | 496,239 |

Aging analyses for due from reinsurers as at 31 December 2020 and 2019 were as follows:

| | Consolidated financial statements | |
|----------------------------------|------------------------------------------|----------------------|
| | 2020 | 2019 |
| | Thousand Baht | Thousand Baht |
| Within credit terms | 113,533 | 436,308 |
| Not over 12 months | 281,958 | 46,474 |
| Over 1 year to 2 years | 25,128 | 6,754 |
| Over 2 years | 18,666 | 5,862 |
| Total due from reinsurers | 439,285 | 495,398 |

12 Financial assets

Financial asset - Debt and equity securities as at 31 December 2020 and 2019 were as follows;

| | Separate financial statements |
|----------------------------------------------------------------------------------------|--------------------------------------|
| | 2020 |
| | Fair value |
| | Thousand Baht |
| Financial asset measured at fair value through profit and loss | |
| Private debt securities | 240 |
| Local equity securities | 881,475 |
| Total Financial asset measured at fair value through profit and loss | 881,715 |
| Financial asset measured at fair value through other comprehensive income | |
| Government and state enterprise debt securities | 466,484 |
| Private debt securities | 1,226,234 |
| Local equity securities | 433,371 |
| Total Financial asset measured at fair value through other comprehensive income | 2,126,089 |
| Financial asset measured at amortised cost | |
| Deposits at financial institutions with original maturities more than 3 months | 143,050 |
| <u>Less</u> Expected credit loss | (9) |
| Total Financial asset measured at amortised cost | 143,041 |

12 Financial assets (Cont'd)

Financial asset - Debt and equity securities as at 31 December 2020 and 2019 were as follows; (Cont'd)

| | Separate financial statements |
|-----------------------------------------------------------------------------------|-----------------------------------------------|
| | 2019 |
| | Amortised Cost/Fair value Thousand Baht |
| Available-for-sale investment | |
| Government and state enterprise debt securities | 488,169 |
| Private debt securities | 599,063 |
| Local equity securities | 2,986,318 |
| Total Available-for-sales investment | <u>4,073,550</u> |
| Held-to-maturity investment | |
| Deposits at financial institutions with original maturities more than 3 months | 184,000 |
| Deposits at banks used as collateral | 42,928 |
| Total Held-to-maturity investment | <u>226,928</u> |
| General investment | |
| Equity securities | 19,505 |
| Less Allowance for impairment | (1,507) |
| Total General investment | <u>17,998</u> |
| Total investment | <u><u>4,318,476</u></u> |

12.1 Financial assets at fair value through profit or loss

- i) Classification of financial assets at fair value through profit or loss (2019: fair value under TAS 105)

The Company classifies the following financial assets at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost or FVOCI
- equity investments that are held for trading, and
- equity investments for which the entity has irrevocably not elected at initial recognition to recognise fair value gains and losses through OCI.

12 Financial assets (Cont'd)

Financial asset - Debt and equity securities as at 31 December 2020 and 2019 were as follows; (Cont'd)

12.1 Financial assets at fair value through profit or loss (Cont'd)

ii) Amounts recognised in profit or loss

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

| | Separate financial statements |
|-----------------------------------------------------------------------------------------------|----------------------------------------------|
| | 2020 |
| | Thousand Baht |
| Fair value gains (losses) on debt instruments at FVPL recognised in other gains/(losses) | 200 |
| Fair value gains (losses) on equity instruments at FVPL recognised in other gains/(losses) | 35,777 |

Significant acquisitions and disposals during the year

During the year 2020, the Company did not acquire or dispose any listed securities measured at FVPL.

12.2 Financial assets at fair value through other comprehensive income

i) Classification of financial assets at fair value through other comprehensive income (2019: fair value under TAS 105)

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- equity securities which are not held for trading, and which the Company has irrevocably elected at initial recognition to recognise in this category.
- debt securities where the contractual cash flows are solely principal and interest and the objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets.

12 Financial assets (Cont'd)

Financial asset - Debt and equity securities as at 31 December 2020 and 2019 were as follows; (Cont'd)

12.2 Financial assets at fair value through other comprehensive income (Cont'd)

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

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

| | Separate financial statements |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|
| | 2020 |
| | Thousand Baht |
| Gains/(losses) recognised in other comprehensive income | (41,122) |
| Gains/(losses) reclassified from other comprehensive income to profit or loss on the sale of available-for-sale financial assets (reclassified AFS reserve in OCI to other gains/(losses)) | 1,246 |
| Interest income from debt investments at FVOCI recognised in profit or loss | 26,566 |
| Dividends from equity investments at FVOCI recognised in profit or loss in other income | 10,972 |

Significant acquisitions and disposals during the year

During the year 2020, the Company acquired and disposed listed securities measured at FVOCI in the amount of Baht 219 million and Baht 21 million, respectively.

iii) Loss allowance

| | Separate financial statements | |
|--------------------------------------------------------------------------------------------|-------------------------------|------------------------------------------------|
| | 2020 | |
| | Fair value | Expected credit loss |
| | Thousand Baht | recognised in other comprehensive income |
| | | Thousand Baht |
| Investments in debt securities which credit risk has not significantly increased (Stage 1) | 1,692,718 | (450) |
| Investments in debt securities which credit risk has significantly increased (Stage 2) | - | - |
| Credit-impaired investments in debt securities (Stage 3) | - | - |
| Total | 1,692,718 | (450) |

12 Financial assets (Cont'd)

12.3) Other financial assets at amortised cost

i) Classification of financial assets at amortised cost (2019: amortised cost under TAS105)

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest

ii) Loss allowance

| | Separate financial statements | | |
|--------------------------------------------------------------------------------------------|-------------------------------|----------------------|----------------|
| | 2020 | | |
| | Gross carrying value | Expected credit loss | Carrying value |
| | Thousand Baht | Thousand Baht | Thousand Baht |
| Investments in debt securities which credit risk has not significantly increased (Stage 1) | 143,050 | (9) | 143,041 |
| Investments in debt securities which credit risk has significantly increased (Stage 2) | - | - | - |
| Credit-impaired investments in debt securities (Stage 3) | - | - | - |
| Total | 143,050 | (9) | 143,041 |

13 Investments in securities, net

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

| | Consolidated financial statements | |
|----------------------------------------------------------------------------------------|---------------------------------------------|-----------------------------|
| | 2020 | |
| | Cost/ Amortised cost Thousand Baht | Fair value Thousand Baht |
| Investments measured at fair value through other comprehensive income | | |
| Government and state enterprise debt securities | 2,905,193 | 2,923,869 |
| Private debt securities | 2,597,010 | 2,635,518 |
| Foreign debt securities | 59,965 | 60,680 |
| Equity securities | 1,514,371 | 1,359,315 |
| Total | 7,076,539 | 6,979,382 |
| <u>Less</u> Unrealised loss | (97,157) | - |
| Total Investments measured at fair value through other comprehensive income | 6,979,382 | 6,979,382 |
| Investments measured at amortised cost | | |
| Deposits at financial institutions with original maturities more than 3 months | 343,300 | |
| Deposits at banks used as collateral | 34,486 | |
| Premium saving certificates used as collateral | 2,350 | |
| Total | 380,136 | |
| <u>Less</u> Allowance for expected credit loss | (34) | |
| Total Investments measured at amortised cost | 380,102 | |
| Financial asset designated at fair value through profit or loss | | |
| Foreign debt securities | 18,710 | 24,792 |
| <u>Add</u> Unrealised gain | 6,082 | - |
| Total financial asset designated at fair value through profit or loss | 24,792 | 24,792 |
| Total investments in securities | 7,384,276 | |

13 Investments in securities, net (Cont'd)

The details of investments in securities as at 31 December 2020 and 2019 are as follows: (Cont'd)

| | Consolidated financial statements | |
|--------------------------------------------------------------------------------|-------------------------------------------------------|-------------------------------------|
| | 2019 | |
| | Cost/ Amortised cost Thousand Baht | Fair value Thousand Baht |
| Available-for-sale investment | | |
| Government and state enterprise debt securities | 2,181,429 | 2,186,309 |
| Private debt securities | 1,377,598 | 1,382,736 |
| Foreign debt securities | 59,934 | 60,671 |
| Equity securities | 3,139,196 | 2,986,318 |
| Total | 6,758,157 | 6,616,034 |
| <u>Less</u> Unrealised loss | (142,123) | - |
| Total Available-for-sale investment | 6,616,034 | 6,616,034 |
| Held-to-maturity investment | | |
| Government and state enterprise debt securities | 249,149 | |
| Deposits at financial institutions with original maturities more than 3 months | 192,712 | |
| Deposits at banks used as collateral | 260,551 | |
| Premium saving certificates used as collateral | 13,950 | |
| Total Held-to-maturity investment | 716,362 | |
| General investments | | |
| Equity securities | 21,573 | |
| <u>Less</u> Allowance for impairment | (1,507) | |
| Total General investments | 20,066 | |
| Total investments in securities | 7,352,462 | |

13 Investments in securities, net (Cont'd)

13.1 Investment measured at fair value through other comprehensive income

i) Expected credit loss

| | Consolidated financial statements | |
|--------------------------------------------------------------------------------------------|------------------------------------------|-----------------------------|
| | 2020 | |
| | Fair value | Expected credit loss |
| | Thousand Baht | recognised in other |
| | | comprehensive |
| | | income |
| | | Thousand Baht |
| Investments in debt securities which credit risk has not significantly increased (Stage 1) | 5,620,067 | (942) |
| Investments in debt securities which credit risk has significantly increased (Stage 2) | - | - |
| Credit-impaired investments in debt securities (Stage 3) | - | - |
| Total | 5,620,067 | (942) |

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

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

| | Consolidated financial statements |
|--------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|
| | 2020 |
| | Thousand Baht |
| Gains/(losses) recognised in other comprehensive income | 6,685 |
| Gains/(losses) reclassified from the sale of available-for-sale financial assets (reclassified AFS reserve in OCI to other gains/(losses)) | (125,188) |
| Interest income from equity investments at FVOCI recognised in profit or loss | 78,043 |
| Dividends from equity investments at FVOCI recognised in profit or loss | 44,742 |
| Expected credit losses for debt investments at FVOCI recognised in profit or loss | (552) |

Significant acquisitions and disposals during the year

During the year 2020, the Group acquired and disposed listed securities measured at FVOCI in the amount of Baht 219 million and Baht 21 million, respectively.

13 Investments in securities, net (Cont'd)

13.1 Investment measured at fair value through other comprehensive income

iii) The maturity of investment measured at fair value through other comprehensive income

The details of investment measured at fair value through other comprehensive income are aged as follows:

| | Consolidated financial statements | | | |
|----------------------------------------------------------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|---------------------------|
| | 2020 | | | |
| | Maturing within | | | Total Thousand Baht |
| 1 year Thousand Baht | 1 - 5 years Thousand Baht | Over 5 years Thousand Baht | | |
| Investments measured at fair value through other comprehensive income | | | | |
| Government and state enterprise securities* | 1,162,383 | 1,737,347 | 5,463 | 2,905,193 |
| Private enterprise securities | 481,870 | 1,796,354 | 318,748 | 2,596,972 |
| Foreign securities | 59,965 | - | - | 59,965 |
| Total | 1,704,218 | 3,533,701 | 324,211 | 5,562,130 |
| Add (Less) Unrealised gains (losses) | 11,821 | 36,789 | 9,087 | 57,697 |
| Total investments measured at fair value through other comprehensive income | <u>1,716,039</u> | <u>3,570,490</u> | <u>333,298</u> | <u>5,619,827</u> |
| | Consolidated financial statements | | | |
| | 2019 | | | |
| | Maturing within | | | Total Thousand Baht |
| | 1 year Thousand Baht | 1 - 5 years Thousand Baht | Over 5 years Thousand Baht | |
| Available-for-sale investments | | | | |
| Government and state enterprise securities* | 1,180,284 | 995,630 | 5,515 | 2,181,429 |
| Private enterprise securities | 462,434 | 897,564 | 17,600 | 1,377,598 |
| Foreign securities | - | 59,934 | - | 59,934 |
| Total | 1,642,718 | 1,953,128 | 23,115 | 3,618,961 |
| Add (Less) Unrealised gains (losses) | 1,229 | 9,174 | 352 | 10,755 |
| Total available-for-sale investments | <u>1,643,947</u> | <u>1,962,302</u> | <u>23,467</u> | <u>3,629,716</u> |

* As at 31 December 2020, the Group had investment in government securities deposited with the Office of Insurance Commission in order to comply with the Life Insurance Act with a book value amounting to Baht 14 million (2019: Baht 14 million) (Note 39).

