

**Prudential Life Assurance (Thailand)
Public Company Limited**

Financial statements for the year ended
31 December 2021
and
Independent Auditor's Report



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Independent Auditor's Report

To the Shareholders of Prudential Life Assurance (Thailand) Public Company Limited

Opinion

I have audited the financial statements of Prudential Life Assurance (Thailand) Public Company Limited (the "Company"), which comprise the statement of financial position as at 31 December 2021, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the 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 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 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 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 those charged with governance and request that the correction be made.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



I communicate with those charged with governance 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.

Orawan C.

(Orawan, Chotiwiriyakul)
Certified Public Accountant
Registration No. 10566

KPMG Phoomchai Audit Ltd.
Bangkok
11 March 2022

Prudential Life Assurance (Thailand) Public Company Limited**Statement of financial position**

Assets	<i>Note</i>	31 December	
		2021	2020
		<i>(in Baht)</i>	
Cash and cash equivalents	4	2,142,189,356	2,445,864,712
Investment receivables		46,454,448	61,681,078
Premiums due and uncollected	5	563,406,460	758,410,039
Accrued investment income		564,722,859	550,324,081
Reinsurance receivables		123,446,162	121,132,622
Derivative assets	6	96,775,241	265,647,622
Investments assets			
Investments in securities	7, 22, 24	116,701,747,893	116,102,140,509
Loans and accrued interest	8	3,352,495,182	3,033,516,244
Investment assets where policyholders bear the investment risk	9	12,683,421,986	10,125,505,688
Non-current assets held for sale		9,979,842	10,029,844
Premises and equipment	10	232,484,428	81,520,663
Right-of-use asset	11	265,175,545	16,194,017
Intangible assets	12	19,063,675,837	19,120,812,105
Deferred tax assets	19	217,309,444	-
Other assets	23	1,153,676,685	478,941,222
Total assets		157,216,961,368	153,171,720,446

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

Prudential Life Assurance (Thailand) Public Company Limited

Statement of financial position

Liabilities and shareholders' equity	Note	31 December	
		2021	2020
		<i>(in Baht)</i>	
Liabilities			
Insurance contract liabilities	13	116,531,391,842	106,798,184,259
Investment contract liabilities	14	12,752,405,003	10,206,893,627
Due to reinsurers		251,780,947	299,095,233
Derivative liabilities	6	741,330,388	-
Accrued commission		366,263,498	335,981,110
Accrued expenses	23	1,373,115,629	1,174,631,116
Employee benefit obligations		301,716,456	253,725,001
Lease liabilities	11	251,526,900	16,352,424
Deferred tax liabilities	19	-	1,695,060,006
Income tax payable		92,341,209	207,378,880
Other liabilities	23	591,616,520	1,300,687,820
Total liabilities		133,253,488,392	122,287,989,476
Shareholders' equity			
Share capital			
Authorised share capital			
<i>(2,211,152,652 ordinary shares, par value at Baht 9.14 per share)</i>		20,209,935,239	20,209,935,239
Issued and paid share capital			
<i>(2,211,152,652 ordinary shares, par value at Baht 9.14 per share)</i>		20,209,935,239	20,209,935,239
Retained earnings			
Appropriated			
Legal reserve	15	466,938,727	463,274,996
Unappropriated		2,490,512,883	2,409,522,434
Other components of shareholders' equity	7, 15	796,086,127	7,800,998,301
Total shareholders' equity		23,963,472,976	30,883,730,970
Total liabilities and shareholders' equity		157,216,961,368	153,171,720,446

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

Prudential Life Assurance (Thailand) Public Company Limited

Statement of comprehensive income

	Note	For the year ended 31 December	
		2021	2020
		<i>(in Baht)</i>	
Revenues			
Gross premium written		23,467,411,919	22,134,037,487
Less premium ceded		(308,750,608)	(215,308,103)
Net premiums written		23,158,661,311	21,918,729,384
Add (less) unearned premium reserve decreased (increased) from prior year		(22,029,192)	18,556,765
Net premium earned		23,136,632,119	21,937,286,149
Commission and brokerage income		130,135,233	88,466,278
Net investments income	16, 23	3,448,546,219	3,553,092,016
Gain on investments		1,068,079,330	1,078,678,018
Gain (loss) on fair value changes		(316,345,974)	123,573,567
Other income		65,784,665	68,689,833
Total revenues		27,532,831,592	26,849,785,861
Expenses			
Long-term technical reserve increase from prior year		9,402,357,534	7,754,555,411
Benefits payments and insurance claims expenses	18	10,318,079,693	10,485,932,758
Less benefits payments and insurance claims expenses recovered from reinsurers		(113,365,558)	(80,200,293)
Net benefits payments and insurance claims expenses		10,204,714,135	10,405,732,465
Commissions and brokerage expenses		2,258,093,698	2,127,284,741
Other underwriting expenses	18, 23, 25	2,463,066,354	2,286,149,623
Operating expenses	17, 18, 23	3,106,491,122	2,686,621,571
Expected credit losses and impairment losses on investments (reversal)	20	(28,878,257)	1,342,236,981
Loss (gain) on exchange rate		52,409,705	(552,685)
Total expenses		27,458,254,291	26,602,028,107
Profit before income tax		74,577,301	247,757,754
Income tax	19	1,302,672	81,730,538
Net profit		73,274,629	166,027,216
Other comprehensive income (loss)			
<i>Components of other comprehensive income that will not be reclassified subsequently to profit or loss</i>			
Defined benefit plan actuarial gain		14,224,439	20,348,982
Income tax relating to components of the comprehensive income that will not be reclassified subsequently to profit or loss		(2,844,888)	(4,069,796)
		11,379,551	16,279,186
<i>Components of other comprehensive income that will be reclassified subsequently to profit or loss</i>			
Loss on remeasurement of investments - fair value through other comprehensive income		(8,547,131,443)	(2,686,488,537)
Loss on remeasurement of derivatives for cash flow hedges	6	(209,008,775)	-
Income tax relating to components of the comprehensive income that will be reclassified subsequently to profit or loss		1,751,228,044	537,297,707
		(7,004,912,174)	(2,149,190,830)
Other comprehensive income (loss) for the year, net of income tax		(6,993,532,623)	(2,132,911,644)
Total comprehensive income (loss) for the year		(6,920,257,994)	(1,966,884,428)
Basic earnings per share	21	0.03	0.08

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

Prudential Life Assurance (Thailand) Public Company Limited

Statement of changes in equity

	Note	Issued and paid share capital	Retained earnings		Other components of shareholders' equity	Total shareholders' equity
			Legal reserve	Unappropriated	Gain (loss) on remeasurement of investment-fair value through other comprehensive income <i>(in Baht)</i>	
Year ended 31 December 2020						
Balance at 31 December 2019 - as reported		20,209,935,239	454,973,635	3,156,585,371	9,027,827,755	32,849,322,000
Impact of change in accounting policies		-	-	(921,067,978)	922,361,376	1,293,398
Balance at 1 January 2020 - as restated		<u>20,209,935,239</u>	<u>454,973,635</u>	<u>2,235,517,393</u>	<u>9,950,189,131</u>	<u>32,850,615,398</u>
Comprehensive income (loss) for the year						
Net profit		-	-	166,027,216	-	166,027,216
Other comprehensive income (loss)						
Loss on remeasurement of investment - fair value through other comprehensive income, net of income tax		-	-	-	(2,149,190,830)	(2,149,190,830)
Defined benefit plan actuarial gain, net of income tax		-	-	16,279,186	-	16,279,186
Total comprehensive income (loss) for the year		<u>-</u>	<u>-</u>	<u>182,306,402</u>	<u>(2,149,190,830)</u>	<u>(1,966,884,428)</u>
Transfer to legal reserve	15	-	8,301,361	(8,301,361)	-	-
Balance at 31 December 2020		<u>20,209,935,239</u>	<u>463,274,996</u>	<u>2,409,522,434</u>	<u>7,800,998,301</u>	<u>30,883,730,970</u>

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

Prudential Life Assurance (Thailand) Public Company Limited

Statement of changes in equity

	Note	Issued and paid share capital	Retained earnings		Other components of shareholders' equity		Total shareholders' equity
			Legal reserve	Unappropriated	Gain (loss) on remeasurement of investments - fair value through other comprehensive income	Loss on remeasurement of derivatives for cash flow hedges	
<i>(in Baht)</i>							
Year ended 31 December 2021							
Balance at 1 January 2021		20,209,935,239	463,274,996	2,409,522,434	7,800,998,301	-	30,883,730,970
Comprehensive income (loss) for the year							
Net profit		-	-	73,274,629	-	-	73,274,629
Other comprehensive income (loss)							
Loss on remeasurement of investment - fair value through other comprehensive income, net of income tax		-	-	-	(6,837,705,154)	-	(6,837,705,154)
Loss on remeasurement of derivatives for cash flow hedges, net of income tax		-	-	-	-	(167,207,020)	(167,207,020)
Defined benefit plan actuarial gain, net of income tax		-	-	11,379,551	-	-	11,379,551
Total comprehensive income (loss) for the year		-	-	84,654,180	(6,837,705,154)	(167,207,020)	(6,920,257,994)
Transfer to legal reserve	15	-	3,663,731	(3,663,731)	-	-	-
Balance at 31 December 2021		20,209,935,239	466,938,727	2,490,512,883	963,293,147	(167,207,020)	23,963,472,976

