



# 2019 Annual Report

## **4 Core Values**



**Customer First**



**Courage**



**Integrity**



**One AXA**

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**The 2019 Best Investment House**  
from Asset Publishing and Research Ltd.

**Best Technology & Innovation Award**  
from Na Dee Network Publishing

**The Best Contact Center Manager of the Year**  
from Thai Contact Center Trade Association (TCCTA) 2019

**The Best Workflow Contact Center**  
from Thai Contact Center Trade Association (TCCTA) 2019

**The Best Human Care Contact Center**  
from Thai Contact Center Trade Association (TCCTA) 2019

**Health Insurer of the Year**  
from 2019 InsuranceAsia News Awards

**Digital Insurer of the Year**  
from 2019 Insurance Asia News Awards

**The Best Use of Technology - Insurance - Thailand 2019**  
from International Financial Award 2019



**Most Socially Responsible Insurance Company – Thailand 2019**  
from International Financial Award 2019

**Top Workplace in Asia Awards 2019**  
From Asia Corporate Excellence & Sustainability Awards

**The Best Professional Management Contact Center**  
from Thai Contact Center Trade Association (TCCTA) 2019

**CR Initiative of the Year - Green4Good**  
from Insurance Asia Magazine 2019

**Marketing Initiative of the Year - Caravan Health Check**  
from Insurance Asia Magazine 2019

**Insurance Initiative of the Year - Care Coordination**  
from Insurance Asia Magazine 2019

**Excellent Social Contribution Award – Disabilities**  
from Department of Empowerment of People with Disabilities,  
Ministry of Social Development and Human Security



# Message from the Chairman



## **Mr. Somchai Boonnamsiri**

Chairman of Krunghthai-AXA Life Insurance Public Company Limited

Krunghthai-AXA Life delivered solid results across all of our businesses in 2019. We maintained our strong capital position and market share in the industry. This strength and stability positions us to extend and grow our business and continue to deliver outstanding value for our 1.7 million Customers.

Over the past decade, our industry has faced a rapid pace of change and challenging economic conditions. Yet throughout, our company has been building momentum and is well-placed to enhance our leading position. To remain competitive, we must respond to increasing customer expectations being influenced by the new generation, technology advances and evolving regulation. At the heart of this change is our focus on making it easier for our customers and agents to work with us to achieve their goals.

We continued to implement our strategy aiming to transition from insurance provider to partner of our clients (Payer-to-Partner). In this context, KTAXA unveiled its new brand campaign which was rolled out across all of Thailand: “Know you can”. This positioning symbolizes the company’s new promise to its customers, that of being the encouraging partner who helps them feel more confident to achieve their goals and go further.

Our strategic framework continues to place customers front and centre of everything we do. We continue to invest in future growth by further improving our services to customers, especially in digital. New developments in data and technology have helped us to get to know our customers better, serve them more efficiently, price more precisely, and radically simplify the customer experience. We are innovating in health insurance to meet customers’ evolving expectations, broadening the services and products we offer.

Undoubtedly our operating environment will continue to change in the months and years to come. During this time, our strategy will develop, but our commitment to our customers remains constant.

On behalf of the Board, I would like to extend thanks to our Chief Executive, and all our executive management teams for their dedication and positivity over the course of 2019. We thank our customers for putting their trust in us. We also thank our employees and agents for their unyielding commitment and always putting our customers first.

# Company's Information

Company Name	Krungthai-AXA Life Insurance Public Company Limited
Registrar No.	0107555000376
Address	9, G Tower Grand Rama 9 Floor 1,20-27, Rama 9 Road, Huai Khwang, Huai Khwang, Bangkok 10310
Contact	Tel. 0-2044-4000 Fax 0-244-4032
Business Type	Life Insurance
Establishment Date	12 June 1997
Registered Capital	1,355,000,000 Baht
The Paid-up Capital	1,355,000,000 Baht
Type of Share	Ordinary share
Par Value	10 Baht per share

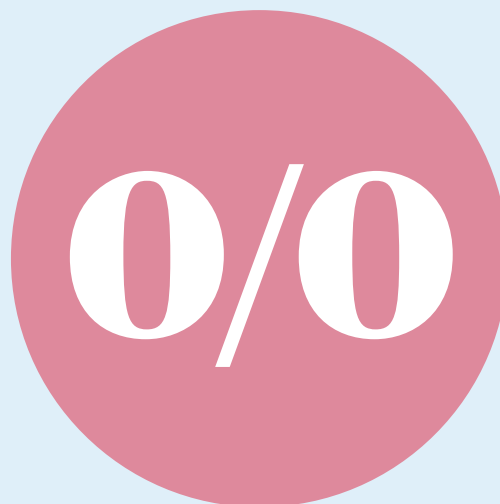
## Registered Shareholders as at 31 March 2019

Name of Registered Shareholders	No. of Shares	%of Shares Held
1. Krung Thai Bank Public Company Limited	67,750,000	50%
2. National Mutual International Pty. Ltd.	60,974,996	45%
3. Tri Rattana Chart Company Limited	6,774,999	5%
4. Mr. Phisud Dejakaisaya	2	0%
5. Mr. Puangsan Xumsai Na Ayudhya	1	0%
6. Mr. Somkid Arayaskul	1	0%
7. Mr. Anuwat Kosol	1	0%