13 Investments in securities, net (Cont'd)

13.2 Investment measured at amortised cost

i) Expected credit loss

| | Consolidated financial statements | | |
|--------------------------------------------------------------------------------------------|-----------------------------------|----------------------|----------------|
| | 2020 | | |
| | Gross carrying value | Expected credit loss | Carrying value |
| | Thousand Baht | Thousand Baht | Thousand Baht |
| Investments in debt securities which credit risk has not significantly increased (Stage 1) | 380,136 | (34) | 380,102 |
| Investments in debt securities which credit risk has significantly increased (Stage 2) | - | - | - |
| Credit-impaired investments in debt securities (Stage 3) | - | - | - |
| Total | 380,136 | (34) | 380,102 |

ii) The maturity of investment measured at amortised cost

The details of investment measured at amortised cost are aged as follows:

| | Consolidated financial statements | | | | | | | |
|--------------------------------------------------------------------------------|-----------------------------------|---------------|---------------|----------------|-----------------|---------------|---------------|----------------|
| | 2020 | | | | 2019 | | | |
| | Maturing within | | | Total | Maturing within | | | Total |
| 1 year | 1 - 5 years | Over 5 years | 1 year | | 1 - 5 years | Over 5 years | | |
| | Thousand Baht | Thousand Baht | Thousand Baht | Thousand Baht | Thousand Baht | Thousand Baht | Thousand Baht | |
| Investments measured at amortised cost | | | | | | | | |
| Government and state enterprise securities | - | - | - | - | 249,149 | - | - | 249,419 |
| Deposits at banks used as collateral | 20,000 | 14,486 | - | 34,486 | 260,551 | - | - | 260,551 |
| Premium saving certificates used as collateral | 2,350 | - | - | 2,350 | 13,950 | - | - | 13,950 |
| Deposits at financial institutions with original maturities more than 3 months | 343,300 | - | - | 343,300 | 192,712 | - | - | 192,712 |
| Total | 365,650 | 14,486 | - | 380,136 | 716,362 | - | - | 716,362 |
| Add Expected credit loss | (31) | (3) | - | (34) | - | - | - | - |
| Total investments measured at amortised cost | 365,619 | 14,483 | - | 380,102 | 716,362 | - | - | 716,362 |

13 Investments in securities, net (Cont'd)

13.2 Investment measured at amortised cost (Cont'd)

ii) The maturity of investment measured at amortised cost

For the year ended 31 December 2020 and 2019, the Group and the Company has investment income as below

- Interest income amounting to Baht 92.83 million and Baht 27.72 million, respectively (2019: Baht 88.36 million and Baht 8.26 million, respectively)
- Dividend income amounting to Baht 44.75 million and Baht 484.21 million, respectively (2019: Baht 48.53 million and Baht 579.14 million, respectively)
- Consideration from selling investments amounting to Baht 3,178.37 million and Baht 2,597.49 million, respectively

As at 31 December 2020, certain investments in securities (certain government and state enterprise securities and certain deposits at bank) of the Group are pledged and used for assets reserved with the Registrar amounting to Baht 630 million (2019: Baht 582 million) (Note 39).

As at 31 December 2020, premium saving certificates of the Group were used as collateral for insured drivers are the alleged offenders amounting to Baht 1.25 million (2019: Baht 3.15 million) (Note 40).

As at 31 December 2020, certain bank deposits of the Group and the Company were pledged as collateral for bank overdrafts and borrowing facilities (Domestic Bill) amounting to Baht 50 million and Baht 30 million, respectively (2019: 50 million and Baht 30 million, respectively) (Note 40).

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14 Investments in a subsidiary and an associate

14.1 Investments in an associate

As at 31 December 2020 and 2019, the Company has investment in an associated company as follows:

| Company name | Nature of business | Place of incorporation and operation | Consolidated financial statements and separate financial statements | | | | Carrying value under Equity method | |
|-------------------------------------------------------------------------|--------------------|--------------------------------------|---------------------------------------------------------------------|-----------------|--------------------|--------------------|------------------------------------|--------------------|
| | | | Percentage of shareholding | | Cost | | 2020 | 2019 |
| | | | 2020 Percentage | 2019 Percentage | 2020 Thousand Baht | 2019 Thousand Baht | 2020 Thousand Baht | 2019 Thousand Baht |
| Associated company Allianz Ayudhya Assurance Public Company Limited. | Life Insurance | Thailand | 31.97 | 31.97 | 5,455,863 | 5,455,863 | 11,252,204 | 10,715,018 |

The movement in investments in an associate for the year ended 31 December 2020 and 2019 were as follows;

| | Consolidated financial statements | | Separate financial statements | |
|--------------------------------------------|-----------------------------------|------------|-------------------------------|-----------|
| | Equity method | | Cost method | |
| | 2020 | 2019 | 2020 | 2019 |
| Book value at the beginning year | 11,062,234 | 2,977,371 | 5,455,863 | 1,487,264 |
| Increase in investment | - | 3,968,599 | - | 3,968,599 |
| Share of profit | 1,049,595 | 553,245 | - | - |
| Share of other comprehensive income (loss) | (400,780) | 3,757,144 | - | - |
| Dividend income | (439,486) | (541,341) | - | - |
| Adjustment | (19,359) | - | - | - |
| Decrease in investment | - | - | - | - |
| Book value at the ending year | 11,252,204 | 10,715,018 | 5,455,863 | 5,455,863 |

14 Investments in a subsidiary and an associate (Cont'd)

14.1 Investments in an associate (Cont'd)

Summarised financial information for associates

The table below is summarised of financial information for associates that are material to the Group. The financial information is included in associates own financial statements which has been adjusted with the adjustments necessary for the equity method including, adjusting fair value and differences in accounting policy.

| | 2020 | 2019 |
|------------------------------------------------------|----------------------|----------------------|
| | Thousand Baht | Thousand Baht |
| <i>Summarised of performance</i> | | |
| Revenue | 38,139,608 | 38,982,127 |
| Post-tax profit | 3,283,105 | 2,044,457 |
| Other comprehensive income | (1,253,661) | 12,410,011 |
| Total comprehensive income | 2,029,444 | 14,454,468 |
| Dividend received from associates | 439,486 | 541,341 |
| <i>Summarised of statement of financial position</i> | | |
| Assets | 223,637,783 | 217,956,313 |
| Liabilities | 194,663,936 | 190,673,408 |
| Net assets | 28,973,847 | 27,282,905 |
| Group's share in associates (%) | 31.97 | 31.97 |
| Group's share in associates (Thousand Baht) | 11,252,204 | 10,715,018 |
| Goodwill | - | - |
| Associates carrying amount | 5,455,863 | 5,455,863 |

14 Investments in a subsidiary and an associate (Cont'd)

14.2 Investments in a subsidiary

As at 31 December 2020, the Group has subsidiaries included in consolidated financial statement are listed below. The subsidiaries have only ordinary shares in which the Group directly holds those shares. The proportion of ownership interests held by the Group is equal to voting rights in subsidiaries held by the Group.

| | Separate financial statements | | | | | |
|-----------------------------------------------------------|-------------------------------|-----------------------|-------------------------|--------------------|-----------------------|-----------------------|
| | Paid-up capital | | Shareholding percentage | | Cost | |
| | 2020 Thousand Baht | 2019 Thousand Baht | 2020 Percentage | 2019 Percentage | 2020 Thousand Baht | 2019 Thousand Baht |
| Subsidiary | | | | | | |
| Allianz Ayudhya General Insurance Public Company Limited. | 2,548,800 | 2,548,800 | 99.99 | 99.99 | 2,572,379 | 2,572,379 |

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15 Property, Plant and Equipment, net

Property, plant and equipment, net as at 31 December 2020 and 2019 consisted of the following.

| | Consolidated financial statements | | | | | | | | | | | |
|------------------------------------------|------------------------------------------------|------------------------------|--------------------------------------------|------------------------------------------|--------------------------------------------------|------------------------------------------------|----------------------------------|--------------------------------------------|--------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|--|
| | Cost | | | | | | Accumulated depreciation | | | | | |
| | As at 1 January 2020 Thousand Baht | Increase Thousand Baht | Disposal/ Write off Thousand Baht | Transfer in/(Out) Thousand Baht | As at 31 December 2020 Thousand Baht | As at 1 January 2020 Thousand Baht | Depreciation Thousand Baht | Disposal/ Write off Thousand Baht | As at 31 December 2020 Thousand Baht | Property, plant and equipment, net as at 1 January 2020 Thousand Baht | Property, plant and equipment, net as at 31 December 2020 Thousand Baht | |
| Land | 1,610 | - | - | - | 1,610 | - | - | - | 1,610 | - | 1,610 | |
| Building | 773 | - | - | - | 773 | (773) | - | (773) | - | - | - | |
| Leasehold improvement | 63,784 | 12,269 | (19,792) | - | 56,261 | (7,421) | 16,553 | (38,374) | 16,278 | 17,887 | | |
| Furniture, fixtures and office equipment | 111,514 | 6,678 | (11,701) | 399 | 106,890 | (8,833) | 8,564 | (88,427) | 23,356 | 18,463 | | |
| Vehicles | 26,488 | - | - | - | 26,488 | (4,195) | - | (23,976) | 6,707 | 2,512 | | |
| Leasehold improvement under installation | 539 | 13,284 | - | (399) | 13,424 | - | - | - | 539 | 13,424 | | |
| Total | 204,708 | 32,231 | (31,493) | - | 205,446 | (20,449) | 25,117 | (151,550) | 48,490 | 53,896 | | |

| | Consolidated financial statements | | | | | | | | | | | |
|------------------------------------------|------------------------------------------------|------------------------------|--------------------------------------------|----------------------------------------------|--------------------------------------------------|------------------------------------------------|----------------------------------|--------------------------------------------|----------------------------------------------|--------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| | Cost | | | | | | Accumulated depreciation | | | | | |
| | As at 1 January 2019 Thousand Baht | Increase Thousand Baht | Disposal/ Write off Thousand Baht | Transfer from AZTH Thousand Baht | As at 31 December 2019 Thousand Baht | As at 1 January 2019 Thousand Baht | Depreciation Thousand Baht | Disposal/ Write off Thousand Baht | Transfer from AZTH Thousand Baht | As at 31 December 2019 Thousand Baht | Property, plant and equipment, net as at 1 January 2019 Thousand Baht | Property, plant and equipment, net as at 31 December 2019 Thousand Baht |
| Land | 1,610 | - | - | - | 1,610 | - | - | - | - | - | 1,610 | 1,610 |
| Building | 773 | - | - | - | 773 | (773) | - | - | - | (773) | - | - |
| Leasehold improvement | 56,013 | 3,079 | (7,119) | 15,423 | 67,396 | (9,501) | 6,500 | (5,626) | (5,626) | (50,299) | 14,341 | 17,097 |
| Furniture, fixtures and office equipment | 66,114 | 4,207 | (16,165) | 57,358 | 111,514 | (8,022) | 15,898 | (37,684) | 7,749 | (88,173) | 7,749 | 23,341 |
| Vehicles | 37,038 | - | (10,550) | - | 26,488 | (6,185) | 7,389 | - | - | (19,782) | 16,052 | 6,706 |
| Leasehold improvement under installation | - | 538 | - | - | 538 | - | - | - | - | - | - | 538 |
| Total | 161,548 | 7,824 | (33,834) | 72,781 | 208,319 | (23,708) | 29,787 | (43,310) | 39,752 | (159,027) | 49,292 | |

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15 Property, Plant and Equipment, net (Cont'd)

Property, plant and equipment, net as at 31 December 2020 and 2019 consisted of the following (Cont'd)

| | Separate financial statements | | | | | | | | | |
|------------------------------------------|------------------------------------------------|------------------------------|--------------------------------------------|--------------------------------------------------|------------------------------------------------|----------------------------------|--------------------------------------------|--------------------------------------------------|-----------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| | Cost | | | | | Accumulated depreciation | | | | |
| | As at 1 January 2020 Thousand Baht | Increase Thousand Baht | Disposal/ Write off Thousand Baht | As at 31 December 2020 Thousand Baht | As at 1 January 2020 Thousand Baht | Depreciation Thousand Baht | Disposal/ Write off Thousand Baht | As at 31 December 2020 Thousand Baht | Property, plant and equipment, net as at 1 January 2020 Thousand Baht | Property, plant and equipment, net as at 31 December 2020 Thousand Baht |
| Land | 1,610 | - | - | 1,610 | - | - | - | - | 1,610 | 1,610 |
| Building | 773 | - | - | 773 | (773) | - | (773) | - | - | - |
| Leasehold improvement | 344 | - | (182) | 162 | (344) | - | (162) | - | - | - |
| Furniture, fixtures and office equipment | 1,058 | - | (246) | 812 | (970) | (25) | (749) | 88 | 88 | 63 |
| Total | 3,785 | - | (428) | 3,357 | (2,087) | (25) | (1,684) | 428 | 1,698 | 1,673 |

| | Separate financial statements | | | | | | | | | |
|------------------------------------------|------------------------------------------------|------------------------------|--------------------------------------------|--------------------------------------------------|------------------------------------------------|----------------------------------|--------------------------------------------|--------------------------------------------------|-----------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| | Cost | | | | | Accumulated depreciation | | | | |
| | As at 1 January 2019 Thousand Baht | Increase Thousand Baht | Disposal/ Write off Thousand Baht | As at 31 December 2019 Thousand Baht | As at 1 January 2019 Thousand Baht | Depreciation Thousand Baht | Disposal/ Write off Thousand Baht | As at 31 December 2019 Thousand Baht | Property, plant and equipment, net as at 1 January 2019 Thousand Baht | Property, plant and equipment, net as at 31 December 2019 Thousand Baht |
| Land | 1,610 | - | - | 1,610 | - | - | - | - | 1,610 | 1,610 |
| Building | 773 | - | - | 773 | (773) | - | (773) | - | - | - |
| Leasehold improvement | 4,456 | - | (4,112) | 344 | (4,454) | (1) | (344) | 4,111 | 2 | - |
| Furniture, fixtures and office equipment | 2,990 | 32 | (1,964) | 1,058 | (2,876) | (34) | (970) | 1,940 | 114 | 88 |
| Vehicles | 8,168 | - | (8,168) | - | (3,943) | (1,064) | - | 5,007 | 4,225 | - |
| Total | 17,997 | 32 | (14,244) | 3,785 | (12,046) | (1,099) | (2,087) | 11,058 | 5,951 | 1,698 |

16 Goodwill and business acquisition

As at 31 December 2020, the Group has goodwill amounting to Baht 508.88 million which occurred from the purchased and accepted of the entire business of Allianz Insurance Public company limited on 30 April 2019 as detailed in note 16.2.