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

Prudential Life Assurance (Thailand) Public Company Limited

Statement of cash flows

	Note	For the year ended 31 December	
		2021	2020
		<i>(in Baht)</i>	
<i>Cash flows from operating activities</i>			
Premiums received		23,346,859,066	21,513,957,681
Cash paid to reinsurers		(192,916,990)	(79,370,609)
Interest received		3,099,312,933	3,241,336,124
Dividend received		451,868,650	471,353,147
Other income and other gains		87,183,428	121,105,639
Benefit payments and insurance claims expenses		(10,009,258,836)	(10,268,585,415)
Commissions and brokerages		(2,227,811,310)	(2,210,055,155)
Other underwriting expenses		(2,143,464,720)	(1,935,658,260)
Operating expenses		(3,343,677,850)	(2,037,047,329)
Income tax paid		(280,326,638)	(69,828,623)
Investments in securities		(8,534,009,700)	(57,578,635)
Loans		(3,540,522)	211,459,423
Investment assets where policyholders bear the investment risk		(63,686,934)	(69,777,616)
Net cash provided by operating activities		<u>186,530,577</u>	<u>8,831,310,372</u>
<i>Cash flows from investing activities</i>			
<i>Cash flow provided by</i>			
Proceeds from sale of premises and equipment		2,055,056	52,832
Proceeds from sale of non-current assets held for sale		3,305,000	-
Cash flow provided by investing activities		<u>5,360,056</u>	<u>52,832</u>
<i>Cash flow used in</i>			
Acquisition of premises and equipment		(201,628,806)	(33,299,841)
Acquisition of intangible assets		(234,894,540)	(8,246,016,924)
Cash flow used in investing activities		<u>(436,523,346)</u>	<u>(8,279,316,765)</u>
Net cash used in investing activities		<u>(431,163,290)</u>	<u>(8,279,263,933)</u>
<i>Cash flows from financing activities</i>			
<i>Cash flows used in</i>			
Payment of lease liabilities		(58,954,446)	(22,594,420)
Net cash used in financing activities		<u>(58,954,446)</u>	<u>(22,594,420)</u>
Net increase in cash and cash equivalents		(303,587,159)	529,452,019
Cash and cash equivalent at beginning of year		2,446,298,016	1,916,845,997
Cash and cash equivalent at ending of year		<u>2,142,710,857</u>	<u>2,446,298,016</u>
Less allowance of expected credit losses		(521,501)	(433,304)
Cash and cash equivalent at 31 December - Net	4	<u>2,142,189,356</u>	<u>2,445,864,712</u>

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

Prudential Life Assurance (Thailand) Public Company Limited
Notes to the financial statements
For the year ended 31 December 2021

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Prudential Life Assurance (Thailand) Public Company Limited

Notes to the financial statements

For the year ended 31 December 2021

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

These financial statements were approved and authorised for issue by the Board of Directors on 11 March 2022.

1 General information

Prudential Life Assurance (Thailand) Public Company Limited, (the “Company”), is incorporated in Thailand and has its registered office at Mitrtown Office Tower, 10th and 29th - 31st Floors, 944 Rama 4 Road, Wangmai, Pathumwan, Bangkok. The Company has 1 branch (31 December 2020: 1 branch).

The immediate and ultimate parent companies during the financial year were Staple Limited (51.21% shareholding) which was incorporated in Thailand, and Prudential plc which was incorporated in the United Kingdom, respectively.

The principal activity of the Company is to operate life assurance.

2 Basis of preparation of the financial statements

(a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (“TFRS”) and guidelines promulgated by the Federation of Accounting Professions. In addition, the financial statements are prepared in accordance with the Notification of the Office of Insurance Commission regarding “Rules, Procedures, Conditions and Timing for the Preparation and Submission of the Financial Statements and Reporting on the Operations of Life Insurance Companies” B.E. 2562 (No. 2), dated 4 April 2019.

The Company has initially applied revised TFRS that are effective for annual periods beginning on or after 1 January 2021 and has not early adopted TFRS which are not yet effective. The application has no material impact on the financial statements.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items:

<i>Items</i>	<i>Measurement bases</i>
Derivative financial instruments	Fair value
Investments in securities	Fair value
Investment assets where policyholders bear the investment risk	Fair value

Prudential Life Assurance (Thailand) Public Company Limited

Notes to the financial statements

For the year ended 31 December 2021

(c) *Functional and presentation currency*

The financial statements are presented in Thai Baht, which is the Company's functional currency. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand unless otherwise stated.

(d) *Use of judgements and estimates*

The preparation of financial statements in conformity with TFRSs requires management to make judgements, estimates and assumptions that affect the application of the Company's accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Judgement, assumptions and estimation uncertainties

Information about judgements, assumption and estimation uncertainties at 31 December 2021 that have a significant risk resulting in material adjustments to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note 12	Intangible assets
Note 13	Insurance contract liabilities

Long-term technical reserves

The Company determines the long-term technical reserves based on the Net Level Premium Valuation method (NPV). The carrying amount as at the reporting date is provided in note 13.

Process involved in determining assumptions

The Company determines assumptions in relation to mortality, morbidity and pricing rates that were established at the time when insurance products were designed and as approved by the Office of Insurance Commission. These assumptions are locked-in and used for calculating the liabilities over the life of the contract. This year, there are no changes in assumptions from last year.

Short-term technical reserves

Short-term technical reserves consist of loss reserves, outstanding claims, and premium reserves. The carrying amount as at the reporting date is provided in note 13.

Process involved in determining assumptions

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

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

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

Prudential Life Assurance (Thailand) Public Company Limited

Notes to the financial statements

For the year ended 31 December 2021

The Company uses “Bornhuetter-Ferguson” method, “Chain Ladder” method and “Expected Loss Ratio” method to estimate claims incurred but not reported depending on the maturity of a particular line of business and the type of business written.

Measurement of fair values

A number of the Company’s accounting policies and disclosures require the measurement of fair values, for financial assets and liabilities.

Further information about the methods and assumptions made in measuring fair values is disclosed in note 22.

3 Significant accounting policies

(a) Foreign currencies

Transactions in foreign currencies

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rates at the reporting date. Foreign exchange differences arising from translation are recognised in profit or loss.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

(b) Cash and cash equivalents

Cash and cash equivalents in the statements of cash flows comprise cash balances, call deposits and highly liquid short-term investments.

(c) Classification of insurance and investment contracts

The Company issues insurance contracts that transfer insurance risk. These are classified as insurance contracts.

Insurance contracts are those contracts under which the Company accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event adversely affects the policyholder or other beneficiary. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

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

The Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that is significantly more than if the insured event did not occur.

Prudential Life Assurance (Thailand) Public Company Limited

Notes to the financial statements

For the year ended 31 December 2021

(d) *Recognition and measurement of insurance contracts*

Premiums receivables

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

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

For individual policies that have cash values and is overdue for more than the grace period, the premiums receivables will be settled by granting automatic policy loans where the cash value is greater than the amount due.

Long-term technical reserves

A liability for contractual benefits and claims that are expected to be incurred in the future is recorded when the premiums are recognised and is released when benefit and claims are incurred. The liability is measured using “Net Premium Valuation” method and these assumptions considered to be appropriate for the policies in force and calculated by the internal actuary of the Company.

Loss reserves and outstanding claims

Loss reserves and outstanding claims are recorded for the estimated cost of all claims notified but not settled at the reporting date, using the information available at the time. In addition, a loss reserve is also made for the cost of claims incurred but not reported as at the reporting date based on the Company’s experience and historical data. Differences between the provision for loss reserves and outstanding claims at the reporting date and subsequent revisions and settlements are included in the profit or loss.

Premium reserves

The premium reserves comprise of the unearned premium reserve and unexpired risk reserve.

Unearned premium reserve

The unearned premium reserve for short-term group insurance, short-term riders and short-term insurance are calculated based on a pro-rata basis of the premium based on the remaining duration of each policy.

Unexpired risks reserve

Unexpired risks reserve is the reserve for the claims, which may occur, of the in-force policy. Unexpired risks reserve is set aside using an actuarial method. The reserve is calculated as the best estimate of the claims, which are expected to occur during the remaining coverage periods, based on the historical claims data.

Premium written and premium earned

Short-term insurance contracts

Premium written is recognised as revenue on the inception date and its value is presented as gross of premium before reinsurance ceding and commissions and brokerage expenses.

Premium earned comprises of premium written during the year and change in unearned premium reserves and is recognised as revenue proportionally over the period of coverage of insurance policy.

Prudential Life Assurance (Thailand) Public Company Limited

Notes to the financial statements

For the year ended 31 December 2021

Long-term insurance contracts

First year gross premium written is recognised on the effective date. Renewal gross premium written is recognised when premium is due, only if the policy is still in force. First year gross premium written and renewal gross premium written values are presented as gross of premium before reinsurance ceding and commissions and brokerage expenses.

Premium received in advance is not recognised until the due date.

Commissions and brokerage expenses

Commissions and brokerage expenses are recognised as expenses when incurred.

Benefits, claims and loss adjustment expenses

Benefits, claims and loss adjustment expenses consist of benefits, claims and losses adjustment paid during the years, net of changes in provision for short-term insurance claims are recognised as expense in profit or loss when incurred.

Reinsurance

Assets, liabilities, income and expense arising from reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Premium ceded, reinsurer's share of change in unearned premium reserve, commission income and benefits, claims and losses adjustment expenses recovered from reinsurers are recognised as expense or revenue in accordance with the pattern of reinsurance service received when incurred.