**Number of directors**



**Gender gap pay**



**Male and female members  
received the equal pay**

**Nationality Diversity**



**4 nationalities are  
represented on the Board**

**Directors' average age**



**Years old**



## Composition of the Board of Directors on 31 December 2019

Name and Nationality	Position within the Board of Directors	Directors' fee paid for 2019	Bonus for 2019	First appointment/Term of office
<b>Mr. Somchai Boonnamsiri</b> Thai Nationality	<ul style="list-style-type: none"> <li>Chairman of the Board of Directors</li> <li>Chairman of the Nomination and Remuneration Committee</li> <li>Chairman of the Audit and Compliance Committee</li> </ul>	360,000	-	April 2013/2019 Annual General Meeting
<b>Ms. Ratchada Piyatassikul</b> Thai Nationality	<ul style="list-style-type: none"> <li>Director of the Board of Directors</li> <li>Member of the Risk Management Committee</li> </ul>	170,000	-	April 2017 Annual General Meeting/ 2020 Annual General Meeting
<b>Mr. Chanvit Rungruenglada</b> Thai Nationality	<ul style="list-style-type: none"> <li>Director of the Board of Directors</li> </ul>	120,000	-	April 2019 Annual General Meeting/ 2021 Annual General Meeting
<b>Mr. Rawin Boonyanusasna</b> Thai Nationality	<ul style="list-style-type: none"> <li>Director of the Board of Directors</li> <li>Chairman of the Investment Committee</li> </ul>	380,000	-	April 2017 Annual General Meeting/2020 Annual General Meeting
<b>Professor Dr Kriengsak Chareonwongsak</b> Thai Nationality	<ul style="list-style-type: none"> <li>Director of the Board of Directors</li> <li>Member of the Audit and Compliance Committee</li> <li>Chairman of the Risk Management Committee</li> <li>Member of the Investment Committee</li> <li>Member of the Nomination and Remuneration Committee</li> </ul>	410,000	-	April 2018 Annual General Meeting/ 2021 Annual General Meeting
<b>Mr. Chinavais Sarasas</b> Thai Nationality	<ul style="list-style-type: none"> <li>Director of the Board of Directors</li> </ul>	120,000	-	April 2017 Annual General Meeting /2020 Annual General Meeting
<b>Mr. Akarat Na Ranong</b> Thai Nationality	<ul style="list-style-type: none"> <li>Director of the Board of Directors</li> <li>Member of the Nomination and Remuneration Committee</li> <li>Member of the Investment Committee</li> </ul>	240,000	-	April 2018 Annual General Meeting/ 2021 Annual General Meeting
<b>Mrs. Sally Joy O'Hara*</b> Australian Nationality	<ul style="list-style-type: none"> <li>Director of the Board of Directors</li> <li>Member of the Risk Management Committee</li> </ul>	-	-	April 2019 Annual General Meeting/ 2022 Annual General Meeting
<b>Ms. Bubphawadee Owararinth*</b> Thai Nationality	<ul style="list-style-type: none"> <li>Director of the Board of Directors</li> </ul>	-	-	February 2018 Board of Directors Meeting /2020 Annual General Meeting/
<b>Mr. Laurent Julien Cholvy*</b> French Nationality	<ul style="list-style-type: none"> <li>Director of the Board of Directors</li> <li>Member of the Risk Management Committee</li> <li>Member of the Investment Committee</li> </ul>	-	-	July 2019 Board of Directors Meeting / 2022 Annual General Meeting
<b>Mrs. Sen Hang Cindy Tong*</b> Canadian Nationality	<ul style="list-style-type: none"> <li>Director of the Board of Directors</li> <li>Member of the Audit and Compliance Committee</li> <li>Member of the Nomination and Remuneration Committee</li> </ul>	-	-	February 2018 Board of Directors Meeting /2020 Annual General Meeting/
<b>Mr. Chainarong Eursithichai*</b> Thai Nationality	<ul style="list-style-type: none"> <li>Director of the Board of Directors</li> </ul>	-	-	February 2018 Board of Directors Meeting /2022 Annual General Meeting
<b>Mr. Sirote Swasdipanich</b> Thai Nationality	<ul style="list-style-type: none"> <li>Chairman of the Board of Directors</li> <li>Chairman of the Nomination and Remuneration Committee</li> <li>Chairman of the Audit and Compliance Committee</li> </ul>	420,000	-	Retire by rotation in 2019 Annual General Meeting
<b>Mr. Luechai Chaiparinya</b> Thai Nationality	<ul style="list-style-type: none"> <li>Director of the Board of Directors</li> </ul>	-	-	Retire by rotation in 2019 Annual General Meeting
<b>Mr. Paul Arrowsmith*</b> New Zealand Nationality	<ul style="list-style-type: none"> <li>Director of the Board of Directors</li> <li>Member of the Risk Management Committee</li> </ul>	-	-	Resigned on 17 July 2019

Former Directors

\* The Company has no policy to pay the remuneration of directors to the directors who are employees of the Company or AXA group.



# Independent Auditor's Report

To the Shareholders of Krungthai-AXA Life Insurance Public Company Limited

## My opinion

In my opinion, the financial statements of Krungthai-AXA Life Insurance Public Company Limited (the “Company”) present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (“TFRSs”).

## What I have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

## 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 Federation of Accounting Professions under the Royal Patronage of his Majesty the King's Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

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

## Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

PricewaterhouseCoopers ABAS Ltd.