16.1 Impairment assessment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 5.3. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

As at 31 December 2020, the Group tested impairment of the goodwill and considered that there is no impairment for the goodwill.

Management determined growth rate from budget based on past performance and its expectations of market development.

The recoverable amount goodwill is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates which does not exceed the long-term average market growth rate for the business in which the Group operates.

The key assumptions used for value-in-use calculations are as follows:

Net earned premium growth rate from 2021 - 2025: 6% - 12%

Pre-tax discount rate applied to the cash flow projections: 9%

Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The key assumption that will affect the value in use is discount rate. The management has considered the sensitivity of the change in the discount rate. If the pre-tax discount had been 1% per annum higher than management's estimate, the value in use is still higher than the carrying value and no impairment recognised.

16.2 Business acquisition

On April 30, 2019, the Group completed purchase and acceptance of the entire business of AZTH, as per entire business transfer agreement dated September 24, 2018 for a cash consideration of Baht 848.80 million.

During the year 2019, the Group engaged an independent appraiser to appraise the fair value of identifiable assets acquired and liabilities assumed and allocation of fair value at the acquisition date. The Group has applied Thai Financial Reporting Standard No. 3 (revised 2018) "Business Combinations" to recognize the business acquisition transaction. The Group has considered the fair value of assets acquired and liabilities assumed from the business acquisition and recorded the difference amount between the purchase price and the value of consideration received in the account "Goodwill" in the amount of Baht 508.88 million by considering the information from the purchase price allocation report of an independent appraiser and other relevant factors obtained within one year from the acquisition date. The following summarizes the major classes of consideration transferred and the recognized fair value of assets acquired and liabilities assumed at the business acquisition date:

16 Goodwill and business acquisition (Cont'd)

16.2 Business acquisition (Cont'd)

| | As at 30 April 2019 Thousand Baht |
|--------------------------------------------------|--------------------------------------------------|
| Assets | |
| Cash and cash equivalents | 1,047,398 |
| Premium receivable - net | 425,651 |
| Accrued investment income | 6,752 |
| Reinsurance assets | 2,194,326 |
| Amounts due from reinsurers | 258,971 |
| Investments in securities | 1,006,389 |
| Leasehold improvement and equipment | 29,471 |
| Intangible assets | 106,158 |
| Deferred tax assets | 139,927 |
| Other assets | 111,512 |
| Total Assets | 5,326,555 |
| Liabilities | |
| Insurance liabilities | 3,669,779 |
| Amounts due to reinsurers | 849,617 |
| Employee benefit obligations | 19,934 |
| Accrued expenses | 273,871 |
| Other liabilities | 173,431 |
| Total liabilities | 4,986,632 |
| Identifiable assets and liabilities - net | 339,923 |
| Cash paid for purchase entire business transfer | (848,800) |
| Goodwill | 508,877 |

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17 Right-of-use asset, net

| | | Consolidated financial statements 31 December 2020 | | | | | | | |
|-----------------------|---------------------------------------------|-------------------------------------------------------|----------------------------------------|-----------------------------------------------|---------------------------------------------|-------------------------------|----------------------------------------|-----------------------------------------------|--------------------------------------------------------------------------|
| | | Cost | | | | Accumulated amortisation | | | |
| | As at 1 January 2020 Thousand Baht | Increase Thousand Baht | Change in contract Thousand Baht | As at 31 December 2020 Thousand Baht | As at 1 January 2020 Thousand Baht | Amortisation Thousand Baht | Change in contract Thousand Baht | As at 31 December 2020 Thousand Baht | Right-of-use asset, net as at 31 December 2020 Thousand Baht |
| Leasehold improvement | 147,806 | 33,734 | 57,685 | 239,225 | (2,809) | (31,812) | 2,685 | (31,936) | 144,997 |
| Vehicles | 3,333 | - | - | 3,333 | - | (1,818) | - | (1,818) | 1,515 |
| Total | 151,139 | 33,734 | 57,685 | 242,558 | (2,809) | (33,630) | 2,685 | (33,754) | 148,330 |
| | | Separate financial statements 31 December 2020 | | | | | | | |
| | | Cost | | | | Accumulated amortisation | | | |
| | As at 1 January 2020 Thousand Baht | Increase Thousand Baht | Change in contract Thousand Baht | As at 31 December 2020 Thousand Baht | As at 1 January 2020 Thousand Baht | Amortisation Thousand Baht | Change in contract Thousand Baht | As at 31 December 2020 Thousand Baht | Right-of-use asset, net as at 31 December 2020 Thousand Baht |
| Leasehold improvement | 17,508 | - | (17,508) | - | - | (1,382) | 1,382 | - | 17,508 |
| Total | 17,508 | - | (17,508) | - | - | (1,382) | 1,382 | - | 17,508 |

For the year ended 31 December 2020, the lease payments of the Group and the Company resulting from lease and service contracts which are not capitalised comprised of short-term contracts amounting to Baht 0.15 million and Baht 0 million, respectively.

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18 Intangible assts, net

Intangible assets, net as at 31 December 2020 and 2019 consisted of the following:

| | Consolidated financial statements | | | | | | | | | | |
|-------------------------------|------------------------------------------------|------------------------------|---------------------------------------------|-----------------------------------------------------|--------------------------------------------------|------------------------------------------------|----------------------------------|---------------------------------------------|----------------------------------------------|--------------------------------------------------|-------------------------------------------------------------------------------|
| | Cost | | | | | Accumulated amortisation | | | | | |
| | As at 1 January 2020 Thousand Baht | Increase Thousand Baht | Write off Thousand Baht | Transfer in / (transfer out) Thousand Baht | As at 31 December 2020 Thousand Baht | As at 1 January 2020 Thousand Baht | Amortisation Thousand Baht | Write off Thousand Baht | 31 December 2020 Thousand Baht | As at 31 December 2020 Thousand Baht | Intangible assets, net as at 31 December 2020 Thousand Baht |
| Purchase/subsequently acquire | | | | | | | | | | | |
| Computer software | 233,110 | 9,609 | - | 22,062 | 264,781 | (189,023) | (17,706) | - | (206,729) | 44,087 | 58,050 |
| Computer software in progress | 32,556 | 10,456 | (1,970) | (22,062) | 18,980 | - | - | - | - | 32,556 | 18,980 |
| Bancassurance agreement | 100,000 | - | - | - | 100,000 | (91,568) | (8,432) | - | (100,000) | 8,432 | - |
| Total | 365,666 | 20,065 | (1,970) | - | 383,761 | (280,591) | (26,138) | - | (306,729) | 85,075 | 77,032 |
| | | | | | | | | | | | |
| | Consolidated financial statements | | | | | | | | | | |
| | Cost | | | | | Accumulated amortisation | | | | | |
| | As at 1 January 2019 Thousand Baht | Increase Thousand Baht | Disposal / Write off Thousand Baht | Transfer in / (transfer out) Thousand Baht | As at 31 December 2019 Thousand Baht | As at 1 January 2019 Thousand Baht | Amortisation Thousand Baht | Disposal / Write off Thousand Baht | Transfer from AZTH Thousand Baht | As at 31 December 2019 Thousand Baht | Intangible assets, net as at 1 January 2019 Thousand Baht |
| Purchase/subsequently acquire | | | | | | | | | | | |
| Computer software | 90,096 | 2,671 | - | 140,343 | 233,110 | (64,871) | (12,919) | (111,233) | (189,023) | 25,225 | 44,087 |
| Computer software in progress | 7,381 | 1,968 | (53,840) | 77,048 | 32,557 | - | - | - | - | 7,381 | 32,557 |
| Bancassurance agreement | 100,000 | - | - | - | 100,000 | (81,577) | (9,992) | - | (91,569) | 18,423 | 8,431 |
| Total | 197,477 | 4,639 | (53,840) | 217,391 | 365,667 | (146,448) | (22,911) | (111,233) | (280,592) | 51,029 | 85,075 |

18 Intangible assets, net (Cont'd)

Intangible assets, net as at 31 December 2020 and 2019 consisted of the following: (Cont'd)

| | Separate financial statements | | | | | | | | |
|-------------------------------|------------------------------------------------|------------------------------|--------------------------------------------------------|--------------------------------------------------|------------------------------------------------|----------------------------------|--------------------------------------------------|-----------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| | Cost | | | Accumulated amortisation | | | | | |
| | As at 1 January 2020 Thousand Baht | Increase Thousand Baht | Transfer in / (transfer out) Thousand Baht | As at 31 December 2020 Thousand Baht | As at 1 January 2020 Thousand Baht | Amortisation Thousand Baht | As at 31 December 2020 Thousand Baht | Intangible assets, net as at 1 January 2020 Thousand Baht | Intangible assets, net as at 31 December 2020 Thousand Baht |
| Purchase/subsequently acquire | | | | | | | | | |
| Computer software | 41 | 6,702 | - | 6,743 | (41) | (171) | (212) | - | 6,531 |
| Computer software in progress | 1,968 | - | (1,968) | - | - | - | - | 1,968 | - |
| Total | 2,009 | 6,702 | (1,968) | 6,743 | (41) | (171) | (212) | 1,968 | 6,531 |

| | Separate financial statements | | | | | | | | |
|-------------------------------|------------------------------------------------|------------------------------|--------------------------------------------------------|--------------------------------------------------|------------------------------------------------|----------------------------------|--------------------------------------------------|-----------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| | Cost | | | Accumulated amortisation | | | | | |
| | As at 1 January 2019 Thousand Baht | Increase Thousand Baht | Transfer in / (transfer out) Thousand Baht | As at 31 December 2019 Thousand Baht | As at 1 January 2019 Thousand Baht | Amortisation Thousand Baht | As at 31 December 2019 Thousand Baht | Intangible assets, net as at 1 January 2019 Thousand Baht | Intangible assets, net as at 31 December 2019 Thousand Baht |
| Purchase/subsequently acquire | | | | | | | | | |
| Computer software | 41 | - | - | 41 | (41) | - | (41) | - | - |
| Computer software in progress | - | 1,968 | - | 1,968 | - | - | - | - | 1,968 |
| Total | 41 | 1,968 | - | 2,009 | (41) | - | (41) | - | 1,968 |

19 Deferred tax assets, net

Deferred tax assets, net as at 31 December 2020 and 2019 were as follows:

| | Consolidated financial statements | | Separate Financial statements | |
|--------------------------|-----------------------------------|-----------------------|-------------------------------|-----------------------|
| | 2020 Thousand Baht | 2019 Thousand Baht | 2020 Thousand Baht | 2019 Thousand Baht |
| Deferred tax assets, net | 419,272 | 328,450 | 64,141 | 26,644 |