An asset or liability is recognised in the statement of financial position representing reinsurance receivables, reinsurer's share of insurance contract liabilities and reinsurance payables. The net amount is presented in the statement financial position only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The measurement of reinsurance assets is consistent with the measurement of the underlying insurance contracts.

Amounts recoverable under reinsurance contracts are assessed for impairment at reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

Liability adequacy test

Short-term insurance contracts

The liability of the Company under short-term insurance contracts is tested for adequacy by comparing the best estimate using an actuarial method with the carrying amount of unearned premiums reserve at the reporting date. Where an expected shortfall is identified, additional provisions are made for short-term reserves and are recognised in profit or loss.

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Long-term insurance contracts

The liability of the Company under long-term insurance contracts is tested for adequacy by comparing the best estimate of future contractual cash flows by using current best estimate assumptions with the carrying amount of long-term technical reserves at the reporting date. Where an expected shortfall is identified, additional provisions are made for long-term technical reserves are recognised in profit or loss.

An additional provision for liability inadequacy is made where the reserves are calculated by using actuarial method "Gross Premium Valuation" based on current assumptions of policies in force at the reporting date exceeds the liabilities calculated by using Net Premium Valuation method.

Unbundling of deposit components

Some insurance contracts contain both insurance component and a deposit component. In some cases, an insurer is required or permitted to unbundle those components:

The Company's accounting policy requires unbundling a deposit component if both the following conditions are met:

- (1) the Company can measure the deposit component (including any embedded surrender options) separately (i.e. without considering the insurance component) and
- (2) The Company's accounting policies do not otherwise require it to recognise all obligations and rights arising from the deposit component.

(e) Financial instruments

(1) Recognition and initial measurement

Financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset and financial liability are initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A financial asset and a financial liability measured at FVTPL are initially recognised at fair value.

(2) Classification and subsequent measurement

Financial assets

Financial assets held for trading measured at fair value to profit or loss. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets other than those securities held for trading, are classified as available-for-sale investments subsequent to their initial recognition, available-for-sale investments are measured at fair value to other comprehensive income, with changes in fair value on investments recognised directly in equity, except impairment losses and monetary in foreign exchange differences are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

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The fair value of debt securities is calculated by referencing to the price quoted by Thai Bond Market Association at reporting date. For debt securities which are not listed on the Thai Bond Market Association, the fair value is calculated by referencing to the price quoted by a reliable institutions at the reporting date.

For equity securities and other securities which are listed, the fair value is estimated using the last bid price from the Stock Exchange of Thailand (SET) at reporting date. For unit trusts which are non-listed, fair value is estimated using net asset value at reporting date.

In the event the Company reclassifies investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The difference between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as surplus or deficit from changes in the value of investments in equity, depending on the type of investment that is reclassified.

Financial liabilities

Financial liabilities are measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(3) *Derecognition*

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

If the Company disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

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On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(4) *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(5) *Derivatives*

Derivative financial instruments are used to manage exposure to foreign exchange and interest rate risks arising from investment activities. Derivative financial instruments are not used for trading purposes.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, they are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on nature of the item being hedged. The fair value of derivatives is based on valuation techniques, including discounted cash flow models.

(6) *Hedging*

The Company designates certain derivatives as hedging instruments to hedge the variability arising from changes in foreign exchange rates, interest rates and re-investment risk.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

For all financial items' hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to profit or loss.

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The Company's cash flow hedges mainly consist of bond forward contracts, that are used to protect against the exposure to variability in future cash flows on non-trading investment that are expected to be reinvested in the future.

The Company applies hedge accounting where economic hedging relationships meet the hedge accounting criteria. In these hedging relationships, hedge effectiveness is assessed based on the following factors:

- There is an economic relationship between the hedged item and the hedging instrument.
- The critical terms (including maturity) of the hedged item perfectly match the critical terms of the forward contract.
- The effect of credit risk does not dominate the value changes that result from the economic relationship.
- The hedge ratio of the hedging relationship is the same in the quantity.

(7) Loans

Loans are stated at their principal less allowance for doubtful accounts.

(f) Investments where policy holder bear the risk

Investments assets held to cover linked liabilities are the investments in unit trusts under unit-linked contracts as the policy benefits are directly linked to the value of the investment in securities. These investments in securities are stated at fair value.

For unit trusts securities which are listed, the fair value is calculated using the last bid price from the Stock Exchange of Thailand (SET) at reporting date. For unit trusts which are non-listed, the fair value is calculated using net asset value at reporting date.

(g) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in TFRS 16.

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date.

Right-of-use asset is measured at cost, less any accumulated depreciation and impairment loss, and adjusted for any remeasurements of lease liability. The cost of right-of-use asset includes the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. Depreciation is charged to profit or loss on a straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect terms of the lease and type of the asset leased.

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The lease liability is measured at amortised cost using the effective interest method.

The Company presents right-of-use assets and lease liabilities as separate items in the statement of financial position.

(h) Non-current assets held for sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held for sale, these assets are no longer depreciated.

(i) Premises and equipment

Recognition and measurement

Owned assets

Land is measured at cost less impairment losses. Building and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When separate parts of building and equipment have different useful lives, they are accounted for individually (major components).

Any gains and losses on disposal of an item of premises and equipment are determined by comparing the proceeds from disposal with the carrying amount of premises and equipment, and are recognised net within other income in profit or loss.

Subsequent costs

The cost of replacing a part of an item of premise 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 Company, 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 premise and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

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

Buildings	20	years
Buildings improvements	5	years
Leasehold buildings improvements	5 and 9	years
Office equipment and furniture	5	years
Motor vehicles	5	years

No depreciation is provided on freehold land or assets under construction.

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

(j) *Intangible assets*

Software licences

Software licences that are acquired or developed by the Company and have finite useful lives are stated at cost less accumulated amortisation and impairment losses. Software licences are amortised in profit or loss on a straight-line basis over their estimated useful lives from the date that they are available for use. The estimated useful lives is 5 years.

No amortisation is provided on intangible assets under installation.

Bancassurance agreements

Bancassurance agreements recognised in intangible asset are stated at cost less accumulated amortisation and accumulated impairment losses (if any). They are being amortised in profit or loss based on achievement of performance targets over the life of the agreements, which have initial term of 15 years plus extended terms.

Performance targets, amortisation methods, useful lives and residual rates are reviewed at each financial year-end and adjusted as appropriate.

Impairment of bancassurance agreements

The carrying amounts of the bancassurance agreements are reviewed at each reporting date to determine whether there is any indication of impairment. The impairment testing is conducted when there is an indicator of impairment and the assets' recoverable amounts are estimated.

To access indicators of an impairment, the Company monitors a number of internal and external factors, including indicators that the financial performance of the agreement is likely to be worse than expected and changes in relevant legislation and regulatory requirements that could impact the Company's ability to sell new business through the bancassurance channel.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

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(k) *Impairment*

Equity instruments and unit trust which is classified as an available-for-sale

Impairment loss is recognised when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Debt instruments except for equity and unit trust which is classified as an available-for-sale

The Company recognises allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and debt investments measured at FVOCI.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; or
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of a financial instrument.

The Company recognises ECLs equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition or credit-impaired financial assets, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs for investments in debt securities

Probabilities of default (PD) and loss given default (LGD) for investment in debt securities are based on historical data supplied by rating agency for each credit rating.

The Company considers debt securities to have low credit risk when its credit rating is equivalent to the globally understood definition of “investment grade”.

The Company assumes that the credit risk on debt securities has increased significantly if it is significant deterioration in debt securities’ credit rating.

The Company considers debt securities to be in default when:

- the debtor is unlikely to pay its credit obligations to the Company in full; or
- the debt securities are more than 1 days past due.

The assessment of a significant increase in credit risk is performed on an individual basis.

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Remeasurement of ECLs

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Increase or decrease in loss allowance is recognised as an impairment loss or a reversal of impairment loss in profit or loss, respectively. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the Company recognises an impairment loss in profit or loss with the corresponding entry in other comprehensive income.

(l) *Impairment of non-financial assets*

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

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

Calculation of recoverable amount

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of impairment

Impairment losses recognised in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) *Due to reinsurers and other accounts payable*

Due to reinsurers and other accounts payable are stated at cost.

(n) *Employee benefits*

Defined contribution plans

Obligations for contributions to defined contribution plans are personnel expensed as the related service is provided.

Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

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The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in other comprehensive income. The Company determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(p) Revenue

Interest and dividend income

Interest income is recognised in the profit or loss using the effective interest rate method. Dividend income is recognised in profit or loss on the date the Company's right to receive payments is established.

(q) Expenses

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

(r) Income tax

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and jointly-controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(s) *Earnings per share*

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

(t) *Related parties*

A related party is a person or entity that has direct or indirect control or joint control, or has significant influence over the financial and managerial decision-making of the Company; a person entity that are under common control or under the same significant influence as the Company, or the Company had direct or indirect control or joint control or has significant influence over the financial and managerial decision-making of a person or entity.

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4 Cash and cash equivalents

	2021	2020
	<i>(in thousand Baht)</i>	
Cash on hand	55	56
Deposits at banks - call deposits	2,142,656	2,046,242
Deposits at banks - time deposits	-	400,000
Less allowance for expected credit losses	(522)	(433)
Total	<u>2,142,189</u>	<u>2,445,865</u>

As at 31 December 2021 and 2020, cash and cash equivalents were denominated entirely in Thai Baht.