**Anotthai Leekitwattana**

Certified Public Accountant (Thailand) No. 3442

Bangkok

4 March 2020

**KRUNGTHAI-AXA LIFE INSURANCE  
PUBLIC COMPANY LIMITED**

**STATUTORY FINANCIAL STATEMENTS  
31 DECEMBER 2019**

**Krungthai-AXA Life Insurance Public Company Limited**  
**Statement of Financial Position**  
**As at 31 December 2019**

	Notes	2019 Baht Thousand	2018 Baht Thousand
<b>Assets</b>			
Cash and cash equivalents	8	3,866,059	3,953,833
Accrued investment income		1,900,651	2,099,682
Premium due and uncollected - net	9	1,654,581	1,960,729
Reinsurance assets	10	141,811	28,736
Derivative assets	11	4,403,329	1,627,569
Investments			
Investments in securities	12	297,329,292	242,869,772
Policy loans	13	12,693,240	11,130,033
Assets held to cover linked liabilities	14	10,281,684	9,863,813
Leasehold improvements and equipment - net	15	341,487	427,702
Intangible assets - net	16	382,629	459,923
Agency security fund		790,469	707,826
Accounts receivable - Investments		153,932	92,777
Other assets	18, 30	212,795	261,900
<b>Total assets</b>		<b>334,151,959</b>	<b>275,484,295</b>

..... Directors

The notes on pages 20 to 69 form an integral part of these financial statements.

**Krungthai-AXA Life Insurance Public Company Limited**  
**Statement of Financial Position (Cont'd)**  
**As at 31 December 2019**

		<b>2019</b>	<b>2018</b>
		<b>Baht</b>	<b>Baht</b>
	<b>Notes</b>	<b>Thousand</b>	<b>Thousand</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Insurance contract liabilities	19	255,621,493	234,479,299
Investment contract liabilities	20	10,289,230	9,865,011
Amount due to reinsurers	21, 30	186,629	249,376
Derivative liabilities	11	182,364	344,939
Income tax payable		4,057	-
Employee benefits obligation	22	139,237	97,163
Agency security fund		790,469	707,826
Deferred tax liabilities - net	17	8,348,724	1,592,103
Accrued expenses	30	2,281,542	1,949,293
Accounts payable - Investments		300,587	450,648
Other liabilities	23, 30	4,682,028	1,891,396
<b>Total liabilities</b>		<b>282,826,360</b>	<b>251,627,054</b>
<b>Equity</b>			
Share capital			
Registered			
135,500,000 ordinary shares of			
Baht 10 per share		1,355,000	1,355,000
Issued and fully paid-up			
135,500,000 ordinary shares of			
Baht 10 per share		1,355,000	1,355,000
Retained earnings			
Appropriated - legal reserve		135,500	135,500
Unappropriated		17,340,389	15,459,263
Other component of equity		32,494,710	6,907,478
<b>Total equity</b>		<b>51,325,599</b>	<b>23,857,241</b>
<b>Total liabilities and equity</b>		<b>334,151,959</b>	<b>275,484,295</b>

The notes on pages 20 to 69 form an integral part of these financial statements.



**Krungthai-AXA Life Insurance Public Company Limited**  
**Statement of Comprehensive Income**  
**For the year ended 31 December 2019**

	<b>Notes</b>	<b>2019 Baht Thousand</b>	<b>2018 Baht Thousand</b>
<b>Revenues</b>			
Gross written premiums		58,105,092	58,642,812
<u>Less</u> Ceded premium	30	(319,593)	(297,078)
Net written premiums		57,785,499	58,345,734
<u>Add (Less)</u> Decrease (Increase) of unearned premium reserve from prior year		(240,213)	38,076
Net premium earned after reinsurance		57,545,286	58,383,810
Fee and commission income	30	340,041	382,539
Net investment income	30	9,748,955	8,829,695
Gains on investments in securities		1,531,659	71,227
Fair value losses		(90,817)	(1,032,810)
Other income		56,933	42,348
<b>Total revenues</b>		<b>69,132,057</b>	<b>66,676,809</b>
<b>Expenses</b>			
Change in long-term technical reserve		20,304,634	29,120,623
Gross benefits and claim paid		34,045,149	23,554,559
<u>Less</u> Benefits and claim paid recovery from reinsurers	30	(354,123)	(144,649)
Net benefits and claim paid		33,691,026	23,409,910
Commissions and brokerages	30	8,262,519	7,856,055
Other underwriting expenses		708,284	882,027
Operating expenses	25, 30	3,736,973	3,743,142
Other expenses		543	1,613
<b>Total expenses</b>		<b>66,703,979</b>	<b>65,013,370</b>
<b>Profit before tax</b>		<b>2,428,078</b>	<b>1,663,439</b>
Income tax	27	(546,952)	(152,231)
<b>Net income</b>		<b>1,881,126</b>	<b>1,511,208</b>

The notes on pages 20 to 69 form an integral part of these financial statements.

**Krungthai-AXA Life Insurance Public Company Limited**  
**Statement of Comprehensive Income**  
**For the year ended 31 December 2019**

	Note	2019 Baht Thousand	2018 Baht Thousand
<b>Other comprehensive incomes (losses)</b>			
<u>Items that will be reclassified subsequently to profit or loss</u>			
Unrealised gains (losses) on changes in value of available-for-sale investments		31,853,139	(6,434,770)
Gains (losses) on cash flow hedges		1,676,051	(265,059)
Items in other comprehensive income transferred to profit or loss		(1,531,659)	(71,226)
Income tax on items that will be reclassified subsequently to profit or loss		(6,399,506)	1,354,211
<b>Total items that will be reclassified subsequently to profit or loss</b>		<b>25,598,025</b>	<b>(5,416,844)</b>
<u>Items that will not be reclassified subsequently to profit or loss</u>			
Actuarial gain (loss) on employee benefits obligation		(10,793)	1,285
Income tax on item that will not be reclassified subsequently to profit or loss		-	-
<b>Total items that will not be reclassified subsequently to profit or loss</b>		<b>(10,793)</b>	<b>1,285</b>
<b>Other comprehensive income (loss) for the year, net of tax</b>		<b>25,587,232</b>	<b>(5,415,559)</b>
<b>Total comprehensive income (loss) for the year</b>		<b>27,468,358</b>	<b>(3,904,351)</b>
<b>Basic earnings per share (Baht)</b>	29		
Basic earning per share		13.88	11.15

The notes on pages 20 to 69 form an integral part of these financial statements.