The analysis of deferred tax assets and deferred tax liabilities is as follows:

| | Consolidated financial statements | | Separate financial statements | |
|---------------------------------------------------------------|--------------------------------------|--------------------------|----------------------------------|--------------------------|
| | 2020 Thousand Baht | 2019 Thousand Baht | 2020 Thousand Baht | 2019 Thousand Baht |
| Deferred tax assets: | | | | |
| Deferred tax asset to be recovered within 12 months | 208,254 | 53,524 | 39,136 | 31,583 |
| Deferred tax asset to be recovered more than 12 months | 236,180 | 282,609 | 37,926 | - |
| | 444,434 | 336,133 | 77,062 | 31,583 |
| Deferred tax liabilities: | | | | |
| Deferred tax liabilities to be settled within 12 months | (25,162) | (6,275) | (12,921) | (4,939) |
| Deferred tax liabilities to be settled more than 12 months | - | (1,408) | - | - |
| | (25,162) | (7,683) | (12,921) | (4,939) |
| Deferred tax asset (net) | 419,272 | 328,450 | 64,141 | 26,644 |

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19 Deferred tax assets, net (Cont'd)

Movements of deferred tax assets for the year ended 31 December 2020 and 2019 consisted of tax effects from the following items:

| | Consolidated financial statements | | | |
|----------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|------------------------------------------------------------------|----------------------------------------------------------------------------------------|-----------------------------------------------|
| | As at 1 January 2020 Thousand Baht | Transactions recognised in profit or loss Thousand Baht | Transaction recognised in other comprehensive income or loss Thousand Baht | As at 31 December 2020 Thousand Baht |
| Deferred tax assets | | | | |
| Allowance for doubtful accounts | | | | |
| - Premium due and uncollected | 6,620 | (455) | - | 6,165 |
| Allowance for doubtful accounts | | | | |
| - Other receivable | 567 | 341 | - | 908 |
| Unearned premium reserve | 100,061 | (50,019) | - | 50,042 |
| Unrealised loss on the change in fair value of investment measured at fair value through other comprehensive income | 34,950 | (4,006) | 7,884 | 38,828 |
| Expected credit loss | 495 | 30,142 | (30,211) | 426 |
| Claim reserve, net | 137,009 | 4,770 | - | 141,779 |
| Claim incurred but not reported | 25,905 | 9,683 | - | 35,588 |
| Employee benefit obligations | 19,760 | (663) | - | 19,097 |
| Accrued expense | 11,841 | 12,464 | - | 24,305 |
| Loss carry forward | - | 125,362 | - | 125,362 |
| Others | 2,913 | (979) | - | 1,934 |
| | <u>340,121</u> | <u>126,640</u> | <u>(22,327)</u> | <u>444,434</u> |
| Deferred tax liabilities | | | | |
| Unrealised gain on transfer investment | (4,939) | - | - | (4,939) |
| Unrealised gain on the change in fair value of investment designated at fair value through profit or loss | - | (821) | - | (821) |
| Unrealised gain on the change in fair value of investments measured at fair value through other comprehensive income | (19,360) | 4,006 | (4,048) | (19,402) |
| | <u>(24,299)</u> | <u>3,185</u> | <u>(4,048)</u> | <u>(25,162)</u> |
| Deferred tax assets, net | <u>315,822</u> | <u>129,825</u> | <u>(26,375)</u> | <u>419,272</u> |

| | Consolidated financial statements | | | | |
|----------------------------------------------------------------------------------|------------------------------------------------|---------------------------------------------------------------------|----------------------------------------------------------------------------------------------|---------------------------------------------------------------|--------------------------------------------------|
| | As at 1 January 2019 Thousand Baht | Transactions recognised in profit or loss Thousand Baht | Transaction recognized in other comprehensive income or loss Thousand Baht | Transfer from Allianz Insurance PCL Thousand Baht | As at 31 December 2019 Thousand Baht |
| Deferred tax assets | | | | | |
| Allowance for doubtful accounts | | | | | |
| - Premium due and uncollected | 1,130 | 3,265 | - | 2,225 | 6,620 |
| Allowance for doubtful accounts | | | | | |
| - Other receivable | 567 | - | - | - | 567 |
| Unearned premium reserve | 102,450 | (58,436) | - | 56,047 | 100,061 |
| Claim reserve, net | 47,163 | 35,921 | - | 53,925 | 137,009 |
| Claim incurred but not reported | 15,737 | 4,048 | - | 6,120 | 25,905 |
| Employee benefit obligations | 13,730 | 7,244 | (1,214) | - | 19,760 |
| Reinsurance payable | 880 | (880) | - | - | - |
| Accrued expense | - | (6,788) | - | 18,629 | 11,841 |
| Unrealised loss on the change in fair value of available-for-sale investments | 51,943 | - | (23,532) | - | 28,411 |
| Allowance for impairment of general investment | 302 | - | - | - | 302 |
| Others | - | (69) | - | 2,982 | 2,913 |
| | <u>233,902</u> | <u>(15,695)</u> | <u>(24,746)</u> | <u>139,928</u> | <u>333,389</u> |
| Deferred tax liabilities | | | | | |
| Unrealised gain on transfer of investments | (4,939) | - | - | - | (4,939) |
| | <u>(4,939)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(4,939)</u> |
| Deferred tax assets, net | <u>228,963</u> | <u>(15,695)</u> | <u>(24,746)</u> | <u>139,928</u> | <u>328,450</u> |

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19 Deferred tax assets, net (Cont'd)

Movements of deferred tax assets for the year ended 31 December 2020 and 2019 consisted of tax effects from the following items: (Cont'd)

| | Separate financial statements | | | As at 31 December 2020 Thousand Baht |
|----------------------------------------------------------------------------------------------------------------------|---------------------------------------------|------------------------------------------------------------------|----------------------------------------------------------------------------------------|-----------------------------------------------|
| | As at 1 January 2020 Thousand Baht | Transactions recognised in profit or loss Thousand Baht | Transaction recognised in other comprehensive income or loss Thousand Baht | |
| Deferred tax assets | | | | |
| Unrealised loss on the change in fair value of investments measured at fair value through profit and loss | 34,950 | (11,201) | - | 23,749 |
| Unrealised loss on the change in fair value of investments measured at fair value through other comprehensive income | - | - | 15,079 | 15,079 |
| Employee benefit obligations | 1,534 | (1,534) | - | - |
| Expected credit loss | 311 | 66 | (69) | 308 |
| Taxable profit (tax loss) | - | 37,926 | - | 37,926 |
| | <u>36,795</u> | <u>25,257</u> | <u>15,010</u> | <u>77,062</u> |
| Deferred tax liabilities | | | | |
| Unrealised gain on transfer of investments | (4,939) | - | - | (4,939) |
| Unrealised gain on the change in fair value of investments measured at fair value through profit and loss | (4,046) | 4,006 | - | (40) |
| Unrealised gain on the change in fair value of investments measured at fair value through other comprehensive income | (1,156) | - | (6,786) | (7,942) |
| | <u>(10,141)</u> | <u>4,006</u> | <u>(6,786)</u> | <u>(12,921)</u> |
| Deferred tax assets, net | <u>26,654</u> | <u>29,263</u> | <u>8,224</u> | <u>64,141</u> |

| | Separate financial statements | | | As at 31 December 2019 Thousand Baht |
|-------------------------------------------------------------------------------|---------------------------------------------|------------------------------------------------------------------|----------------------------------------------------------------------------------------|-----------------------------------------------|
| | As at 1 January 2019 Thousand Baht | Transactions recognised in profit or loss Thousand Baht | Transaction recognised in other comprehensive income or loss Thousand Baht | |
| Deferred tax assets | | | | |
| Unrealised loss on the change in fair value of available-for-sale investments | 47,854 | - | (18,107) | 29,747 |
| Employee benefit obligations | 931 | 409 | 194 | 1,534 |
| Allowance for impairment of general investment | 302 | - | - | 302 |
| | <u>49,087</u> | <u>409</u> | <u>(17,913)</u> | <u>31,583</u> |
| Deferred tax liabilities | | | | |
| Unrealised gain on transfer of investments | (4,939) | - | - | (4,939) |
| | <u>(4,939)</u> | <u>-</u> | <u>-</u> | <u>(4,939)</u> |
| Deferred tax assets, net | <u>44,148</u> | <u>409</u> | <u>(17,913)</u> | <u>26,644</u> |

Deferred income tax assets are recognised for tax loss and carried forwards only to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2020, the Group does not recognise deferred tax asset of Baht 4 million from tax losses of Baht 18 million, to carry forward against future taxable income; will expire in 2025. (2019: The Group did not recognise deferred tax asset of Baht 28 million from tax losses of Baht 142 million, to carry forward against future taxable income; will expire in 2024.)

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20 Other assets

| | Consolidated financial statements | | Separate financial statements | |
|---------------------------------------------|-----------------------------------|-----------------------|-------------------------------|-----------------------|
| | 2020 Thousand Baht | 2019 Thousand Baht | 2020 Thousand Baht | 2019 Thousand Baht |
| Other receivables | 25,720 | 29,590 | - | - |
| <u>Less</u> Allowance for doubtful accounts | (4,542) | (2,834) | - | - |
| | 21,178 | 26,756 | - | - |
| Revenue Department receivable | 27,814 | 32,611 | 6,625 | 3,155 |
| Withholding tax receivable | 18,620 | 3,021 | 1,522 | 1,522 |
| Prepaid expenses | 11,123 | 9,607 | 110 | 541 |
| Due from rice field insurance scheme | 1,819 | 47,483 | - | - |
| Accrued loss recovery | 38,687 | 48,801 | - | - |
| Deposits | 8,313 | 10,021 | 52 | 1,432 |
| Undue input value added tax | 8,643 | 7,246 | - | - |
| Others | 5,930 | 1,127 | 884 | 1,001 |
| Total | 142,127 | 186,673 | 9,193 | 7,651 |

21 Insurance contract liabilities

Insurance contract liabilities as at 31 December 2020 and 2019 consisted of the following:

| | Consolidated financial statements | | |
|--------------------------------|-------------------------------------------------|------------------------------------------------------------------|----------------------|
| | 2020 | | Net Thousand Baht |
| | Insurance contract liabilities Thousand Baht | Insurance liabilities recovered from reinsurers Thousand Baht | |
| Claim reserves | | | |
| Loss incurred and reported | 2,174,147 | (1,329,395) | 844,752 |
| Loss incurred but not reported | 262,634 | (84,696) | 177,938 |
| | 2,436,781 | (1,414,091) | 1,022,690 |
| Premium reserve | | | |
| Unearned premium reserve | 2,720,983 | (646,646) | 2,074,337 |
| Total | 5,157,764 | (2,060,737) | 3,097,027 |

21 Insurance contract liabilities (Cont'd)

Insurance contract liabilities as at 31 December 2020 and 2019 consisted of the following: (Cont'd)

| | Consolidated financial statements | | |
|--------------------------------|-------------------------------------------------|------------------------------------------------------------------|----------------------|
| | 2019 | | |
| | Insurance contract liabilities Thousand Baht | Insurance liabilities recovered from reinsurers Thousand Baht | Net Thousand Baht |
| Claim reserves | | | |
| Loss incurred and reported | 2,273,231 | (1,477,736) | 795,495 |
| Loss incurred but not reported | 187,472 | (57,948) | 129,524 |
| | <u>2,460,703</u> | <u>(1,535,684)</u> | <u>925,019</u> |
| Premium reserve | | | |
| Unearned premium reserve | 3,337,238 | (1,205,520) | 2,131,718 |
| Total | <u>5,797,941</u> | <u>(2,741,204)</u> | <u>3,056,737</u> |

21.1 Insurance reserve for short-term insurance contract

21.1.1 Claim reserves

| | Consolidated financial statements | | |
|-------------------------------------------------------------------------------------------------------|-----------------------------------|------------------------------|----------------------|
| | 2020 | | |
| | Gross Thousand Baht | Reinsurance Thousand Baht | Net Thousand Baht |
| Balance as at beginning period | 2,460,703 | (1,535,684) | 925,019 |
| Claim and loss adjustment expenses incurred during the period | 2,989,731 | (833,666) | 2,156,065 |
| Change in claim reserves and assumptions used in loss reserve calculation | 429,437 | (156,141) | 273,296 |
| Loss paid during the period | (3,443,090) | 1,111,400 | (2,331,690) |
| Balance as at ending period | <u>2,436,781</u> | <u>(1,414,091)</u> | <u>1,022,690</u> |
| | Consolidated financial statements | | |
| | 2019 | | |
| | Gross Thousand Baht | Reinsurance Thousand Baht | Net Thousand Baht |
| Balance as at beginning year | 765,387 | (449,047) | 316,340 |
| Claim and loss adjustment expenses incurred during the year | 3,141,503 | (1,153,340) | 1,988,163 |
| Change in claim reserves and assumptions used in loss reserve calculation | (621,816) | 550,123 | (71,693) |
| Loss paid during the year | (2,909,908) | 1,141,002 | (1,768,906) |
| Loss reserves and outstanding claim transferred from Allianz General Insurance Public Company Limited | 2,085,537 | (1,624,422) | 461,115 |
| Balance as at ending year | <u>2,460,703</u> | <u>(1,535,684)</u> | <u>925,019</u> |