5 Premiums due and uncollected

As at 31 December 2021 and 2020, the balances of premiums due and uncollected are classified by aging as follows:

	2021	2020
	<i>(in thousand Baht)</i>	
Within due	506,914	757,418
Overdue		
Not over than 30 days	51,189	276
31 - 60 days	3,260	584
61 - 90 days	1,406	133
91 days - 1 year	949	155
Over 1 year	2	40
Total	<u>563,720</u>	<u>758,606</u>
Less allowance for doubtful accounts	(314)	(196)
Net	<u>563,406</u>	<u>758,410</u>

The Company has established procedures for following up on the collection of premiums due and uncollected from agents and brokers to ensure it is made within the credit terms. Legal action is taken against agents and brokers on a case-by-case basis when premiums due and uncollected are overdue.

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6 Derivatives

As at 31 December 2021 and 2020, the derivative asset and liabilities were as follows:

Derivatives for which hedge accounting has not been elected

Type of contract	Objectives	No. of contracts	Notional value	2021		Gain (loss) on remeasurement of derivatives at fair value
				Assets	Liabilities	
Foreign exchange forward	To protect against foreign exchange risk arising from investment activities	20	29,873,187	36,883	(481,460)	(653,600)
Bond forward	To protect against interest rate risk arising from investment activities	1	191,052	9,031	-	6,682
Total		21	30,064,239	45,914	(481,460)	(646,918)

Derivatives for which hedge accounting has been elected

Type of contract	Objectives	No. of contracts	Notional value	Fair value		Loss on remeasurement of derivatives at fair value
				Assets	Liabilities	
Bond forward	To hedge the price risk of the underlying bond	9	8,226,154	50,861	(259,870)	(209,009)
Total		9	8,226,154	50,861	(259,870)	(209,009)

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Derivatives for which hedge accounting has not been elected

Type of contract	Objectives	No. of contracts	Notional value	2020		Gain (loss) on remeasurement of derivatives at fair value
				Fair value Assets <i>(in thousand Baht)</i>	Liabilities	
Foreign exchange forward	To protect against foreign exchange risk arising from investment activities	10	14,514,442	209,023	-	12,787
Cross currency swap	To protect against foreign exchange and interest rate risks arising from investment activities	1	349,272	53,101	-	(2,383)
Bond forward	To protect against interest rate risk arising from investment activities	1	191,052	2,349	-	4,907
Future	To protect against equity market risk arising from investment activities	1	99,512	1,175	-	1,175
Total		13	15,154,278	265,648	-	16,486

As at 31 December 2021, the Company has hedged the foreign exchange and interest rate risks arising from investment activities by entering into foreign exchange forward and cross currency swap contracts with the banks. The notional amount of these hedges is USD 923.9 million (2020: USD 486.5 million).

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As at 31 December 2021, there were no source of ineffectiveness in these hedging relationships.

Maturity of derivatives by notional amount designated in cash flow hedging

	Notional amount Asset	2021		Total
		1 year	Maturity by notional amount 1 - 5 years Over 5 years (in thousand Baht)	
Hedging instrument on reinvestment risk				
- Bond forward contract	8,226,154	2,204,828	6,021,326 -	8,226,154

7 Investments in securities

7.1 Investment in securities by measurement of accounting guidelines are as follows:

	2021		2020	
	Cost/ Amortised cost	Fair value (in thousand Baht)	Cost/ Amortised cost	Fair value
<i>Investments measured at fair value through profit or loss</i>				
Unit trusts	3,736	4,394	3,541	3,855
Total	3,736	4,394	3,541	3,855
Add unrealised gains	658	-	314	-
Total investments measured at fair value through profit or loss	4,394	4,394	3,855	3,855
<i>Investments measured at fair value through other comprehensive income</i>				
Government and state enterprises securities	56,755,502	57,787,335	57,586,079	66,413,515
Corporate securities	34,350,414	34,627,805	36,430,451	37,172,531
Foreign securities	5,477,924	5,488,746	180,011	187,980
Equity securities	3,678,019	3,178,007	5,319,789	4,275,923
Unit trusts	16,077,083	15,615,461	8,201,298	8,048,337
Total	116,338,942	116,697,354	107,717,628	116,098,286
Add unrealised gains	358,412	-	8,380,658	-
Total investments measured at fair value through other comprehensive income	116,697,354	116,697,354	116,098,286	116,098,286
Allowance for expected credit losses - Debt		474,026		953,890
Allowance for impairment losses - Equity securities and unit trusts classified as equity		371,679		416,700

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7.2 Fair value through other comprehensive income

	2021		2020	
	Fair value	Allowance for expected credit losses / impairment (in thousand Baht)	Fair value	Allowance for expected credit losses / impairment
Debt securities - no significant increase in credit risk / performing (stage 1)	111,527,343	25,721	109,792,879	17,862
Debt securities - default / non-performing (stage 3)	865,135	448,305	839,575	936,028
Equity securities and unit trusts classified as equity	4,304,876	371,679	5,465,832	416,700
Total	116,697,354	845,705	116,098,286	1,370,590

At 31 December 2020, debt securities measured at fair value through other comprehensive income having amortised cost of Baht 1,775.6 million had a significant increase in credit risk and was transferred from stage 1 to stage 3. In 2021, the Company has recalculated the modified contractual cash flows of debt securities - default/ non-performing (stage 3) according to the approved rehabilitation plan date 15 June 2021, which resulted in the revised book value of Baht 1,279.7 million or equal to a modification loss of Baht 495.9 million and recalculated the allowance for expected credit losses to reflect the expected recovery amount.

7.3 Aging of debt securities

As at 31 December 2021 and 2020, investments in debt securities were classified by the remaining period to maturity as follows:

	2021				Total
	Within 1 year	1 - 5 years	5 - 10 years	Over 10 years	
	Maturities (in thousand Baht)				
<i>Government and state enterprise securities</i>					
Bonds	299,762	3,733,655	9,157,406	42,264,212	55,455,035
Debentures	300,467	-	-	-	300,467
Notes	-	-	-	1,000,000	1,000,000
<i>Corporate securities</i>					
Debentures	2,170,346	7,940,168	15,086,671	9,153,229	34,350,414
<i>Foreign securities</i>					
Bonds	-	-	2,108,946	-	2,108,946
Debentures	-	150,000	2,590,060	628,918	3,368,978
Total	2,770,575	11,823,823	28,943,083	53,046,359	96,583,840
Add net unrealised gain from fair value changes on securities	14,910	338,188	176,397	790,551	1,320,046
Total debt securities	2,785,485	12,162,011	29,119,480	53,836,910	97,903,886
Allowance for expected credit losses	1,185	5,168	322,020	145,653	474,026

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	2020				Total
	Within 1 year	Maturities		Over 10 years	
		1 - 5 years	5 - 10 years		
		<i>(in thousand Baht)</i>			
<i>Government and state enterprise securities</i>					
Bonds	601,394	4,389,727	7,044,592	43,747,602	55,783,315
Debentures	136,210	666,554	-	-	802,764
Notes	-	-	-	1,000,000	1,000,000
<i>Corporate securities</i>					
Debentures	802,528	12,029,882	16,949,963	6,648,078	36,430,451
<i>Foreign securities</i>					
Bonds	30,011	-	-	-	30,011
Debentures	-	150,000	-	-	150,000
Total	1,570,143	17,236,163	23,994,555	51,395,680	94,196,541
Add net unrealised gain (loss) from fair value changes on securities	(93,614)	(103,205)	1,323,367	8,450,937	9,577,485
Total debt securities	1,476,529	17,132,958	25,317,922	59,846,617	103,774,026
Allowance for expected credit losses	105,988	805,602	7,498	34,802	953,890

8 Loans and accrued interest

As at 31 December 2021 and 2020, loans and accrued interest receivables were classified by aging as follows:

Stage	2021	2020
	Other	Other
	<i>(in thousand Baht)</i>	
Loans - no significant increase in credit risk (stage 1)	57	-
Less allowance for doubtful accounts	-	-
Total	57	-
Policy loans	3,007,778	2,705,492
Accrued interest receivable	344,660	328,024
Loans and accrued interest, net	3,352,495	3,033,516

Policy loans represent loans granted to the policyholders at an amount not exceeding the cash value of the policy, an interest not exceeding the premium written calculation and plus 2% per annum.

Other loans were personal guarantee loans to staff with interest rate of 4.32 % per annum (2020: Nil).