**Krungthai-AXA Life Insurance Public Company Limited**  
**Statement of Changes in Equity**  
**For the year ended 31 December 2019**

	Issued and paid-up share capital	Retained earnings	Unrealised gains (losses) on changes in value of available-for-sale investments, net of tax	Gain (loss) on cash flow hedges, net of tax	Actuarial gain(loss) on employee benefits obligation, net of tax	Total
	Baht Thousand	Baht Thousand	Baht Thousand	Baht Thousand	Baht Thousand	Baht Thousand
<b>Beginning balance as at 1 January 2018</b>						
Net profit	1,355,000	14,083,555	11,866,686	465,195	(8,844)	27,761,592
Unrealised loss on changes in fair value of available-for-sale investments, net of tax	-	1,511,208	-	-	-	1,511,208
Loss on cash flow hedge, net of tax	-	-	(5,147,816)	-	-	(5,147,816)
Actuarial gain on employee benefits obligation, net of tax	-	-	-	(212,047)	-	(212,047)
Items in other comprehensive income transferred to profit or loss, net of tax	-	-	-	-	1,285	1,285
			(56,981)	-	-	(56,981)
<b>Ending balance as at 31 December 2018</b>	1,355,000	15,594,763	6,661,889	253,148	(7,559)	23,857,241
Net profit	-	1,881,126	-	-	-	1,881,126
Unrealised gain on changes in fair value of available-for-sale investments, net of tax	-	-	25,482,511	-	-	25,482,511
Gain on cash flow hedge, net of tax	-	-	-	1,340,841	-	1,340,841
Actuarial loss on employee benefits obligation, net of tax	-	-	-	-	(10,793)	(10,793)
Items in other comprehensive income transferred to profit or loss, net of tax	-	-	(1,225,327)	-	-	(1,225,327)
<b>Ending balance as at 31 December 2019</b>	1,355,000	17,475,889	30,919,073	1,593,989	(18,352)	51,325,599

The notes on pages 20 to 69 form an integral part of these financial statements.

**Krungthai-AXA Life Insurance Public Company Limited**  
**Statement of Cash Flows**  
**For the year ended 31 December 2019**

	<b>2019</b> <b>Baht</b> <b>Thousand</b>	<b>2018</b> <b>Baht</b> <b>Thousand</b>
<b>Cash flows provided by (used in) operating activities</b>		
Written premium from direct insurance	57,828,625	57,750,994
Cash received from investment contract liabilities	932,648	8,400,960
Cash paid for investment contract liabilities	(569,461)	(388,679)
Amount paid to reinsurance	(201,262)	(98,202)
Interest income	9,088,473	7,278,049
Dividend income	859,513	886,693
Other income	108,941	396,607
Gross benefits and claim paid from direct insurance	(33,040,661)	(23,564,301)
Commissions and brokerages	(7,901,894)	(8,097,612)
Other underwriting expenses	(708,284)	(882,027)
Operating expenses	(3,512,499)	(3,911,130)
Other expenses	(488)	(733)
Income tax expense	(185,781)	(583,438)
Cash received from sales investment in securities	127,337,625	101,103,865
Cash paid to purchase investment in securities	(149,046,765)	(136,429,460)
Loans	(977,079)	(1,482,468)
Deposits at banks	249	218
Net cash provided by operating activities	11,900	379,336
<b>Cash flows provided by (used in) investing activities</b>		
<u>Cash inflows</u>		
Leasehold improvements and equipment	68	28
Net cash provided by investing activities	68	28
<u>Cash outflows</u>		
Leasehold improvements and equipment	(24,700)	(51,417)
Computer software	(75,042)	(302,070)
Net cash used in investing activities	(99,742)	(353,487)
Net cash flows used in investing activities	(99,674)	(353,459)

The notes on pages 20 to 69 form an integral part of these financial statements.

**Krungthai-AXA Life Insurance Public Company Limited**  
**Statement of Cash Flows (Cont'd)**  
**For the year ended 31 December 2019**

	<b>2019</b>	<b>2018</b>
	<b>Baht</b>	<b>Baht</b>
	<b>Thousand</b>	<b>Thousand</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	(87,774)	25,877
Cash and cash equivalents at beginning of the year	3,953,833	3,927,956
<b>Cash and cash equivalents at end of the year</b>	<b>3,866,059</b>	<b>3,953,833</b>
<b>Non-cash transactions</b>		
The Company had the significant non-cash transactions as follows:		
Payable from purchase leasehold improvements and computer software	36,387	61,493

The notes on pages 20 to 69 form an integral part of these financial statements.

## **1 General information**

Krungthai-AXA Life Insurance Public Company Limited (“the Company”) was registered as a limited company under the law of Thailand on 12 June 1997. The Company has been changed to public company limited on 1 October 2012. The address of its registered office is as follows:

9, G Tower Grand Rama 9, Floor 1, 20-27, Rama 9 Road, Huai Khwang, Huai Khwang, Bangkok 10310.