21 Insurance contract liabilities (Cont'd)

21.1 Insurance reserve for short-term insurance contract (Cont'd)

21.1.1 Claim reserves (Cont'd)

Maturity analysis of claim reserves expected to be paid is as follows:

| | Consolidated financial statements | |
|------------------------------------------------------|-----------------------------------|--------------------------|
| | 2020 Thousand Baht | 2019 Thousand Baht |
| Claim reserves expected to be paid within 1 year | 2,093,003 | 1,690,356 |
| Claim reserves expected to be paid between 1-2 years | 270,300 | 346,032 |
| Claim reserves expected to be paid between 2-5 years | 73,478 | 262,068 |
| Claim reserves expected to be paid over 5 years | - | 177,705 |
| Total Claim reserves expected to be paid | 2,436,781 | 2,476,161 |

Sensitivity analysis of claim reserves is as follows:

| Consolidated financial statements | | | | | |
|----------------------------------------|-------------------------------------------|--------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------------------------|
| 2020 | | | | | |
| | Increase/ (decrease) in assumptions | Increase / (decrease) in reinsurance assets Thousand Baht | Increase / (decrease) in insurance contract liabilities Thousand Baht | Increase / (decrease) in profit Thousand Baht | Increase / (decrease) in owners' equity Thousand Baht |
| Loss ratio of the recent accident year | Increase 2% | 25,895 | 116,416 | (90,520) | (72,416) |
| | Decrease 2% | (28,468) | (108,278) | 79,810 | 63,848 |
| Claim reserve for big claims | Increase 2% | 48,995 | 149,095 | (100,100) | (80,080) |
| | Decrease 2% | (49,783) | (144,072) | 94,290 | 75,432 |
| ULAE ratio | Increase 20% | - | 13,318 | (13,318) | (10,655) |
| | Decrease 20% | - | (13,318) | 13,318 | 10,655 |

| Consolidated financial statements | | | | | |
|----------------------------------------|-------------------------------------------|--------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------------------------|
| 2019 | | | | | |
| | Increase/ (decrease) in assumptions | Increase / (decrease) in reinsurance assets Thousand Baht | Increase / (decrease) in insurance contract liabilities Thousand Baht | Increase / (decrease) in profit Thousand Baht | Increase / (decrease) in owners' equity Thousand Baht |
| Loss ratio of the recent accident year | Increase 2% | 65,926 | 158,666 | (92,740) | (74,192) |
| | Decrease 2% | (65,140) | (151,052) | 85,912 | 68,729 |
| Claim reserve for big claims | Increase 2% | 119,170 | 176,147 | (56,977) | (45,582) |
| | Decrease 2% | (64,187) | (171,839) | 107,653 | 86,122 |
| ULAE ratio | Increase 20% | - | 5,918 | (5,918) | (4,735) |
| | Decrease 20% | - | (5,918) | 5,918 | 4,735 |

21 Insurance contract liabilities (Cont'd)

21.1 Insurance reserve for short-term insurance contract (Cont'd)

21.1.2 Unearned premium reserve

| | Consolidated financial statements | | |
|------------------------------------------------------------------------------------------|-----------------------------------|------------------------------|----------------------|
| | As at 31 December 2020 | | |
| | Gross Thousand Baht | Reinsurance Thousand Baht | Net Thousand Baht |
| Balance as at beginning period | 3,337,238 | (1,205,520) | 2,131,718 |
| Premium written for the period | 5,676,918 | (1,564,003) | 4,112,915 |
| Earned premium for the period | (6,293,173) | 2,122,877 | (4,170,296) |
| Balance as at ending period | <u>2,720,983</u> | <u>(646,646)</u> | <u>2,074,337</u> |
| | Consolidated financial statements | | |
| | As at 31 December 2019 | | |
| | Gross Thousand Baht | Reinsurance Thousand Baht | Net Thousand Baht |
| Balance as at beginning year | 1,679,389 | (621,263) | 1,058,126 |
| Premium written for the year | 5,757,300 | (2,290,390) | 3,466,910 |
| Earned premium for the year | (5,683,693) | 2,276,037 | (3,407,656) |
| Premium reserves transferred from Allianz General Insurance Public Company Limited | <u>1,584,242</u> | <u>(569,904)</u> | <u>1,014,338</u> |
| Balance as at ending year | <u>3,337,238</u> | <u>(1,205,520)</u> | <u>2,131,718</u> |

21.1.3 Unexpired risk reserve

As at 31 December 2020 and 2019, no additional reserve for unexpired risk reserve has been established as the gross unexpired risk reserve estimated by the Group amounting to Baht 1,355.52 million and Baht 1,868.91 million, respectively and net unexpired risk reserve estimated by the Group amounting to Baht 1,292.36 million and Baht 1,387.45 million, respectively, is lower than the unearned premium reserve.

21 Insurance contract liabilities (Cont'd)

21.2 Claim Development Table

21.2.1 Claim development table before reinsurance

| Accident Year / Reporting Year | Consolidated financial statements | | | | | Total Thousand Baht |
|------------------------------------------|-----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------------|
| | As at 31 December 2020 | | | | | |
| | 2016 Thousand Baht | 2017 Thousand Baht | 2018 Thousand Baht | 2019 Thousand Baht | 2020 Thousand Baht | |
| Gross estimate of cumulative claim costs | | | | | | |
| - At the end of the accident year | 2,812,467 | 2,899,143 | 4,024,019 | 3,807,602 | 3,220,781 | |
| - One year later | 2,774,379 | 2,758,139 | 3,632,050 | 3,861,531 | | |
| - Two years later | 2,733,172 | 2,764,663 | 3,535,761 | | | |
| - Three years later | 2,725,206 | 2,795,797 | | | | |
| - Four years later | 2,727,287 | | | | | |
| Absolute estimated claim | 2,727,287 | 2,795,797 | 3,535,761 | 3,861,531 | 3,220,781 | 16,141,157 |
| Cumulative claim paid | (2,678,826) | (2,699,520) | (3,258,890) | (3,383,670) | (1,934,151) | (13,955,057) |
| Total claim reserve | 48,461 | 96,277 | 276,871 | 477,861 | 1,286,630 | 2,186,100 |
| Claim liability before year 2016 | | | | | | 250,681 |
| Total claim liability | | | | | | 2,436,781 |

| Accident Year / Reporting Year | Consolidated financial statements | | | | | Total Thousand Baht |
|------------------------------------------|-----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------------|
| | As at 31 December 2019 | | | | | |
| | 2015 Thousand Baht | 2016 Thousand Baht | 2017 Thousand Baht | 2018 Thousand Baht | 2019 Thousand Baht | |
| Gross estimate of cumulative claim costs | | | | | | |
| - At the end of the accident year | 2,841,657 | 2,812,467 | 2,899,143 | 4,024,019 | 3,807,602 | |
| - One year later | 3,001,652 | 2,774,379 | 2,758,139 | 3,632,050 | | |
| - Two years later | 2,908,908 | 2,733,172 | 2,764,663 | | | |
| - Three years later | 2,912,881 | 2,725,206 | | | | |
| - Four years later | 2,851,960 | | | | | |
| Absolute estimated claim | 2,851,961 | 2,725,206 | 2,764,663 | 3,632,050 | 3,807,602 | 15,781,482 |
| Cumulative claim paid | (2,831,822) | (2,674,889) | (2,676,762) | (3,126,117) | (2,197,770) | (13,507,360) |
| Total claim reserve | 20,139 | 50,317 | 87,901 | 505,933 | 1,609,832 | 2,274,122 |
| Claim liability before year 2015 | | | | | | 186,581 |
| Total claim liability | | | | | | 2,460,703 |

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21 Insurance contract liabilities (Cont'd)

21.2 Claim Development Table

21.2.2 Claim development table after reinsurance

| Accident Year / Reporting Year | Consolidated financial statements | | | | | |
|----------------------------------------|-----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------------|
| | As at 31 December 2020 | | | | | |
| | 2016 Thousand Baht | 2017 Thousand Baht | 2018 Thousand Baht | 2019 Thousand Baht | 2020 Thousand Baht | Total Thousand Baht |
| Net estimate of cumulative claim costs | | | | | | |
| - At the end of the accident year | 1,654,967 | 1,698,005 | 2,027,944 | 2,341,472 | 2,312,948 | |
| - One year later | 1,606,464 | 1,649,769 | 1,956,231 | 2,302,602 | | |
| - Two years later | 1,589,685 | 1,653,168 | 1,924,386 | | | |
| - Three years later | 1,589,927 | 1,655,087 | | | | |
| - Four years later | 1,594,143 | | | | | |
| Absolute estimated claim | 1,594,143 | 1,655,087 | 1,924,386 | 2,302,602 | 2,312,948 | 9,789,166 |
| Cumulative claim paid | (1,588,971) | (1,645,764) | (1,892,005) | (2,238,482) | (1,486,727) | (8,851,949) |
| Total claim reserve | 5,172 | 9,323 | 32,381 | 64,120 | 826,221 | 937,217 |
| Claim liability before year 2016 | | | | | | 85,473 |
| Total claim liability | | | | | | 1,022,690 |

| Accident Year / Reporting Year | Consolidated financial statements | | | | | |
|----------------------------------------|-----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------------|
| | As at 31 December 2019 | | | | | |
| | 2015 Thousand Baht | 2016 Thousand Baht | 2017 Thousand Baht | 2018 Thousand Baht | 2019 Thousand Baht | Total Thousand Baht |
| Net estimate of cumulative claim costs | | | | | | |
| - At the end of the accident year | 1,537,625 | 1,654,967 | 1,698,005 | 2,027,944 | 2,341,472 | |
| - One year later | 1,610,661 | 1,606,464 | 1,649,769 | 1,956,230 | | |
| - Two years later | 1,524,981 | 1,589,685 | 1,653,168 | | | |
| - Three years later | 1,525,177 | 1,589,927 | | | | |
| - Four years later | 1,511,101 | | | | | |
| Absolute estimated claim | 1,511,101 | 1,589,927 | 1,653,168 | 1,956,230 | 2,341,472 | 9,051,898 |
| Cumulative claim paid | (1,502,339) | (1,588,171) | (1,641,277) | (1,860,032) | (1,561,975) | (8,153,794) |
| Total claim reserve | 8,762 | 1,756 | 11,891 | 96,198 | 779,497 | 898,104 |
| Claim liability before year 2015 | | | | | | 26,915 |
| Total claim liability | | | | | | 925,019 |

22 Amount due to reinsurers

Amount due to reinsurers as at 31 December 2020 and 2019 consisted of the following:

| | Consolidated financial statements | |
|---------------------------------|-----------------------------------|--------------------------|
| | 2020 Thousand Baht | 2019 Thousand Baht |
| Amounts withheld on reinsurance | 748,482 | 1,152,998 |
| Reinsurance payables | 501,323 | 791,674 |
| Total amount due to reinsurers | 1,249,805 | 1,944,672 |

23 Employee benefit obligations

The Group operates post-employment benefit plans under the Labor Protection Act, which are considered as unfunded defined benefits plans.

| | Consolidated financial statements | | Separate financial statements | |
|------------------------------|--------------------------------------|--------------------------|----------------------------------|--------------------------|
| | 2020 Thousand Baht | 2019 Thousand Baht | 2020 Thousand Baht | 2019 Thousand Baht |
| Short-term employee benefits | | | | |
| Long-term employee benefits | 19,065 | - | - | - |
| Retirement benefits | 132,201 | 135,518 | - | 7,669 |
| Employee benefit obligations | 151,266 | 135,518 | - | 7,669 |

23.1 Defined benefit obligation

Movements in the present value of the employee benefit obligations as at 31 December 2020 and 2019 were as follows:

| | Consolidated financial statements | | Separate financial statements | |
|----------------------------------------------------|--------------------------------------|--------------------------|----------------------------------|--------------------------|
| | 2020 Thousand Baht | 2019 Thousand Baht | 2020 Thousand Baht | 2019 Thousand Baht |
| At 1 January | 135,518 | 89,972 | 7,669 | 4,655 |
| Current service cost | 20,548 | 46,350 | 140 | 1,959 |
| Past service cost | - | - | - | - |
| Interest expense/(income) | 3,128 | 2,473 | 48 | 131 |
| | 159,194 | 138,795 | 7,857 | 6,745 |
| Remeasurements: | | | | |
| (Gain)/loss from change in demographic assumptions | - | (12,195) | - | 818 |
| (Gain)/loss from change in financial assumptions | - | 1,739 | - | 91 |
| Experience (gain)/loss | - | 4,387 | - | 59 |
| | - | (6,069) | - | 968 |
| Benefit paid during the years | (24,423) | (17,142) | (5,287) | - |
| | - | - | - | (44) |
| Transfer benefit to subsidiary company | - | 19,934 | - | - |
| Transferred benefits from AZTH | (2,570) | - | (2,570) | - |
| At 31 December | 132,201 | 135,518 | - | 7,669 |