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9 Investment assets where policyholders bear the investment risk

	2021		2020	
	Cost	Fair value <i>(in thousand Baht)</i>	Cost	Fair value
Unit trusts in fixed income funds	1,366,974	1,404,732	1,730,529	1,774,059
Unit trusts in equity funds	8,364,994	9,234,175	5,696,327	6,335,709
Unit trusts in mixed funds	1,756,875	1,970,388	1,848,309	1,926,840
Unit trusts in other funds	69,026	74,127	77,093	88,898
Total	11,557,869	12,683,422	9,352,258	10,125,506
<i>Add unrealised surpluses from fair value changes in investments</i>	1,125,553	-	773,248	-
Total Investment assets where policyholders bear the investment risk	12,683,422	12,683,422	10,125,506	10,125,506

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10 Premises and equipment

	Land	Buildings	Buildings improvements	Leasehold buildings improvements (in thousand Baht)	Office equipment and furniture	Assets under construction	Total
<i>Cost</i>							
At 1 January 2020	4,844	13,114	7,571	213,904	279,734	894	520,061
Reclassification	-	-	(625)	625	-	-	-
At 1 January 2020 (reclassified)	4,844	13,114	6,946	214,529	279,734	894	520,061
Additions	-	-	-	1,654	23,629	28,371	53,654
Disposals and write-offs	-	-	-	(4,104)	(77,612)	-	(81,716)
At 31 December 2020 and 1 January 2021	4,844	13,114	6,946	212,079	225,751	29,265	491,999
Additions	-	-	-	706	16,649	184,274	201,629
Transfers in / (out)	-	-	-	181,870	31,569	(213,439)	-
Disposals and write-offs	-	-	(4,845)	(214,239)	(151,804)	-	(370,888)
At 31 December 2021	4,844	13,114	2,101	180,416	122,165	100	322,740
<i>Accumulated depreciation</i>							
At 1 January 2020	-	13,113	6,654	164,935	227,542	-	412,244
Reclassification	-	-	291	(291)	-	-	-
At 1 January 2020 (reclassified)	-	13,113	6,945	164,644	227,542	-	412,244
Depreciation charge for the year	-	-	-	38,773	16,577	-	55,350
Disposals and write-offs	-	-	-	(3,186)	(53,930)	-	(57,116)
At 31 December 2020 and 1 January 2021	-	13,113	6,945	200,231	190,189	-	410,478
Depreciation charge for the year	-	-	-	24,786	17,125	-	41,911
Disposals and write-offs	-	-	(4,845)	(210,359)	(146,929)	-	(362,133)
At 31 December 2021	-	13,113	2,100	14,658	60,385	-	90,256
<i>Net book value</i>							
At 1 January 2020	4,844	1	1	49,885	52,192	894	107,817
At 31 December 2020 and 1 January 2021	4,844	1	1	11,848	35,562	29,265	81,521
At 31 December 2021	4,844	1	1	165,758	61,780	100	232,484

The gross amount of the Company's fully depreciated building and equipment that was still in use as at 31 December 2021 amounted to Baht 32.4 million (2020: Baht 162.8 million).

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11 Leases

	2021	2020
	<i>(in thousand Baht)</i>	
<i>Right-of-use assets</i>		
Buildings	256,694	13,579
Vehicle	2,586	2,152
Other	5,896	463
Total	265,176	16,194

In 2021, additions to the right-of-use assets of the Company were Baht 288.6 million (2020: Baht 38.4 million).

As at 31 December 2021, Company leases building for 3 years, with extension options at the end of lease term and paid fixed rental over the lease term. The rental is payable monthly as specified in the contract (2020: 3 years).

For the year ended 31 December

Lease liability

Maturity analysis - contractual undiscounted cash flows

	2021	2020
	<i>(in thousand Baht)</i>	
Less than 1 year	36,017	15,452
Between 1 and 5 years	140,854	1,049
Over 5 years	113,219	-
Total undiscounted lease liabilities	290,090	16,501
Lease liabilities included in the statement of financial position	251,527	16,352

For the year ended 31 December

Amounts recognised in profit or loss

Depreciation of right-of-use assets:

	2021	2020
	<i>(in thousand Baht)</i>	
- Buildings	36,915	20,370
- Vehicle	797	1,135
- Others	463	694
Interest on lease liabilities	6,972	554
Expenses relating to leases of low-value assets	2,465	1,814

As at 31 December 2021, total cash outflow for leases of the Company were Baht 59 million (2020: Baht 22.6 million).

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12 Intangible assets

	Software licenses	Software under development (in thousand Baht)	Bancassurance agreement	Total
Cost				
At 1 January 2020	495,901	103,961	12,775,406	13,375,268
Additions	3,047	215,370	8,167,150	8,385,567
Transfers in/ (out)	139,069	(139,069)	-	-
Disposals and write-offs	(42,913)	(18,840)	-	(61,753)
At 31 December 2020 and 1 January 2021	595,104	161,422	20,942,556	21,699,082
Additions	431	325,227	-	325,658
Transfers in/ (out)	240,324	(240,324)	-	-
Disposals and write-offs	(167)	-	-	(167)
At 31 December 2021	835,692	246,325	20,942,556	22,024,573
Accumulated amortisation				
At 1 January 2020	326,967	-	1,942,350	2,269,317
Amortisation charge for the year	70,260	-	269,761	340,021
Disposals and write-offs	(31,068)	-	-	(31,068)
At 31 December 2020 and 1 January 2021	366,159	-	2,212,111	2,578,270
Amortisation charge for the year	102,377	-	280,269	382,646
Disposals and write-offs	(19)	-	-	(19)
At 31 December 2021	468,517	-	2,492,380	2,960,897
Net book value				
At 1 January 2020	168,934	103,961	10,833,056	11,105,951
At 31 December 2020 and 1 January 2021	228,945	161,422	18,730,445	19,120,812
At 31 December 2021	367,175	246,325	18,450,176	19,063,676

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13 Insurance contract liabilities

	Liabilities under insurance contracts	2021 Reinsurers' share liabilities	Net <i>(in thousand Baht)</i>	Liabilities under insurance contracts	2020 Reinsurers' share liabilities	Net
Long-term technical reserves	114,835,600	-	114,835,600	105,433,242	-	105,433,242
Short-term technical reserves						
Loss reserves and outstanding claims						
- Case reserves	58,191	-	58,191	45,009	-	45,009
- Incurred but not reported	41,882	-	41,882	41,382	-	41,382
Total loss reserves and outstanding claims	100,073	-	100,073	86,391	-	86,391
Unearned premium reserves	285,435	-	285,435	263,406	-	263,406
Total short-term technical reserves	385,508	-	385,508	349,797	-	349,797
Unpaid policy benefits	392,598	-	392,598	327,987	-	327,987
Due to insured	917,686	-	917,686	687,158	-	687,158
Total	116,531,392	-	116,531,392	106,798,184	-	106,798,184

Prudential Life Assurance (Thailand) Public Company Limited

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For the year ended 31 December 2021

13.1 Long-term technical reserves

	2021	2020
	<i>(in thousand Baht)</i>	
At 1 January	105,433,242	97,678,686
Reserve increase from new and inforce policies during the year	18,594,083	17,133,493
Reserves released for benefits payment, lapse and policies cancelled during the year	<u>(9,191,725)</u>	<u>(9,378,937)</u>
At 31 December	<u>114,835,600</u>	<u>105,433,242</u>

13.2 Short-term technical reserve

13.2.1 Loss reserves and outstanding claims

	2021	2020
	<i>(in thousand Baht)</i>	
At 1 January	86,391	96,324
Insurance claim expense incurred during the year	373,624	379,317
Insurance claim expense paid during the year	<u>(359,942)</u>	<u>(389,250)</u>
At 31 December	<u>100,073</u>	<u>86,391</u>

13.2.2 Unearned premium reserves

	2021	2020
	<i>(in thousand Baht)</i>	
At 1 January	263,406	281,963
Premium written during the year	744,497	645,567
Earned premium during the year	<u>(722,468)</u>	<u>(664,124)</u>
At 31 December	<u>285,435</u>	<u>263,406</u>

13.3 Unpaid policy benefits

	2021	2020
	<i>(in thousand Baht)</i>	
Death	53,341	63,514
Unpresented cheques for benefits and claims payment	328,002	253,968
Others	11,255	10,505
Total	<u>392,598</u>	<u>327,987</u>

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13.4 Due to insured

	2021	2020
	<i>(in thousand Baht)</i>	
Policyholder deposits	909,825	681,927
Advance premium	3	3
Others	7,858	5,228
Total	917,686	687,158

14 Investment contract liabilities

The movement of investment contract liabilities are as follows;

	2021	2020
	<i>(in thousand Baht)</i>	
At 1 January	10,206,894	8,759,234
Deposit during the year	3,338,979	2,178,415
Withdrawal during the year	(1,505,739)	(1,221,612)
Valuation adjustment during the year	712,271	490,857
At 31 December	12,752,405	10,206,894

15 Reserves

Legal reserve

Section 116 of the Public Companies Act B.E. 2535 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

Other components of equity

Remeasurement of investment-fair value through other comprehensive income

The fair value changes in investment-fair value through other comprehensive income account within equity comprises the cumulative net changes in the fair value of investment-fair value through other comprehensive income until securities are derecognised or impaired.

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16 Net investment income

	2021	2020
	<i>(in thousand Baht)</i>	
<i>Dividend income</i>		
Other parties	655,197	627,892
	<u>655,197</u>	<u>627,892</u>
<i>Interest income</i>		
Other parties	2,975,957	3,078,642
	<u>2,975,957</u>	<u>3,078,642</u>
<i>Interest expense</i>		
Other parties	(619)	(615)
	<u>(619)</u>	<u>(615)</u>
<i>Investment related expense</i>		
Related parties	(173,230)	(142,995)
Other parties	(8,759)	(9,832)
	<u>(181,989)</u>	<u>(152,827)</u>
Total	<u>3,448,546</u>	<u>3,553,092</u>

17 Operating expenses

	2021	2020
	<i>(in thousand Baht)</i>	
Personnel expense	1,691,845	1,309,697
Premises and equipment expense	509,319	423,919
Depreciation of right-of-use assets	38,175	22,199
Interest expense on lease liabilities	6,972	554
Taxes and duties	104,758	97,150
Reversal of bad debt and doubtful accounts expense	118	36
Directors' remuneration	3,235	4,057
Other operating expenses	752,069	829,010
Total	<u>3,106,491</u>	<u>2,686,622</u>

18 Employee benefit expenses

	2021	2020
	<i>(in thousand Baht)</i>	
Wages and salaries	1,053,867	806,913
Defined benefit plans	14,166	11,499
Defined contribution plans	52,141	43,352
Others	636,990	507,635
Total	<u>1,757,164</u>	<u>1,369,399</u>

The defined contribution plans comprise provident funds established by the Company for its employees. Membership to the fund is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 3% to 15% of their basic salaries and by the Company at rates ranging from 5% to 10% of the employees' basic salaries. The provident fund is registered with the Ministry of Finance as juristic entity and is managed by a licensed Fund Manager.