The principal business operation of the Company is to provide life insurance including reinsurance services in Thailand.

The major shareholders of the Company are Krungthai Bank Public Company Limited and National Mutual International Pty. Ltd.

The financial statements have been approved by the Company’s management on 4 March 2020.

## **2 Basis of preparation**

These financial statements are prepared in accordance with Thai Generally Accepted Accounting Principles under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards (TFRS) issued under the Accounting Profession Act B.E. 2547. In addition, the financial statements presentation are based on the formats of life insurance financial statements attached in an Office of Insurance Commission’s notification “Principle, methodology, condition and timing for preparation, submission and reporting of financial statements and operation performance for life insurance company B.E. 2559” dated on 4 March 2016 (‘OIC Notification’).

The Company also has applied the AXA’s Group accounting policy of “Derivative financial instruments”. The details are described in Note 3.6.

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

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

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



### 3 Accounting policies

#### 3.1 New financial reporting standards, revised financial reporting standards, and related interpretations that are relevant and have significant impacts to the Company

3.1.1 New and amended financial reporting standards are effective for annual periods beginning on or after 1 January 2019.

TFRS 15	Revenue from contracts with customers
TFRS 2 (revised 2018)	Share-based Payment
TFRS 4 (revised 2018)	Insurance Contracts

TFRS 4 has been amended to provide insurance companies an optional temporary exemption from compliance with TFRS 9 and TFRS 7. Entities who choose to use the exemption must follow the 'financial instruments and disclosure for insurance companies' accounting guidelines issued by the Federation of Accounting Professions until TFRS 17 becomes effective.

The Company's management has adopted the above standards and assessed that the above standards do not have significant impact to the Company except TFRS 4.

On 1 January 2020, the Company passes criteria of temporarily exemption from TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures under TFRS 4 (revised 2018) Insurance Contracts and is eligible to apply the 'financial instruments and disclosure for insurance companies' accounting guidance' ('The Accounting Guidance') as the Company has not previously applied TFRS 9 Financial Instrument and the Company's activities are predominantly connected with insurance business for which insurance liabilities under TFRS 4 (revised 2018) Insurance Contracts as at 1 January 2018 is greater than 90% of total Company's liabilities. The Company choose to apply the Accounting Guidance. From the preliminary assessment, the management expects that the Company will be affected on the following areas.

##### Classification and measurement

Classification and measurement of investments in equity instruments, currently classified as general investments and presented at cost less impairment, will be reclassified to available-for-sale investments and remeasured to fair value in accordance with the accounting policy disclosed in Note 3.5 and reclassified with a corresponding adjustment as of 1 January 2020.

Derivatives for hedging of transactions which are not applied hedge accounting are currently measured in accordance with AXA Group's accounting policy as disclosed in Note 3.6. The management assessed that the current accounting policy of these derivatives does not significantly differ from the Accounting Guidance.

Financial instruments with embedded derivatives are derivatives embedded within other non-derivatives host financial statements to create hybrid instruments. They are currently measured in accordance with the accounting policy disclosed in Note 3.6.2. The management assessed that the current accounting policy of the embedded derivatives does not significantly differ from the Accounting Guidance.

### **3 Accounting policies (Cont'd)**

- 3.1.1 New and amended financial reporting standards are effective for annual periods beginning on or after 1 January 2019. (Cont'd)

#### Impairment

The impairment requirements relating to the accounting for an entity's expected credit losses on its investment in debt securities classified as held-to-maturity investments and available-for-sale investments. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The entity always accounts for expected credit losses which involves a three-stage expected credit loss impairment model. The stage dictates how the entity measures impairment losses and applies the effective interest rate method. In which, the three-stage expected credit loss impairment will be as the following stages:

- Stage 1 - From initial recognition of a financial assets to the date on which the credit risk of the asset has not increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months.
- Stage 2 - Following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the asset.
- Stage 3 - When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised.

As a consequence, the method of impairment loss calculation will be changed from an incurred loss basis to the expected credit loss impairment calculated by Company's model with taking effect of forward-looking adjustment. The expected credit loss will be recognised in profit or loss.

#### Hedge accounting

The objective of hedge accounting is to represent, in the financial statements, the effect of the Company's risk management activities that use financial instruments to manage exposures arising from particular risks that could affect profit or loss (or other comprehensive income, in the case of investments in equity instruments for which an entity has elected to present changes in fair value in other comprehensive income). This approach aims to convey the context of hedging instruments for which hedge accounting is applied in order to allow insight into their purpose and effect.

The Company's management has assessed that current accounting policy of derivative financial instruments with hedge accounting disclosed in note 3.6 does not significantly differ from the Accounting Guidance.

### **3 Accounting policies (Cont'd)**

#### **3.1.1 New and amended financial reporting standards are effective for annual periods beginning on or after 1 January 2019. (Cont'd)**

##### Transitional impact

On 1 January 2020, the Company will apply the 'financial instruments and disclosure for insurance companies' accounting guidance'. The transition adjustment will be recognised as an adjustment to the opening balance of retained earnings. From the preliminary assessment, management expect that the material adjustment to the opening balance of retained earnings will affect on the following items:

- Change in balance of general investment which its subsequent measurement will change from at cost less impairment to at fair value through other comprehensive income.
- Change in method of impairment loss calculation of held-to-maturity investments in debt instruments and available-for-sale investments in debt instruments under the Accounting Guidance.

The Company's management is currently assessing the quantitative impact of the first-time adoption of the Accounting Guidance.