23 Employee benefit obligations (Cont'd)

23.1 Defined benefit obligation (Cont'd)

The Group calculated employee benefit obligations by an actuary using the projected unit credit cost method. The assumptions consisted of the following:

| | Consolidated financial statements | | Separate financial statements |
|-----------------------------------------------------------|--------------------------------------|-----------------------|-------------------------------------|
| | 2020 Thousand Baht | 2019 Thousand Baht | 2019 Thousand Baht |
| Financial assumptions | | | |
| Discount rate (%) | 2.04 | 2.04 - 2.16 | 2.04 |
| Salary growth rate (%) | 5 | 5 | 5 |
| Demographic assumptions | | | |
| Turnover rate (%) subject to range of age of employees | 10, 15, 25 | 3, 10, 13, 15, 25 | 3, 10, 13 |
| Retirement age | 60 | 60 | 60 |

Significant Actuarial Assumptions - Impact on increase (decrease) in Defined Benefit Obligation

| | Consolidated financial statements | | Separate financial statements |
|---------------------------------------|--------------------------------------|-----------------------|----------------------------------|
| | 2020 Thousand Baht | 2019 Thousand Baht | 2019 Thousand Baht |
| Financial assumptions | | | |
| Discount rate - 1 % increase | (13,000) | (12,350) | (418) |
| Discount rate - 1 % decrease | 14,773 | 14,030 | 453 |
| Expected rate of salary - 1% increase | 15,345 | 13,028 | 364 |
| Expected rate of salary - 1% decrease | (13,791) | (11,714) | (343) |
| Demographic assumptions | | | |
| Turnover rate - 1% increase | (13,746) | (13,056) | (432) |
| Turnover rate - 1% decrease | 3,424 | 3,236 | 5 |
| Life expectancy - 1 year increase | 776 | 730 | 19 |
| Life expectancy - 1 year decrease | (771) | (726) | (19) |

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 has been applied as when calculating the retirement benefits recognised in the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior year.

23 Employee benefit obligations (Cont'd)

23.1 Defined benefit obligation (Cont'd)

Maturity analysis of the benefit payments of the post-employment benefits obligation as at 31 December 2020 and 2019 were as follows:

| | Consolidated financial statements | | Separate financial statements | |
|--------------------------------------------------------------------------------------|--------------------------------------|---------|----------------------------------|-------|
| | 2020 | 2019 | 2020 | 2019 |
| Weighted average duration of the defined benefit obligation (Years) | | | | |
| Maturity analysis of undiscounted benefits expected to be paid (Thousand Baht) | 12.04 | 11.10 | - | 11.58 |
| Benefits expected to be paid within 1 year | 2,672 | 3,238 | - | 774 |
| Benefits expected to be paid between 1 - 5 years | 32,260 | 31,423 | - | 5,017 |
| Benefits expected to be paid more than 5 years | 105,139 | 100,857 | - | 1,879 |
| Total | 140,071 | 135,518 | - | 7,670 |

23.2 Long term employee benefits - Share-based compensation

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

During the year 2020, there was a share-based compensation plan to employee. The details are as below:

Employee Stock Purchase Plan (ESPP)

The Allianz Group offers Allianz SE shares in 42 countries to entitled employees at favourable conditions. The offer provides to the eligible employees one matching share (or fractions) for three purchased shares. The shares have three years restriction period which will be held and administered in a central omnibus account during the period.

During the year ended 31 December 2020, the number of shares sold to employees under these plans was 97 million shares (2019: 41 million shares).

Restricted stock unit (RSU)

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

23 Employee benefit obligations (Cont'd)

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

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

| | RSU | | ESPP | |
|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2020 Number of shares | 2019 Number of shares | 2020 Number of shares | 2019 Number of shares |
| As at 1 January | - | - | 41 | - |
| Granted/Transferred in | 4,460 | - | 97 | 41 |
| Exercised | (818) | - | - | - |
| Forfeited/Transferred out | - | - | - | - |
| As at 31 December | 3,642 | - | 138 | 41 |

The total recognised compensation in other employee benefits for the year ended 31 December 2020 amounting to Baht 7.74 million (2019: Baht 0.29 million) and the total compensation liabilities under "Employee benefits" amounting to Baht 19.07 million (2019: Baht 0) 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.

Employee Stock benefit Plan

The Allianz Group offers Allianz SE shares in 42 countries to entitled employees at favourable conditions. The offer provides to the eligible employees for one share. The shares have 3 years restriction period which will be held and administered in a central omnibus account during the period. During the year ended 31 December 2020, the number of shares provided to employees under these plans was 199 shares. The total recognised compensation in other employee benefits for the year ended 31 December 2020 amounting to Baht 1.22 million.

24 Lease liabilities

The maturity analysis of lease liabilities is aged as follows;

| Maturity | Consolidated financial statements | Separate financial statements |
|-----------------------|--------------------------------------|----------------------------------|
| | 2020 Thousand Baht | 2020 Thousand Baht |
| Within 1 year | 29,642 | - |
| Between 1 - 2 years | 28,636 | - |
| Between 2 - 3 years | 26,383 | - |
| Between 3 - 4 years | 21,192 | - |
| Between 4 - 5 years | 20,208 | - |
| Over 5 years | 81,815 | - |
| Total | 207,876 | - |
| Including - Principal | 233,902 | - |
| - Interest | (26,026) | - |

For the year ended 31 December 2020, the Group have Interest expenses on lease liabilities amounted to Baht 4.65 million are recorded as "finance cost" in the statement of comprehensive income.

25 Other liabilities

Other liabilities as at 31 December 2020 and 2019 consisted of the following:

| | Consolidated financial statements | | Separate financial statements | |
|--------------------------------------------|--------------------------------------|--------------------------|----------------------------------|--------------------------|
| | 2020 Thousand Baht | 2019 Thousand Baht | 2020 Thousand Baht | 2019 Thousand Baht |
| Other payables - | | | | |
| promotion expense | 65,925 | 69,343 | - | - |
| Premium received in advance | 139,824 | 95,127 | - | - |
| Withholding tax payable | 19,610 | 11,103 | 85 | 259 |
| Undue output VAT | 4,001 | 23,791 | - | - |
| Contribution to non-life guarantee fund | 19,668 | 15,810 | - | - |
| Others | 27,768 | 66,302 | 159 | 1,968 |
| Total | 276,796 | 281,476 | 244 | 2,227 |

26 Share Capital

| | Number of shares Million shares | Issued ordinary shares Million Baht | Premium on share Million Baht | Total Million Baht |
|---------------------|---------------------------------------|-------------------------------------------|-------------------------------------|-----------------------|
| At 1 January 2019 | 296 | 296 | 5,276 | 5,572 |
| Issue of shares | 89 | 89 | 4,631 | 4,720 |
| At 31 December 2019 | 385 | 385 | 9,907 | 10,292 |
| Issue of shares | 4 | 4 | 159 | 163 |
| At 31 December 2020 | 389 | 389 | 10,066 | 10,455 |

On 18 May 2020, the Company's issued and fully paid share capital has been increased from Baht 384.96 million (384.96 million ordinary shares with a par value of Baht 1 each) to Baht 389.27 million (389.27 million ordinary shares with a par value of Baht 1 each) as a result of the exercises of the warrants (AYUD-W1) to ordinary shares amounting to Baht 4,301,970 (4,301,970 ordinary shares with a par value of Baht 1 each), resulting in an increase in total share premium to Baht 158.54 million. The Company registered the corresponding increase in its paid-up capital with the Ministry of Commerce on 18 May 2020.

On 30 April 2019, the Company received capital increase from Allianz SE and CPRN (Thailand) Co., Ltd. of Baht 4,717.40 million (88.47 million shares at Baht 53.32 per share, at a par value of Baht 1). The fully paid share capital has been increased from Baht 296.42 million (296.42 million ordinary shares with a par value of Baht 1 each) to Baht 384.89 million (384.89 million ordinary shares with a par value of Baht 1 each), resulting in an increase in total share premium to Baht 4,628.93 million. The Company registered the corresponding increase in its paid-up capital with the Ministry of Commerce on 30 April 2019.

On 17 June 2019, the Company's issued and fully paid share capital has been increased from Baht 384.89 million (384.89 million ordinary shares with a par value of Baht 1 each) to Baht 384.91 million (384.91 million ordinary shares with a par value of Baht 1 each) as a result of the exercises of the warrants (AYUD-W1) to ordinary shares amounting to Baht 19,775 (19,775 ordinary shares with a par value of Baht 1 each), resulting in an increase in total share premium to Baht 0.75 million. The Company registered the corresponding increase in its paid-up capital with the Ministry of Commerce on 24 June 2019.

26 Share Capital (Cont'd)

On 16 December 2019, the Company's issued and fully paid share capital has been increased from Baht 384.91 million (384.91 million ordinary shares with a par value of Baht 1 each) to Baht 384.96 million (384.96 million ordinary shares with a par value of Baht 1 each) as a result of the exercises of the warrants (AYUD-W1) to ordinary shares amounting to Baht 54,900 (54,900 ordinary shares with a par value of Baht 1 each), resulting in an increase in total share premium to Baht 2.09 million. The Company registered the corresponding increase in its paid-up capital with the Ministry of Commerce on 18 December 2019.

27 Warrants

The Company allocated and issued warrants to purchase ordinary shares, which is specified warrant's holder and transferable type. Terms of warrants are 2 years from initial issuance date. Exercise ratio is 1 warrant entitled to purchase 1 newly issued ordinary share at the determined exercise price (subject to change in case of the adjustment to the terms and conditions) and shall be able to exercise the warrants as identified period. The details of warrants are described as follows:

| Warrant series | Term | Exercise date | Exercise period | Number of allocated and issued warrants (Unit) | Exercise ratio per 1 warrant | Exercise price (Baht per share) |
|----------------|---------|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|------------------------------|---------------------------------|
| "AYUD-W1" | 2 Years | 27 April 2018 | On June 15 and December 15 every year throughout the term of warrants. The first exercise date is 15 June 2018 and the last exercise date is 8 May 2020. | 124,999,807 | 1:1.03 (2019: 1:1) | 37.85 (2019: 39.00) |

Movements in warrants for the years ended 31 December 2020 and 2019 are as follows:

| | 2020 | | 2019 | |
|---------------------------|---------------------------|--------------------------------------------------|---------------------------|--------------------------------------------------|
| | Number of warrants (Unit) | Weighted average exercise price (Baht per share) | Number of warrants (Unit) | Weighted average exercise price (Baht per share) |
| Balance as at 1 January | 78,508,207 | 39.00 | 78,582,882 | 39.00 |
| Issued warrants | - | - | - | - |
| Forfeited warrants | (74,331,534) | - | - | - |
| Exercised warrants | (4,176,673) | 37.85 | (74,675) | 39.00 |
| Balance as at 31 December | - | - | 78,508,207 | 39.00 |

On 6 March 2020, the Company adjusted the exercise price and exercise ratio of the warrants to purchase ordinary shares of the Company "AYUD-W1" under the condition as set forth in Clause 4.1 (5), the Company will adjust the exercise price and exercise ratio when makes a cash dividend payment at a rate higher than 80 percent of the net profit after income tax under the consolidated financial statements. The Company paid 2019 interim dividend at the rate of Baht 0.75 per share, equivalent to 152.23% of the consolidated profit. Exercise price was adjusted from Baht 39.00 per share to Baht 37.85 per share and exercise ratio was adjusted from 1 unit of warrant to 1 ordinary shares to 1 unit of warrant to purchase 1.03 ordinary shares which are effective on 9 March 2020.

The warrants were expired on 8 May 2020 and 4,176,673 units of warrants were exercised with the exercise price of Baht 37.85 per unit, Baht 162.84 million in total. This led to increasing 4,301,970 of Company's shares (Note 26).

28 Legal reserve

| | Consolidated financial statements | | Separate financial statements | |
|-------------------------------|--------------------------------------|--------------------------|----------------------------------|--------------------------|
| | 2020 Thousand Baht | 2019 Thousand Baht | 2020 Thousand Baht | 2019 Thousand Baht |
| At 1 January | 50,000 | 50,000 | 50,000 | 50,000 |
| Appropriation during the year | - | - | - | - |
| At 31 December | 50,000 | 50,000 | 50,000 | 50,000 |

Pursuant to the Public Limited Companies Act B.E. 2535, the Group must allocate to a reserve fund from the annual net profit of the year, not less than 5% of the annual net profit deducted by the total accumulated loss brought forward (if any) until the reserve fund reaches an amount of not less than 10% of the authorised capital. Such reserve fund is not available for distribution as dividend.