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19 Income tax

Income tax recognised in profit or loss

	2021	2020
	<i>(in thousand Baht)</i>	
Current tax expense		
Current year	170,617	277,207
Adjusted prior year income tax	(5,328)	31,324
Deferred tax expense		
Movements in temporary differences	(162,090)	(224,550)
Adjusted prior year deferred tax	(1,896)	(2,250)
Total income tax expense	<u>1,303</u>	<u>81,731</u>

Reconciliation of effective tax rate

	2021		2020	
	<i>Rate</i>	<i>(in thousand</i>	<i>Rate</i>	<i>(in thousand</i>
	<i>(%)</i>	<i>Baht)</i>	<i>(%)</i>	<i>Baht)</i>
Profit before income tax		<u>74,577</u>		<u>247,758</u>
Income tax using the Thai corporation tax rate	20.0	14,915	20.0	49,552
Income not subject to tax and expenses not deductible for tax purposes		(6,388)		3,105
Adjustments related to prior year		(7,224)		29,074
Total	<u>1.7</u>	<u>1,303</u>	<u>33.0</u>	<u>81,731</u>

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Movements in deferred tax balances are as follows:

	2021	2020
	<i>(in thousand Baht)</i>	
Deferred tax assets	487,607	351,790
Deferred tax liabilities	<u>(270,298)</u>	<u>(2,046,850)</u>
Net deferred tax assets (liabilities)	<u>217,309</u>	<u>(1,695,060)</u>

Movements in deferred tax assets and liabilities for the year ended 31 December 2021 and 2020 were as follows:

	<u>(Charged) / Credited to:</u>			
	At 1 January 2021	Profit or loss	Other comprehensive income <i>(in thousand Baht)</i>	At 31 December 2021
<i>Deferred tax assets</i>				
Premises and equipment	23,417	(3,521)	-	19,896
Intangible assets	5,533	(3,470)	-	2,063
Provision for reinstatement	1,000	97	-	1,097
Employee benefit obligations	26,310	795	-	27,105
Unpaid policy benefits	10,377	(358)	-	10,019
Premium reserve	10,823	(5,365)	-	5,458
Expected credit losses and impairment losses on investments	274,205	(103,968)	-	170,237
Modification loss	-	92,465	-	92,465
Unrealised loss on derivative instruments	-	87,109	41,802	128,911
Others	125	30,231	-	30,356
Total	<u>351,790</u>	<u>94,015</u>	<u>41,802</u>	<u>487,607</u>
<i>Deferred tax liabilities</i>				
(Gain) loss on remeasurement of investment - fair value through other comprehensive income	(1,950,248)	-	1,709,426	(240,822)
Unrealised (gain) loss on exchange rate adjustment from foreign currency investment	(22,763)	16,910	-	(5,853)
Gain on remeasurement of investment - fair value through profit or loss	(63)	(69)	-	(132)
Actuarial gain on defined benefit plan	(20,646)	-	(2,845)	(23,491)
Unrealised (gain) loss on derivative instruments	(53,130)	53,130	-	-
Total	<u>(2,046,850)</u>	<u>69,971</u>	<u>1,706,581</u>	<u>(270,298)</u>
Net	<u>(1,695,060)</u>	<u>163,986</u>	<u>1,748,383</u>	<u>217,309</u>

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	At 1 January 2020	Impact of changes in accounting policies	(Charged) / Credited to:		At 31 December 2020
			Profit or loss	Other comprehensive income <i>(in thousand Baht)</i>	
<i>Deferred tax assets</i>					
Premises and equipment	17,971	-	5,446	-	23,417
Intangible assets	9,205	-	(3,672)	-	5,533
Provision for reinstatement	-	-	1,000	-	1,000
Employee benefit obligations	27,328	-	(1,018)	-	26,310
Unpaid policy benefits	10,905	-	(528)	-	10,377
Premium reserve	5,087	-	5,736	-	10,823
Expected credit losses and impairment losses on investments	-	5,757	268,448	-	274,205
Others	-	-	125	-	125
Total	70,496	5,757	275,537	-	351,790
<i>Deferred tax liabilities</i>					
(Gain) loss on remeasurement of investment - fair value through other comprehensive income	(2,256,956)	(230,590)	-	537,298	(1,950,248)
Unrealised (gain) loss on exchange rate adjustment from foreign currency investment	(201,961)	224,625	(45,427)	-	(22,763)
Gain on remeasurement of investment - fair value through profit or loss	(52)	-	(11)	-	(63)
Actuarial gain on defined benefit plan	(16,576)	-	-	(4,070)	(20,646)
Unrealised gain on derivative instruments	(49,832)	-	(3,298)	-	(53,130)
Total	(2,525,377)	(5,965)	(48,736)	533,228	(2,046,850)
Net	(2,454,881)	(208)	226,801	533,228	(1,695,060)

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20 Expected credit losses and impairment losses on investments (reversal)

	2021	2020
	<i>(in thousand Baht)</i>	
Cash and cash equivalent	89	(2,482)
Investments in debt securities	16,054	928,019
Investments in equity securities and unit trusts classified as equity	(45,021)	416,700
Total	(28,878)	1,342,237

21 Basic earnings per share

The calculations of basic earnings per share for the years ended 31 December 2021 and 2020 were based on the profit the years attributable to ordinary shareholders of the Company and the ordinary shares outstanding during the years as follows:

	2021	2020
	<i>(in thousand Baht / thousand shares)</i>	
Profit for the year attributable to ordinary shareholders of the company (basic)	73,275	166,027
Number of ordinary shares outstanding	2,211,153	2,211,153
Basic earnings per share (in Baht)	0.03	0.08

22 Risk management and financial instruments

22.1 Financial risk management policies

The Company is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Company does not hold or issue derivative financial instruments for speculative or trading purposes.

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

22.2 Insurance risk management

Insurance risk is the risk under any one insurance contract which is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance contract liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

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Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. Risks that are specific to the various types of insurance contracts are elaborated as follows:

22.2.1 Underwriting risks

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk and the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of the type of risk and the level of insured benefits. The risk selection process determines the groups of insurance risk that are acceptable to the Company so that diversification of insurance risk types is achieved. At the same time, this is to ensure within each of these risk types, there is a sufficiently large population of risks to reduce the variability of the expected outcome.

Each group of insurance risks is classified into categories of standard and degree of substandard through underwriting. Medical selection and financial underwriting guidelines included in the Company's underwriting procedures allow the correct assignment of insurance risk to the appropriate classes. Each class has varied premium to reflect the health condition and family medical history of the applicants.

Claims risk

Claims risk refers to the possibility that the frequency or severity of claims arising from insurance contracts exceeds the level assumed when the products were priced.

Claim trends are monitored on an ongoing basis. Exposure to large claims is managed by establishing policy retention limits, which vary by products. Policies in excess of the limits are reinsured with other companies.

Mortality and morbidity are monitored monthly and the overall experience was within the Company's assumptions used in "Gross premium valuation" reserve calculation.

Investment returns

The Company's policy of closely matching the cash flows of assets with those of the corresponding liabilities is designed to mitigate the Company's exposure to future changes in interest rates. The interest rate risk positions are monitored on an ongoing basis due to the mismatch of assets and corresponding liabilities, which reduces capital adequacy ratio.

Policyholder behaviour risk

The Company seeks to design products that minimize financial exposure to lapse, surrender and other policyholder behaviour risk. The Company monitors lapse, surrender and other policyholder behaviour experience. Policyholder behaviour experience was when compared to the Company's assumptions used in the "Gross premium valuation" reserve calculation.

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Expense overrun risk

The Company prices its products to cover the expected costs of servicing and maintaining them. The Company monitors expenses monthly, including comparisons of actual expenses to expense levels allowed for in pricing and valuation.

In pricing insurance products the Company manages expense overrun risk by allowing for an appropriate level of expenses that reflects a realistic medium-term to long-term view of the underlying cost structure. A disciplined expense budgeting and management process is followed that controls expenses within product pricing allowances over the medium to long term.

22.2.2 Concentration of insurance risk

Concentrations of risk may arise where a particular event or a series of events could impact heavily upon the Company's insurance contract liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts and relate to circumstances where significant liabilities could arise.

Insurance risk for contracts is also affected by the policyholders' right to pay reduced or no future premiums, or to terminate the contract completely. As a result, the amount of insurance risk is also subject to policyholder behaviour. On the assumption that policyholders will make decisions rationally, overall insurance risk can be assumed to be aggravated by such behaviour. The Company has factored the impact of policyholders' behaviour into the assumptions used to measure insurance contract liabilities.

The Company has life insurance for participating and non-participating contracts with guaranteed benefits. The amount of risk to which the Company is exposed depends on the level of guarantees inherent in the contracts and the current interest rate. The changes in interest rate will not cause a change to the amount of the liability, unless the change is material enough to trigger a liability adequacy test adjustment.