#### **3.1.2 New and amended financial reporting standards that are effective for accounting period beginning or after 1 January 2020.**

The Company assess the impact of adoption the new and amended Thai Financial Reporting Standards which are not mandatory for current period ended 31 December 2019 as follows:

##### **a) Financial instruments**

The new financial standards relate to financial instruments are:

TAS 32	Financial instruments: Presentation
TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments
TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These new standards address the classification, measurement, derecognition of financial assets and financial liabilities, impairment of financial assets, hedge accounting, and presentation and disclosure of financial instruments.

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

### 3 Accounting policies (Cont'd)

#### 3.1.2 New and amended financial reporting standards that are effective for accounting period beginning or after 1 January 2020. (Cont'd)

##### b) TFRS 16, Leases

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

On 1 January 2020, the Company will apply TFRS 16, *Leases* with modified retrospective approach. From the preliminary impact assessment, the management expect that the Company will be materially affected by this Financial reporting standards from the recognition of assets, right-of-used and lease liabilities under building rental lease agreement, which were previously classified as 'operating lease' under TAS 17, *Lease*.

The Company will recognise following items upon adoption of TFRS 16 including;

- liabilities under lease agreements are recognised in accordance with the obligations and discounting to present values with incremental borrowing rates of the lessees and;
- right-of-use assets are recognised equal to the present value of liabilities under the lease agreements adjusted by any lease prepayments made at or before the commencement date.

The Company's management is currently assessing the quantitative impact of the first-time adoption of TFRS 16, *Lease*.

##### c) Other new/amended standards

The new and amended financial reporting standards that will have impact on the Company are:

TAS 12	Income tax
TAS 19	Employee benefits
TFRIC 23	Uncertainty over income tax treatments

**Amendment to TAS 12, Income tax** - clarified that the income tax consequences of dividends of financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

**Amendment to TAS 19, Employee benefits (plan amendment, curtailment or settlement)** - clarified accounting for defined benefit plan amendments, curtailments and settlements that the updated assumptions on the date of change are applied to determine current service cost and net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement.

### **3 Accounting policies (Cont'd)**

#### **3.1.2 New and amended financial reporting standards that are effective for accounting period beginning or after 1 January 2020. (Cont'd)**

##### **c) Other new/amended standards (Cont'd)**

TFRIC 23, Uncertainty over income tax treatments - explained how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information that detection risk should be ignored.
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment.
- That the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

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

### **3.2 Foreign currency translation**

#### **(a) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Thai Baht, which is the Company's functional currency.

#### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit and loss, any exchange component of that gain or loss is recognised in profit or loss.

### **3.3 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand, deposits held at call with banks and all highly liquid investments with maturity of three months or less from acquisition date.

### **3 Accounting policies (Cont'd)**

#### **3.4 Premium due and uncollected and allowance for doubtful accounts**

Premium due and uncollected are carried at anticipated realisable value. The allowance for doubtful accounts is determined for insurance premiums that are supposed to be lapsed and past due collection for renewal and group insurance premium that are supposed to be past due collection. The Company provided the estimated collection losses on premium due and uncollected at the end of the year. Such estimated losses are based on the Company's collection experience.

#### **3.5 Investments in securities**

##### Basis of investment classification

Available-for-sale securities are marketable securities which are held principally for other than trading purpose. However, the Company will readily sell the securities if opportunities arise.

##### Carrying value of investments

Available-for-sale securities comprising debt and equity securities are carried at fair values. Fair value of debt securities is determined based on the required rate of return or the yield rate quoted by reference to the Thai Bond Market Association and Bloomberg. Fair value of marketable equity securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand and Bloomberg.

Unrealised gains or losses resulting from changes in fair value of available-for-sale securities are included in shareholders' equity.

Unrealised gains or losses from revaluation of foreign exchange rate in investments in debt securities are classified as net investment income.

Realised gains or losses from revaluation of foreign exchange rate in investments in debt securities are classified as gains (losses) from investment.

A test for impairment is carried out when there is a factor indicating that such investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, impairment loss is charged to the statement of comprehensive income.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount, calculated on weighted average method, is charged or credited to the statement of comprehensive income.



### 3 Accounting policies (Cont'd)

#### 3.6 Derivative financial instruments

##### 3.6.1 Derivative financial instruments and hedging activities

Derivative financial instruments are recognised at fair values on the date a derivative contract is entered into and are subsequently re-measured at their fair value as at reporting date. The method of recognising the resulting gain or loss depends on whether or not the derivative is applied hedge accounting, and if so, the nature of the item being hedged.

Derivative financial instruments that are not applied hedge accounting instrument is re-measured at fair values which are obtained from quoted market price, or other widely used methods. Gain or loss on such agreements and changes in related fair values as at period end are reflected in the statement of comprehensive income.

When derivatives financial instruments are applied hedge accounting, the Company measures derivatives classified as hedging transactions according to the natures of items being hedged. The Company designates certain derivatives as either:

(1) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in profit and loss, together with any changes in the fair value of the hedged items that are attributable to the hedged risk.

(2) Cash flow hedge

The effective portion of changes in fair value of derivatives that are designated and qualified as cash flow hedges are recognised in other comprehensive income. The gain and loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income. Amount accumulated in equity are recycled to the statement of comprehensive income in the periods in which the hedged item will affect the statements of comprehensive income.

(3) Net investment in foreign operation hedge

Hedge of net investment in foreign operations are accounted for similarly to cash flow hedge.

At the inception of the hedge, the Company documents the relationship between hedged items and hedging instruments, as well as their risk management objective. The Company also assesses the hedge effectiveness in offsetting changes in fair values or cash flows of hedged items on an ongoing basis both at the hedge inception and every financial reporting date.