As at 31 December 2020 and 2019, the Company already had legal reserve of not less than 10% of the authorised capital.

29 Financial information by segment

The business segment results are prepared based on the preparation of management report of the Group. The operating results by business segment provided to Chief Operating Decision Maker to make decisions about allocating resources to and assessing the performance of operating segments is measured in accordance with Financial Reporting Standards.

The Group has been operating in two principal business segments: (1) Non-life insurance business and (2) Investment business, which are only organised and managed in a single geographic area, namely in Thailand. Therefore, no geographical segment information is presented.

For the year ended 31 December 2020 and 2019, there is no revenue from a single external customer contributed 10% or more to the Group's total revenue.

The financial statements of the Group for the year ended 31 December 2020 and 2019 were presented by business segment as follows:

| | Consolidated financial statements | | | | | | | |
|----------------------------------------------------------|-----------------------------------|--------------------------|--------------------------|--------------------------|---------------------------------|--------------------------|--------------------------|--------------------------|
| | Non-life insurance business | | Investment business | | Elimination of inter-segment | | Total | |
| | 2020 Thousand Baht | 2019 Thousand Baht | 2020 Thousand Baht | 2019 Thousand Baht | 2020 Thousand Baht | 2019 Thousand Baht | 2020 Thousand Baht | 2019 Thousand Baht |
| Revenue from external | 4,522,192 | 4,066,914 | 427,691 | 508,077 | (470,426) | (541,341) | 4,479,457 | 4,033,650 |
| Share of profit on investment in an associate | - | - | 1,049,595 | 553,245 | - | - | 1,049,595 | 553,245 |
| Other income | 65,307 | 34,126 | 241 | 9,475 | (3,495) | (11,202) | 62,053 | 32,399 |
| Total revenue | 4,587,499 | 4,101,040 | 1,477,527 | 1,070,797 | (473,921) | (552,543) | 5,591,105 | 4,619,294 |
| Insurance business expenses | 4,095,271 | 3,507,692 | - | - | - | - | 4,095,271 | 3,507,692 |
| Directors and key management personnel's remuneration | 155,479 | 114,879 | 6,406 | 13,008 | - | - | 161,885 | 127,887 |
| Other expenses | 660,083 | 782,753 | 25,570 | 47,762 | 147,007 | (52,121) | 833,660 | 778,394 |
| Income tax expense | (63,266) | 16,103 | (29,263) | (409) | (37,246) | - | (129,825) | 15,694 |
| Net income (loss) | (260,068) | (320,387) | 1,474,814 | 1,010,436 | (583,632) | (500,422) | 631,114 | 189,627 |

32 Gain (Loss) on investment

Gain (Loss) on investment for the year ended 31 December 2020 and 2019 were as follows:

| | Consolidated financial statements | | Separate financial statements | |
|---------------------------------------------------------------------------------------------------------------|--------------------------------------|--------------------------|----------------------------------|--------------------------|
| | 2020 Thousand Baht | 2019 Thousand Baht | 2020 Thousand Baht | 2019 Thousand Baht |
| Gain (Loss) on sale of investments measured at fair value through other comprehensive income (FVOCI) | | | | |
| Debt instruments | (116,378) | (19) | 1,246 | (2) |
| Equity instruments | - | (92,762) | - | (66,817) |
| Gain (Loss) on sale of investments measured at fair value through profit or loss (FVPL) | | | | |
| Debt instruments | - | - | (122,704) | - |
| Equity instruments | - | (5,318) | - | (2,744) |
| Total gain (loss) on investment | <u>(116,378)</u> | <u>(98,099)</u> | <u>(121,458)</u> | <u>(69,563)</u> |

33 Operating expenses

The operating expenses for the year ended 31 December 2020 and 2019 were as follows:

| | Consolidated financial statements | | Separate financial statements | |
|-------------------------------------------------------------------------------------|--------------------------------------|--------------------------|----------------------------------|--------------------------|
| | 2020 Thousand Baht | 2019 Thousand Baht | 2020 Thousand Baht | 2019 Thousand Baht |
| Employee benefit expenses, excluded underwriting and loss adjustment expenses | 280,935 | 390,779 | 10,218 | 16,532 |
| Premises and equipment expense, excluded underwriting expenses | 133,693 | 151,781 | 2,485 | 8,579 |
| Taxes and duties | 2,093 | 1,308 | 1,087 | 25 |
| Bad debt and allowance for doubtful accounts | (567) | 23,257 | - | - |
| Directors' remuneration | 13,810 | 14,485 | 8,845 | 10,044 |
| Management fee | 160,733 | 46,757 | - | - |
| Marketing and promotion expenses | 5,838 | 13,150 | 6 | - |
| Professional fee | 112,113 | 207,409 | 5,179 | 18,500 |
| Other operating expense | 130,534 | 57,354 | 3,825 | 7,090 |
| Total operating expenses | <u>839,182</u> | <u>906,280</u> | <u>31,645</u> | <u>60,770</u> |

34 Employee expenses

The employee expenses for the year ended 31 December 2020 and 2019 were as follows:

| | Consolidated financial statements | | Separate financial statements | |
|--------------------------------|--------------------------------------|--------------------------|----------------------------------|--------------------------|
| | 2020 Thousand Baht | 2019 Thousand Baht | 2020 Thousand Baht | 2019 Thousand Baht |
| Salary and wages | 466,831 | 352,095 | 3,273 | 12,144 |
| Social fund expenses | 3,788 | 4,804 | 10 | 39 |
| Employee benefit expenses | 42,822 | 59,504 | 1,052 | 2,090 |
| Provident fund | 18,477 | 13,682 | 157 | 402 |
| Other benefits | 41,278 | 125,324 | 5,726 | 1,857 |
| Total employee expenses | 573,196 | 555,409 | 10,218 | 16,532 |

35 Expected credit loss

| | Consolidated financial statements | Separate financial statements |
|---------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------|
| | 2020 Thousand Baht | 2020 Thousand Baht |
| Cash and cash equivalent | (340) | (11) |
| Investments in debt securities measured at fair value through other comprehensive income | 552 | 345 |
| Investments in debt securities measured at amortised cost | (4) | (3) |
| Total expected credit loss | 208 | 331 |

36 Income tax expense

Income tax expense for the year comprises the following:

| | Consolidated financial statements | | Separate financial statements | |
|---------------------------------------------------------|--------------------------------------|--------------------------|----------------------------------|--------------------------|
| | 2020 Thousand Baht | 2019 Thousand Baht | 2020 Thousand Baht | 2019 Thousand Baht |
| Current tax: | | | | |
| Current tax on profits for the year | - | - | - | - |
| Adjustments in respect of prior year | - | - | - | - |
| Total current tax | - | - | - | - |
| Deferred income tax: | | | | |
| Decrease (increase) in deferred tax assets (Note 19) | (129,825) | 15,694 | (29,263) | (409) |
| Total deferred income tax | (129,825) | 15,694 | (29,263) | (409) |
| Income tax expense (income) | (129,825) | 15,694 | (29,263) | (409) |

36 Income tax expense (Cont'd)

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

| | Consolidated financial statements | | Separate financial statements | |
|----------------------------------------------------------------------------------|-----------------------------------|-----------------------|-------------------------------|-----------------------|
| | 2020 Thousand Baht | 2019 Thousand Baht | 2020 Thousand Baht | 2019 Thousand Baht |
| Profit before tax | 501,289 | 205,321 | 395,956 | 456,783 |
| Tax rate | 20% | 20% | 20% | 20% |
| Tax expenses calculated at a tax rate | 100,258 | 41,065 | 79,191 | 91,357 |
| Tax effect of: | | | | |
| Revenue that are granted income tax exemption | (217,944) | (101,542) | (94,912) | (11,896) |
| Expenses not deductible for tax purpose | 2,655 | - | - | - |
| Reversal of unutilised dererred tax assets in the future | - | 47,660 | - | - |
| Tax losses for which no deferred income tax asset was recorded | 3,658 | 28,511 | 3,658 | 20,130 |
| Tax losses from prior period for which no deferred income tax asset was recorded | (18,452) | - | (17,200) | - |
| Tax charge | (129,825) | 15,694 | (29,263) | (409) |

The effective tax rate for 2020 is (25.90)% (2019: 7.64%).

Effect from income tax relating to components of other comprehensive income

| | Consolidated financial statements | | | | | |
|--------------------------------------------------------------------------|-----------------------------------|-------------------------------------------|-----------------------------|-----------------------------|-------------------------------------------|-----------------------------|
| | 2020 | | | 2019 | | |
| | Before tax Thousand Baht | Benefit (expense) of tax Thousand Baht | Net of tax Thousand Baht | Before tax Thousand Baht | Benefit (expense) of tax Thousand Baht | Net of tax Thousand Baht |
| Item that will not be reclassified subsequently to profit or loss | | | | | | |
| Actuarial gain on deficit employee benefit plans | - | - | - | 6,069 | (1,214) | 4,855 |
| Share of other comprehensive income (loss) from associate | (40,730) | 8,146 | (32,584) | (10,268) | 2,054 | (8,214) |
| Item that will be reclassified subsequently to profit or loss | | | | | | |
| Change in fair value of available-for-sale securities | 131,873 | (26,374) | 105,499 | 117,659 | (23,532) | 94,127 |
| Share of other comprehensive income (loss) from associate | (460,245) | 92,049 | (368,196) | 4,706,696 | (941,339) | 3,765,357 |
| Total | (369,102) | 73,821 | (295,281) | 4,820,156 | (964,031) | 3,856,125 |

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36 Income tax expense (Cont'd)

| | Separate financial statements | | | | | |
|-----------------------------------------------------------------------------------------------------|--------------------------------|----------------------------------------------------|--------------------------------|--------------------------------|----------------------------------------------------|--------------------------------|
| | 2020 | | | 2019 | | |
| | Before tax Thousand Baht | Benefit (expense) of tax Thousand Baht | Net of tax Thousand Baht | Before tax Thousand Baht | Benefit (expense) of tax Thousand Baht | Net of tax Thousand Baht |
| Item that will not be reclassified subsequently to profit or loss | | | | | | |
| Actuarial gain (loss) on defined employee benefit plans | - | - | - | (969) | 194 | (775) |
| Loss on revaluation of equity instruments measured at fair value through other comprehensive income | (59,971) | 11,994 | (47,977) | - | - | - |
| Item that will be reclassified subsequently to profit or loss | | | | | | |
| Gain (loss) on revaluation of available-for-sale investments | - | - | - | 90,534 | (18,107) | 72,427 |
| Gain on revaluation of debt instruments measured at fair value through other comprehensive income | 18,849 | (3,770) | 15,079 | - | - | - |
| Total | (41,122) | 8,224 | (32,898) | 89,565 | (17,913) | 71,652 |

37 Related parties

The consolidated and separate financial statements include certain transactions with the subsidiary and related parties. The relationship may be by shareholding or the companies may have the same group of shareholders or directors. The consolidated and separate financial statements reflect the effects of these transactions on the basis determined by the Company, the subsidiary and the related parties which are as follows:

The relationships between the Company and its related parties are summarized below:

| Related parties | Relationship | Type of Business |
|----------------------------------------------|--------------------------------------------|------------------------|
| Allianz SE | Ultimate parent company | Insurance |
| Allianz SE Singapore Branch | Related company of ultimate parent company | Insurance |
| Allianz Technology SE | Related company of ultimate parent company | Information technology |
| Allianz Global Corporate&Speciality SE | Related company of ultimate parent company | Insurance |
| Allianz Global Corporate&Speciality AG | Related company of ultimate parent company | Insurance |
| Allianz Australia Limited | Related company of ultimate parent company | Insurance |
| Euler Hermes Deutschland | Related company of ultimate parent company | Insurance |
| Euler Hermes Singapore Branch | Related company of ultimate parent company | Insurance |
| Allianz Fire and Marine Insurance Japan Ltd. | Related company of ultimate parent company | Insurance |
| Allianz General Insurance Malaysia Berhad | Related company of ultimate parent company | Insurance |
| Allianz Global Risks US Insurance Company | Related company of ultimate parent company | Insurance |
| AWP P&C S.A. | Related company of ultimate parent company | Service |
| Allianz Suisse Versicherungs-Gesellschaft AG | Related company of ultimate parent company | Insurance |

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| Related parties | Relationship | Type of Business |
|------------------------------------|----------------|------------------|
| | parent company | |
| 37 Related parties (Cont'd) | | |