As at 31 December 2021, the discount interest rates for the purpose of the liability adequacy test, in accordance with industry practice, is the average of eight quarters of the zero-coupon Thailand government bond yield curve plus illiquidity premium of around 96 basis points (2020: 122 basis points). Management monitors the sensitivity to changes in rates on an ongoing basis. A decrease of 233 basis points from current market interest rates would be trigger a liability adequacy test adjustment.

22.3 Capital management

The Company's capital management policy is to maintain a strong capital base to meet policyholders' obligations and the requirements of the Office of Insurance Commission, to create shareholder value and deliver sustainable returns to shareholders. The Company performed its own risk and solvency assessment (ORSA) incorporating with its business plan, company key risk, and capital management, taking into account strategic risks and external factors which could negatively affect capital adequacy. Capital management is one of the key responsibilities of Asset and Liability Committee (ALCO). The Company activities to effectively monitor and test our capital sufficiency on a regular basis include but not limited to

- Testing capital adequacy in 3 years Business Plan;
- Regularly testing and forward projection of capital adequacy based on going concern basis and economic downturn; and
- The sensitivity test on any significant changes to assess the impact of key risk variables for better informed decisions.

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In accordance with and the requirements of the Office of Insurance Commission, all insurers are required to maintain a minimum at least 120% of capital adequacy ratio. It is the Company's policy to hold capital levels in excess of minimum requirement.

22.4 Interest rate risk

Interest rate risk is the risk that the future movement in market interest rates will affect the interest income from deposit at banks and investments. Investments include both short-term and long-term investments that have fixed and floating interest rates. The Company has managed the risk by considering the risk of investments together with the return on such investments.

In addition, the Company has used derivative financial instruments, principally bond forward and cross currency swap (Note 6) to manage exposure to fluctuations in interest rates on specific debt securities.

At 31 December 2021 and 2020, significant financial assets classified by type of interest rate are as follows:

	Non-interest bearing	2021		Total
		Floating interest rate	Fixed interest rate	
		<i>(in thousand Baht)</i>		
Financial assets				
Cash and cash equivalents	101,197	2,040,992	-	2,142,189
Investments in securities				
Bonds	-	-	58,382,640	58,382,640
Debentures	-	-	38,299,718	38,299,718
Notes	-	-	1,221,528	1,221,528
Loans	-	-	3,007,835	3,007,835
Total	101,197	2,040,992	100,911,721	103,053,910
		2020		
	Non-interest bearing	Floating interest rate	Fixed interest rate	Total
		<i>(in thousand Baht)</i>		
Financial assets				
Cash and cash equivalents	61,545	1,984,318	400,000	2,445,863
Investments in securities				
Bonds	-	-	64,103,239	64,103,239
Debentures	-	-	38,236,286	38,236,286
Notes	-	-	1,434,501	1,434,501
Loans	-	-	2,705,492	2,705,492
Total	61,545	1,984,318	106,879,518	108,925,381

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As of 31 December 2021 and 2020, financial assets carrying interest at fixed rates are classified on the basis of the length of time from the reporting date to the next re-pricing date, or to the maturity date whichever is sooner. The details are as follows:

	Average interest rate (% per annum)	Maturity period				Total
		No maturity	Within 1 year	After 1 year but within 5 years (in thousand Baht)	Over 5 years	
At 31 December 2021						
Financial assets						
Investments in securities						
Bonds	3.11	-	299,735	3,795,163	54,287,742	58,382,640
Debentures	3.74	-	2,485,750	8,366,848	27,447,120	38,299,718
Notes	4.10	-	-	-	1,221,528	1,221,528
Loans	3.63-8.00	3,007,778	-	57	-	3,007,835
Total		3,007,778	2,785,485	12,162,068	82,956,390	100,911,721

	Average interest rate (% per annum)	Maturity period				Total
		No maturity	Within 1 year	After 1 year but within 5 years (in thousand Baht)	Over 5 years	
At 31 December 2020						
Financial assets						
Cash and cash equivalents	0.2	-	400,000	-	-	400,000
Investments in securities						
Bonds	3.29	-	635,017	4,504,662	58,963,560	64,103,239
Debentures	3.84	-	841,512	12,628,296	24,766,478	38,236,286
Notes	4.10	-	-	-	1,434,501	1,434,501
Loans	4.00-8.00	2,705,492	-	-	-	2,705,492
Total		2,705,492	1,876,529	17,132,958	85,164,539	106,879,518

Policy loans are fully collateralised by the value of the underlying policy and carry interest rates which follow the regulations of the Office of Insurance Commission. The average rate of interest in the year ended 31 December 2021 was 3.63% - 8.00% per annum (2020: 4.00% - 8.00% per annum). The contractual maturity of these loans would generally follow the maturity profile of the underlying insurance policy with which they are associated. Policyholders may repay policy loans prior to maturity.

Sensitivity analysis

A reasonable possible change of 0.5% interest rates as at 31 December 2021 (2020: 0.5%) would have affected the measurement of investment in debt securities and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

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	2021			
	Profit or loss		Equity, net of tax	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
	<i>(in thousand Baht)</i>			
Investments in debt securities	-	-	(4,491,168)	4,491,168

	2020			
	Profit or loss		Equity, net of tax	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
	<i>(in thousand Baht)</i>			
Investments in debt securities	-	-	(5,013,927)	5,013,927

22.5 Foreign currency risk

The Company is exposed to foreign currency risk relating to settlement of financial assets and financial liabilities which are denominated in foreign currencies.

At 31 December 2021 and 2020, the Company were exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies:

	Note	2021	2020
		<i>(in thousand Baht)</i>	
Investment in securities (<i>US Dollars</i>)	7.1	29,774,392	14,755,698
Gross risk exposure in the statements of financial position		29,774,392	14,755,698
Notional amount of foreign exchange forward contracts	6	(29,873,187)	(14,514,442)
Notional amount of cross currency swap contracts	6	-	(349,272)
Net risk exposure		(98,795)	(108,016)
Other payable - related parties (<i>Hong Kong Dollars</i>)	23	51,242	257,950
Other payable - related parties (<i>US Dollars</i>)	23	177,253	365,347
Other payable - related parties (<i>Great British Pound</i>)	23	-	196
Accrued investment management fee - related parties (<i>Singapore Dollars</i>)	23	44,242	23,526
Gross risk exposure in the statements of financial position		272,737	647,019

22.6 Credit risk

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

Key areas that the Company is exposed to credit risk are cash positions, premium due and uncollected, policy loans and investments in debt securities.

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 policyholders, borrowers and debt securities on an ongoing basis.

Concentrations of the credit risk with respect to premiums due and uncollected are insignificant due to the large number of customers comprising the customer base and their dispersion across different industries and geographic regions in Thailand.

In addition, there is insignificant risk from policy loans since the amount lent to insured parties is less than the cash value of their policies with the Company.

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Credit quality analysis

The following table sets out information about the credit quality as at 31 December 2021 and 2020 of investment in corporate debt securities measured at fair value through comprehensive income, based on Moody's, Standard & Poor's (S&P's), Fitch, or TRIS ratings.

	2021			Total
	Stage 1	Stage 2	Stage 3	
	<i>(in thousand Baht)</i>			
<i>Investments measured at fair value through other comprehensive income</i>				
Rated AAA	1,221,738	-	-	1,221,738
Rated AA- to AA+	17,697,754	-	-	17,697,754
Rated A- to A+	8,557,957	-	-	8,557,957
Rated BBB+ and below	9,655,432	-	-	9,655,432
Non-rated	-	-	865,135	865,135
Carrying amount	37,132,881	-	865,135	37,998,016
Less allowance for excepted credit losses	23,972	-	448,305	472,277

	2020			Total
	Stage 1	Stage 2	Stage 3	
	<i>(in thousand Baht)</i>			
<i>Investments measured at fair value through other comprehensive income</i>				
Rated AAA	2,049,158	-	-	2,049,158
Rated AA- to AA+	19,361,088	-	-	19,361,088
Rated A- to A+	8,067,483	-	-	8,067,483
Rated BBB+ and below	7,043,207	-	-	7,043,207
Non-rated	-	-	839,575	839,575
Carrying amount	36,520,936	-	839,575	37,360,511
Less allowance for excepted credit losses	17,150	-	936,028	953,178

22.7 Equity price risk

The Company invests in equity portfolio to enhance longer term returns. As equity portfolio value might be volatile due to market price movements, the exposure to equities is managed carefully to ensure that the Company's internal capital requirements are met at all times, as well as in compliant with any applicable regulations by regulators. The Company monitors equity price risk on a regular basis.

Sensitivity analysis

A reasonably possible change of the stock market as at 31 December 2021 and 2020 would have affected the valuation of investment in listed equity investments and affected equity and profit or loss by the amount shown below.

	2021			
	Profit or loss		Equity, net of tax	
	2% increase	2% decrease	2% increase	2% decrease
	<i>(in thousand Baht)</i>			
Investments in equity securities	-	-	68,759	(68,759)
	2020			
	Profit or loss		Equity, net of tax	
	2% increase	2% decrease	2% increase	2% decrease
	<i>(in thousand Baht)</i>			
Investments in equity securities	-	-	87,333	(87,333)

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22.8 Liquidity risk

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

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

The following tables show information about the estimated timing of the undiscounted net cash flows from the Company's insurance and investment contract liabilities. The analysis provided is by estimating the timing of the amounts recognised in the statement of financial position.