##### 3.6.2 Embedded derivatives

Embedded derivatives are derivatives embedded within other non-derivative host financial instruments to create hybrid instruments. Where the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host instrument, and where the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss, the embedded derivative is bifurcated and carried at fair value as a derivative in accordance with 3.6.1.

### **3 Accounting policies (Cont'd)**

#### **3.7 Policy loans**

Policy loans are stated at principal amounts less allowance for doubtful accounts. Allowance for doubtful accounts is assessed primarily on an analysis of payment histories, future expectations of borrower's repayments, the aging of loan and collaterals. Bad debts are written off when no recoveries are expected.

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

Assets held to cover linked liabilities are invested assets held for policies issued that policy holders take risks and rewards of changes in value of those assets such as unit-linked. They are initially recognised at cost which is equal to the fair value of consideration paid plus transaction costs and subsequently measured at fair. Unrealised gain (loss) arising from changes in fair value are recorded in profit or loss in the year in which they arise.

#### **3.9 Leasehold improvements and equipment**

Leasehold improvements and equipment are recorded at cost. Cost is measured by the cash or cash equivalent price of obtaining the asset and bringing it to the location and condition necessary for its intended use, including an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, when the entity has the obligation to do so. Leasehold improvements and equipment are presented in the statement of financial position at cost less accumulated depreciation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Leasehold improvements	5 and 9 years
Furniture and equipment	3 and 5 years
Motor vehicles	5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

When asset is disposed, the Company will write-off both the asset accounts and its related accumulated depreciation, and recognised any gain or loss from disposal of the asset in the statements of comprehensive income.

The cost of leasehold improvements under operating lease is capitalised and depreciated as an operating expense over the remaining life of the lease or the useful life of the improvement, whichever is shorter.

#### **3.10 Computer Software**

Computer software is stated at cost less accumulated amortisation and is amortised using straight-line method over the estimated useful life of 5 years.

### **3 Accounting policies (Cont'd)**

#### **3.11 Accounting for leases - where the Company is lessee**

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases are charged to the statements of comprehensive income on a straight-line basis over the period of the leases.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Leases of assets which transfer substantially all the risks and rewards of ownership to lessee are classified as finance leases. Finance leases are capitalised at the lower to the fair value of the leased property or the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payable, while the interest element is charged to the statement of comprehensive income over the lease period. Assets acquired under finance lease is depreciated over the shorter of the useful life of the asset and the lease term.

#### **3.12 Insurance and investment contract**

##### **3.12.1 Product classification**

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

Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those contracts without significant insurance risk. In the event that a scenario (other than those lacking commercial substance) exists in which an insured event would require the Company to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract. Some insurance and investment contracts, referred to as participating business, have discretionary participation features, "DPF", which may entitle the customer to receive, as a supplement to guaranteed benefits, additional non-guaranteed benefits, such as policyholder dividends or bonuses. The Company applies the same accounting policies for the recognition and measurement of obligations arising from investment contracts with DPF as it does for insurance contracts.

TFRS 4 permits the continued use of previously applied accounting policies for insurance contracts and investment contracts with DPF, and this basis has been adopted by the Company in accounting for such contracts. Once a contract has been classified as an insurance or investment contract, no reclassification is subsequently performed unless the terms of the agreement are later amended.

For investment contracts that do not contain DPF, accounting policies for measurement and recognition of financial liabilities, and, if the contract includes an investment management element, TAS 18, Revenue Recognition, are applied

##### **3.12.2 Liability adequacy testing**

The adequacy of insurance contract liabilities is assessed by portfolio of contracts, in accordance with the Company's manner of acquiring, servicing and measuring the profitability of its insurance contracts. The insurance contract liabilities are compared to the gross premium valuation calculated on a best estimate basis, as of the valuation date. If there is a deficiency, the liabilities are increased by the amount of the deficiency and recognised directly in profit or loss.

**3 Accounting policies (Cont'd)**

**3.12.3 Long term and short term insurance contracts**

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

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

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

**3.12.4 Measurement of insurance contracts and investment contracts with DPF**

Long-term technical reserves

Long-term technical reserves represent the accumulated total liability of estimation reserve for policies inforce by Net Premium Valuation method as according to Actuarial principles on the date of statement of financial position. Such reserves are established in the amounts adequate to meet the estimated future obligations of all life insurance policies inforce.

Claim liabilities

Reported claims and claims incurred but not reported represent the estimated cost of all claims notified but not settled less reinsurance recoveries based on data available as at statement of the financial position date. Differences between the balance of outstanding claims at the statement of financial position date and subsequent revisions and settlements are included in profit or loss in later years.

Premium liabilities: Unearned premium reserves

Unearned premium reserves for group insurance and short-term riders are calculated on a pro-rata basis incorporating the outstanding duration of each policy.

Premium liabilities: Unexpired risk reserve

Unexpired risk reserve (URR) represents the future cost of insurance coverage from the statement of financial position date to the subsequent dates of expiry of the policies for all policies inforce at the statement of financial position date. The Company recognises the variance in profit or loss in case that the URR is higher than UPR.

Unpaid policy benefits

Unpaid policy benefits are benefits payment under condition specified within policy which are unpaid to policyholders such as maturities, surrenders and dividends. Maturities and surrenders are accrued when due. Dividend benefits are accrued in anticipation of declarations.