The relationships between the Company and its related parties are summarized below: (Cont'd)

| Related parties | Relationship | Type of Business |
|---------------------------------------------------|--------------------------------------------|--------------------------------|
| Allianz China General Insurance Company Ltd. | Related company of ultimate parent company | Insurance |
| Allianz Benelux S.A | Related company of ultimate parent company | Insurance |
| AWP Services (Thailand) Co., Ltd. | Related company of ultimate parent company | Service |
| Allianz Technology (Thailand) Co., Ltd. | Related company of ultimate parent company | Information technology |
| Allianz General Insurance Plc. | Related company of ultimate parent company | Insurance |
| Allianz Investment Management Singapore Pte. Ltd. | Related company of ultimate parent company | Service |
| Allianz Global Investors Singapore Ltd. | Related company of ultimate parent company | Service |
| Allianz Ayudhya General Insurance Plc. | Subsidiary | Insurance |
| Allianz Ayudhya Assurance Plc. | Associate | Life Insurance |
| CPRN (Thailand) Co., Ltd. | Related company of shareholders | Holding |
| Bangkok Broadcasting & Television Co., Ltd. | Related company of shareholders | Television |
| BBTV Equity Co., Ltd. | Related company of shareholders | Office Space Rental |
| Great Luck Equity Co., Ltd. | Related company of shareholders | Advertising |
| Bank of Ayudhya Plc. | Related company of shareholders | Banking |
| Krungsri Asset Management Co., Ltd. | Related company of shareholders | Fund management |
| Krungsri Securities Plc. | Related company of shareholders | Securities |
| Ayudhya Development Leasing Co., Ltd. | Related company of shareholders | Hire-purchase and leasing |
| Ayudhya Capital Auto Lease Plc. | Related company of shareholders | Hire-purchase and auto leasing |
| Siam City Cement Plc. | Related company of shareholders | Construction Materials |
| Eastern Star Real Estate Plc. | Related company of shareholders | Property |
| Super Asset Co., Ltd. | Related company of shareholders | Investments |
| CKS Holding Co., Ltd. | Related company of shareholders | Investments |
| Grand Canal Land Plc. | Related company of shareholders | Advertising |
| Krungsri Ayudhya AMC Ltd. | Related company of shareholders | Asset Management |
| Siam Realty and Service Co., Ltd. | Related company of shareholders | Services |
| Krungsri Factoring Co., Ltd. | Related company of shareholders | Factoring |
| Krungsriayudhya Card Co., Ltd. | Related company of shareholders | Services |
| Khao Kheow Country Club Co., Ltd. | Related company of shareholders | Golf club |

37 Related parties (Cont'd)

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

| | Consolidated financial statements | | Separate financial statements | |
|-------------------------------------------|--------------------------------------|--------------------------|----------------------------------|--------------------------|
| | 2020 Thousand Baht | 2019 Thousand Baht | 2020 Thousand Baht | 2019 Thousand Baht |
| Assets | | | | |
| Related company of ultimate parent | | | | |
| Premium receivable | - | 21 | - | - |
| Amounts due from reinsurers | 207,203 | 283,190 | - | - |
| Investment in Securities | 24,792 | - | - | - |
| Other assets | 7,773 | 24,969 | - | - |
| Related company of shareholders | | | | |
| Deposits at financial institutions | 288,441 | 324,316 | 37,980 | 34,320 |
| Premium receivable | 5,907 | 2,817 | - | - |
| Investment | - | 2,390,752 | - | 2,390,752 |
| Other assets | 3,920 | 7,144 | 66 | 1,478 |
| Liabilities | | | | |
| Related company of ultimate parent | | | | |
| Amounts withheld on reinsurance | 464,795 | 453,860 | - | - |
| Due to reinsurers | 227,042 | 403,537 | - | - |
| Other liabilities | 48,652 | 67,372 | - | - |
| Related company of shareholders | | | | |
| Commission and brokerage payable | 12,927 | 13,284 | - | - |
| Accrued other underwriting expenses | 37,218 | 29,171 | - | - |
| Lease Liabilities | 168,225 | - | - | - |
| Other liabilities | 6,859 | 5,957 | - | - |
| Subsidiaries | | | | |
| Other liabilities | - | - | 2,175 | 1,700 |

37 Related parties (Cont'd)

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

| | Consolidated financial statements | |
|---------------------------------------------------|----------------------------------------------|----------------------|
| | 2020 | 2019 |
| | Thousand Baht | Thousand Baht |
| Revenues | | |
| Related company of ultimate parent company | | |
| Claim recovered from reinsurers | 279,842 | 71,764 |
| Fee and commission income | 101,664 | 97,464 |
| Written Premium | 193 | 387 |
| Other income | 38,837 | 25,749 |
| Related company of shareholders | | |
| Written Premium | 100,375 | 94,615 |
| Investment income | 276 | 8,424 |
| Other income | - | 1,208 |
| Expenses | | |
| Related company of ultimate parent company | | |
| Premiums ceded to reinsurers | 509,262 | 544,094 |
| Commission and brokerage expenses | 7,750 | 8,164 |
| Other expenses | 225,670 | 187,320 |
| Related company of shareholders | | |
| Commission and brokerage expenses | 178,968 | 195,209 |
| Underwriting expenses | 157,449 | 128,159 |
| Other expenses | 25,705 | 27,147 |
| Associate | | |
| Other expenses | 3,264 | 1,026 |

37 Related parties (Cont'd)

37.2 Significant transactions for year ended 31 December 2020 and 2019 with related parties were as follows: (Cont'd)

| | Separate financial statements | |
|---------------------------------------------------|----------------------------------|----------------------|
| | 2020 | 2019 |
| | <u>Thousand Baht</u> | <u>Thousand Baht</u> |
| Revenues | | |
| Related company of shareholders | | |
| Net investment income | 276 | 8,424 |
| Associate | | |
| Net investment income | 439,465 | 541,341 |
| Subsidiary | | |
| Other income | - | 9,153 |
| Expenses | | |
| Related company of ultimate parent company | | |
| Other expenses | 976 | 311 |
| Related company of shareholders | | |
| Other expenses | 3,307 | 7,536 |
| Associate | | |
| Other expense | 3,264 | 1,026 |
| Subsidiary | | |
| Other expense | 3,496 | 2,050 |

The Group used the same pricing policy and conditions for the above premiums as it did for other customers and other insurance companies.

The Group paid commissions and brokerages and other underwriting expenses as specified in the Bancassurance Agreement made between the Company and such related bank. The commission rates were in compliance with the Office of Insurance Commission criteria and the same basis of the commission rate that the Group has offered to other insurance broker companies.

Interest was charged at the same interest rates as the bank has offered to other insurance companies.

The Company and related companies enter into a management service agreement with the subsidiary for providing about services of personnel, internal audit and information technology. Service rates are agreed by both parties which are determined based on estimated time spent and cost incurred for the subsidiary.

Commission, management fee and custodian fee were paid at the same rates and conditions as the related parties charged other customers.

37 Related parties (Cont'd)

37.2 Significant transactions for year ended 31 December 2020 and 2019 with related parties were as follows: (Cont'd)

The Group has office rental, equipment rental and service agreements with related companies for a term of 3 years. Rental rates and conditions are the same as the related parties offer to other companies.

The Company enters into a management service agreement with the subsidiary for receiving managerial, investment and administrative services of accounting, payroll and information technology. Service rates are agreed by both parties which are determined based on estimated time spent and cost incurred for the Company.

Directors and key management personnel's remuneration

During the year ended 31 December 2020 and 2019, the Group had salaries, bonuses, directors allowances and other benefits of its directors and key management personnel recognised as expenses as follows:

| | Consolidated financial statements | | Separate financial statements | |
|----------------------------------------------------------|--------------------------------------|--------------------------|----------------------------------|--------------------------|
| | 2020 Thousand Baht | 2019 Thousand Baht | 2020 Thousand Baht | 2019 Thousand Baht |
| Directors and key management personnel's remuneration | | | | |
| Short-term benefits | 153,231 | 123,319 | 3,844 | 12,251 |
| Post-employment benefits | 4,089 | 4,093 | 232 | 488 |
| Directors' remuneration | 4,565 | 475 | 2,330 | 269 |
| | <u>161,885</u> | <u>127,887</u> | <u>6,406</u> | <u>13,008</u> |

Directors' remunerations for the years of 2020 were approved by the ordinary shareholders' meeting of the Company and the Group held on 31 July 2020 and 10 July 2020, respectively. (2019: 26 April 2019).

38 Provident fund

The Group have established a contributory registered provident fund, in accordance with the Provident Fund Act B.E. 2530. Under the plan, employees must pay their contributions, with the Group matching the individuals' contributions as follow:

| Year of services | Percentage |
|-------------------|------------|
| Less than 5 years | 5 |
| 5 years and above | 7 |

A registered provident fund manager has been appointed to manage the fund in compliance with the requirements of the Ministerial Regulations issued under the Provident Fund Act B.E. 2542.

For the years ended 31 December 2020, the Group's and Company's contributions recorded as expenses were Baht 18.48 million and Baht 0.16 million, respectively (2019: Baht 13.68 million and Baht 0.40 million, respectively).

39 Securities and assets pledged with the Registrar

As at 31 December 2020 and 2019, certain investments in securities of the Group were pledged and used for assets reserved with the Registrar (Note 13) in accordance with the Insurance Act and the Notification of the Office of Insurance Commission regarding "Rates, Rules and Procedures for pledge of unearned premium reserve of Non-Life Insurance Company B.E. 2558", respectively as follows:

39.1 The investments in debt securities which the Group placed for policy reserve with the Registrar in accordance with the announcement of the Office of Insurance Commission regarding "Rates, Rules and Procedures for pledge of unearned premium reserve of Non-Life Insurance Company B.E. 2558" were as follows:

| | Consolidated financial statements | | Separate financial statements | |
|-----------------------------------------------|--------------------------------------|--------------------------|----------------------------------|--------------------------|
| | 2020 Thousand Baht | 2019 Thousand Baht | 2020 Thousand Baht | 2019 Thousand Baht |
| Government and state enterprise securities | 601,960 | 553,829 | 1,140 | 1,119 |

39.2 The investments in debt securities which the Group pledged with the Registrar in accordance with the Insurance Act (No.2) B.E. 2551 were as follows:

| | Consolidated financial statements | | Separate financial statements | |
|-----------------------------------------------|--------------------------------------|--------------------------|----------------------------------|--------------------------|
| | 2020 Thousand Baht | 2019 Thousand Baht | 2020 Thousand Baht | 2019 Thousand Baht |
| Deposits at banks | 14,000 | 14,000 | - | - |
| Government and state enterprise securities | 14,000 | 14,000 | - | - |

40 Restricted assets

As at 31 December 2020 and 2019, the Group has premium saving certificates amount of Baht 1.25 million and Baht 3.15 million, respectively, were used as collateral in case where the insured drivers are the alleged offenders.

As at 31 December 2020 and 2019, the Group has credit facilities which was secured by deposit at bank of the Group in the same amount of credit limit as follows:

| | Consolidated financial statements | | Separate financial statements | |
|----------------------|--------------------------------------|--------------------------|----------------------------------|--------------------------|
| | 2020 Thousand Baht | 2019 Thousand Baht | 2020 Thousand Baht | 2019 Thousand Baht |
| Overdraft facilities | 40,000 | 40,000 | 20,000 | 20,000 |
| Borrowing facilities | 10,000 | 10,000 | 10,000 | 10,000 |

41 Contribution to non-life guarantee fund

The Group has accumulated funding amount which was paid into contribution to non-life guarantee fund as at 31 December 2020 and 2019 amounting to Baht 97.75 million and Baht 70.38 million, respectively.

42 Commitment

As indicated in note 4, the Group has adopted TFRS 16 retrospectively from 1 January 2020, but has not restated comparatives for the 2019 reporting period as permitted under the specific transition provisions in the standard. Prior to the adoption of TFRS 16, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

| Type | Consolidated financial statements | | |
|-----------------------------|-----------------------------------|------------------------|-------------------------------------------------|
| | 2020 | | |
| | Remaining periods | | Total rental payments for the remaining periods |
| | Within 1 year | Over 1 year to 5 years | |
| Thousand Baht | Thousand Baht | Thousand Baht | |
| Vehicle - others | - | - | - |
| | - | - | - |
| | | | |
| Type | Consolidated financial statements | | |
| | 2019 | | |
| | Remaining periods | | Total rental payments for the remaining periods |
| | Within 1 year | Over 1 year to 5 years | |
| Thousand Baht | Thousand Baht | Thousand Baht | |
| Building | | | |
| - related company | 4,064 | 1,800 | 5,864 |
| - others | 3,154 | 4,382 | 7,536 |
| Service | | | |
| - related company | 2,636 | 208 | 2,844 |
| - others | 956 | 1,833 | 2,789 |
| Equipment - related company | 3,515 | 277 | 3,792 |
| Vehicle - others | 1,902 | 1,456 | 3,358 |
| | 16,227 | 9,956 | 26,183 |