	Amount (in thousand Baht)	Estimated <u>undiscounted</u> net cash flows				Total
		1 - 5 years	6-10 years	11-15 years (%)	More than 16 years	
31 December 2021						
Liabilities						
Insurance and investment contracts liabilities	144,319,907	10.7	33.6	22.2	33.5	100
31 December 2020						
Liabilities						
Insurance and investment contracts liabilities	131,280,318	12.7	36.4	21.7	29.2	100

22.9 Fair values of financial assets and liabilities

Fair value hierarchy

Analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows.

- Level 1: quoted prices in active markets for identical assets or liabilities.
- 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: input for the asset or liability that are based on unobservable inputs.

The following methods and assumptions were used by the Company in estimating fair value of financial assets and financial liabilities as disclosed herein.

The carrying value of these financial instruments, cash and cash equivalents, accrued investment income, premiums due and uncollected, loans, due to reinsurers, unpaid policy benefit loss reserves and outstand claim and other payables approximates the fair value.

The Company determines Level 2 fair values for debt securities using clean price on the last day of the period provided by the Thai Bond Market Association and foreign issued debt securities using quotes from brokers and dealers.

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The Company determines Level 2 fair values for unit trusts using the net asset value (NAV) on the last business day of the period provided by assets management companies.

The Company determines Level 2 fair values for promissory notes using discounted cash flow technique, which uses contractual cash flows and a market - related discount rate.

Level 2 fair values for simple over-the-counter derivative financial instruments are based on counterparty quotes.

The Company determines level 3 fair value based on multiple of price per book value approach for equity securities which are not marketable.

The Company determines level 3 fair value for debt securities based on recovery rate estimated from rehabilitation plan.

The Company recognises transfers between levels of the fair value hierarchy as of the end of reporting period during which the transfer has occurred. During the year ended 31 December 2021, there were no transfers between levels of the fair value hierarchy (2020: debt security having fair value of Baht 839.6 million was transferred from level 2 to level 3).

22.9.1 Financial assets and liabilities carried at fair value.

The Company have an established control framework with respect to the measurement of fair values. This is to ensure that prudent revaluation principles and proper internal control procedures are in place.

The following table analyses significant financial assets carried at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Carrying amounts and Fair value			Total
	Level 1	Level 2	Level 3	
<i>31 December 2021</i>				
Financial assets				
Investment in securities				
Investment measured at fair value through profit or loss	4,394	-	-	4,394
Investment measured at fair value through other comprehensive income	<u>18,786,032</u>	<u>97,038,751</u>	<u>872,571</u>	<u>116,697,354</u>
Total investment in securities	<u>18,790,426</u>	<u>97,038,751</u>	<u>872,571</u>	<u>116,701,748</u>
Derivative assets	<u>-</u>	<u>96,775</u>	<u>-</u>	<u>96,775</u>
Investment assets where policyholders bear the investment risk	<u>12,683,422</u>	<u>-</u>	<u>-</u>	<u>12,683,422</u>
Financial liabilities				
Derivative liabilities	<u>-</u>	<u>741,330</u>	<u>-</u>	<u>741,330</u>

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	Carrying amounts and Fair value			Total
	Level 1	Level 2	Level 3	
<i>(in thousand Baht)</i>				
31 December 2020				
Financial assets				
Investment in securities				
Investment measured at fair value through profit or loss	3,855	-	-	3,855
Investment measured at fair value through other comprehensive income	<u>12,316,746</u>	<u>102,934,451</u>	<u>847,089</u>	<u>116,098,286</u>
Total investment in securities	<u>12,320,601</u>	<u>102,934,451</u>	<u>847,089</u>	<u>116,102,141</u>
Derivative assets	<u>-</u>	<u>265,648</u>	<u>-</u>	<u>265,648</u>
Investment assets where policyholders bear the investment risk	<u>10,125,506</u>	<u>-</u>	<u>-</u>	<u>10,125,506</u>

22.9.2 Financial assets and financial liabilities not carried at fair value

The fair value of financial assets and financial liabilities did not have significant difference with carrying value as shown in the statement of financial position as at 31 December 2021 and 2020.

23 Related parties

Relationships with key management personnel and related parties were as follows:

Name of entities/Personnel	Country of Incorporation/ Nationality	Nature of relationships
Key management personnel	Thai/ Foreigners	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any directors (whether executive or otherwise) of the Company
Prudential plc	United Kingdom	Ultimate parent of Prudential group
Staple Limited	Thailand	Parent company, holds 51.21% of the Company's shares
Prudential Corporation Holdings Limited	United Kingdom	Major shareholder, holds 48.72% of the Company's shares
Prudential Holdings Limited	United Kingdom	Intermediate parent company
Prudential Corporation Asia Limited	Hong Kong	Intermediate parent company
Affiliate of Prudential Group	Thailand/ Foreign	Related party of Prudential Group

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The pricing policies for particular types of transactions are explained further below:

Transactions	Pricing policies
Investment management fee expenses	Contractually agreed price
Investment related expenses and operating expenses	Contractually agreed price
Other underwriting expenses	Contractually agreed rate

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

	2021	2020
	<i>(in thousand Baht)</i>	
Revenue		
Affiliate of Prudential Group		
Trailing fee	28,952	17,338
Expenses		
Affiliate of Prudential Group		
Investment management fee expenses	173,059	142,679
Investment related expenses and operating expenses	363,300	383,593
Other underwriting expenses	423,624	291,175
Directors and key management personnel compensation		
Short-term employee benefits	192,635	257,563
Post-employment benefit	7,698	10,417
Other long-term benefits	8,302	24,277
Total	<u>208,635</u>	<u>292,257</u>

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

	2021	2020
	<i>(in thousand Baht)</i>	
Other assets		
Affiliate of Prudential Group	<u>4,508</u>	<u>3,622</u>
Accrued investment management fee		
Affiliate of Prudential Group	<u>41,926</u>	<u>21,734</u>
Other payables		
Affiliate of Prudential Group	<u>230,811</u>	<u>625,285</u>

Significant agreements with related parties

Investment Management Agreements

The Company has entered into an Investment Management Agreement with an affiliate of the Prudential Group. The affiliate agreed to act as the Company's investment manager. The Company is committed to pay a management fee at the rate in agreements. These agreements can be terminated upon 3 months written notice.

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Service agreements

The Company entered into Service Agreements with Prudential Corporation Holdings Limited (“PCHL”), a major shareholder, which is Prudential Regional Head Office in Asia, for the provision of services and support for both IT and non-IT services to the Company, for a period of five years. In consideration of the provision of services provided by PCHL, the Company shall pay to PCHL a service fee as set out in the agreements. The agreements can be terminated upon one month written notice and can be extended upon not less than one month written notice prior to the expiry of the term of these agreements by either party.

Cost reimbursement agreements

The Company entered into Cost Reimbursement Agreement with Prudential Corporation Holdings Limited (“PCHL”). PCHL agreed to pay on behalf of the Company in respect of Master Distribution Agreement with a bank which have initial term of fifteen years plus extended terms. The Company shall reimburse all costs and expenses to PCHL as agreed. The agreement can be terminated upon one month written notice by either party.

The Company entered into Cost Reimbursement Agreement with Prudential Corporation Holdings Limited (“PCHL”). PCHL agreed to pay on behalf of the Company in respect of Bancassurance Agreement with another bank which have initial term of fifteen years plus extended terms. The Company shall reimburse all costs and expenses to PCHL as agreed. The agreement can be terminated upon one month written notice by either party.

24 Securities and assets pledged with the Registrar

24.1 The Company’s investments in debt securities have been pledged with the Registrar in accordance with Section 20 of the Life Assurance Act B.E. 2535, as amended by the Life Assurance Act (No. 2) B.E. 2551:

	2021		2020	
	Book value	Face value	Book value	Face value
Government bonds	<u>38,953</u>	<u>30,000</u>	<u>45,135</u>	<u>30,000</u>

24.2 The Company’s investments in debt securities have been pledged as life assurance policy reserve with the Registrar in accordance with Section 24 of the Life Assurance Act B.E. 2535, as amended by the Life Assurance Act (No. 2) B.E. 2551:

	2021		2020	
	Book value	Face value	Book value	Face value
Government and state enterprise bonds	27,820,747	25,910,500	26,496,509	20,195,500
Promissory notes	<u>1,221,528</u>	<u>1,000,000</u>	<u>1,434,501</u>	<u>1,000,000</u>
Total	<u>29,042,275</u>	<u>26,910,500</u>	<u>27,931,010</u>	<u>21,195,500</u>

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25 Contribution to life insurance fund

As at 31 December 2021 and 2020, the accumulated Contribution paid to life insurance fund were as follows:

	2021	2020
	<i>(in thousand Baht)</i>	
At 1 January	171,882	147,570
Increase during the year	26,806	24,312
At 31 December	<u>198,688</u>	<u>171,882</u>

26 Commitments with non-related parties

	2021	2020
	<i>(in thousand Baht)</i>	
(a) Capital commitments		
<i>Contracted but not provided for:</i>		
Building improvements	-	2,539
Software licenses	42,208	8,979
Total	<u>42,208</u>	<u>11,518</u>
(b) Non-cancellable operating service agreement		
Within 1 year	36,385	37,466
1 - 5 years	45,481	69,157
Total	<u>81,866</u>	<u>106,623</u>