### **3 Accounting policies (Cont'd)**

#### **3.12.4 Measurement of insurance contracts and investment contracts with DPF (Cont'd)**

##### Due to insured

Due to insured reflects premium received in advanced and others payable to policyholders other than policy benefits specified in policies. Premium received in advanced is recognised in liabilities when cash received. Others payable to policyholders are accrued when the Company has obligation to pay.

##### Universal life

The reserve for account value of the universal life policies represents 100% of the account value and is presented as insurance contract liabilities in statement of financial position.

##### Unit linked product

The reserve for account value of unit linked product represents 100% of the account value which measured at fair value through profit or loss and is presented as investment contract liabilities in statement of financial position.

#### **3.12.5 Reinsurance**

The Company cedes reinsurance in the normal course of business, with retentions varying by type of insurance products. Premiums ceded and claims reimbursed are presented on a gross basis in statement of comprehensive income and statement of financial position.

Amount due from reinsurance includes receivables from reinsurers both domestic and overseas which consists of claim recovery receivables, commission income receivables and other receivables.

If amount due from reinsurance is impaired, the Company reduces the carrying amount accordingly and recognises that impairment loss in the statements of comprehensive income. Amount due from reinsurance is impaired if there is objective evidence, as a result of an event that occurred after initial recognition, that the Company may not receive all amounts due to it under the terms of the contract, and the impact on the amounts that the Company will receive from the reinsurer can be reliably measured.

#### **3.13 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

### **3 Accounting policies (Cont'd)**

#### **3.14 Employee benefits**

The Company has retirement benefits both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate fund. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

##### **a) Defined benefit plans**

###### **Retirement benefits**

Under Labour Laws applicable in Thailand and Company's employment policy, all employees completing 120 days of service are entitled to severance pay on termination or retrenchment without cause or upon retirement age of 60. The severance pay will be at the rate according to number of years of service as stipulated in the Labor Law which is currently at a maximum rate of 400 days of final salary.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yield of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. They are presented as separate items in statements of changes in equity.

Past-service costs are recognised immediately in profit or loss.

The management assesses the appropriate estimation of such provision on a regular basis.

##### **b) Defined contribution plans**

###### **Provident fund**

The Company established a contributory registered provident fund in accordance with the Provident Fund Act B.E. 2530, being a defined contribution plan. The registered provident fund plan was approved by the Ministry of Finance on 25 March 1998. The provident fund is funded by payments from employees and by contribution from the Company. The assets for which are held in a separate fund and managed by a qualified fund manager in accordance with the terms and conditions as prescribed in the Ministerial Regulations under Provident Fund Act B.E. 2530. The Company's contributions to the provident fund are charged to the statements of comprehensive income in the years to which they relate.



### **3 Accounting policies (Cont'd)**

#### **3.14 Employee benefits (Cont'd)**

##### **Share-based compensation**

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

The fair value of the employee services received in exchange for the grant of shares is recognised as an expense over the vesting period. The obligation from share-based payment is presented under liabilities.

#### **3.15 Agency security fund**

The Company has an agency security fund for life insurance agents of the Company, which is managed by an asset management company. The Company's contributions are recorded as an asset and liability in the statement of financial position.

#### **3.16 Financial assets and financial liabilities**

Significant financial assets carried on the statement of financial position include cash and cash equivalents, accrued investment income, premium due and uncollected, derivative assets, reinsurance assets, investments in available-for-sales securities, policy loans, assets held to cover linked liabilities, accounts receivable-investments and cash collateral paid to derivative contracts. Significant financial liabilities include investment contract liabilities, due to reinsurers, unpaid policy benefits, derivative liabilities, amounts payable-investments and cash collateral received from derivative contracts. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

#### **3.17 Securities lending**

Loaned securities under a securities-lending agreement which securities are loaned to third parties on a short-term basis are not derecognised and so they continue to be recognised within investment in available-for-sale and valued at fair as of the reporting date.

#### **3.18 Collateral**

Cash received and pledged as a collateral to a counter party occur in respect to derivative transactions and securities lending agreements in order to reduce the credit risk of these transactions. The cash received is recognised at its fair value as an asset with a corresponding liability for the repayment. The cash pledged is recognised at its fair value as an asset and the cash pledged will not be derecognised from the statement of financial position.

#### **3.19 Basic earnings per share**

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

### **3 Accounting policies (Cont'd)**

#### **3.20 Related parties**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

#### **3.21 Share capital**

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **3.22 Legal reserve**

Under the Public Company Law B.E.2535, the Company is required to set aside a statutory reserve at least 5 percent of its net profit for the year less outstanding deficits (if any) until the reserve is equal to 10 percent of the Company's registered share capital. The legal reserve is non-distributable.

#### **3.23 Dividends payment**

Dividends are recorded in the financial statements in the period in which they are approved by the shareholders and the Office of Insurance Commission.

#### **3.24 Current and Deferred income taxes**

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

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

Deferred income tax is recognised, using the liability method, on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

### **3 Accounting policies (Cont'd)**

#### **3.24 Current and Deferred income taxes (Cont'd)**

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

The principal temporary differences arise from allowance for doubtful debt - premium due and uncollected, provision for claims incurred but not reported, provision for employee benefit obligation, provision for litigations, change in value of financial derivatives, change in foreign exchange rate of financial derivatives, change in value of available-for-sale investments, contributed to agency security fund and accrued bonus expense.

Deferred income tax assets and liabilities are offset with when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities related to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities when this is an intention to settle the balances on net basis.

#### **3.25 Recognition of revenues and expenses**

##### **a) Premiums**

Premiums from life insurance contracts, includes participating policies and annuity policies with contingent benefits insurance. For first year policies, life premium income is recognised as revenue when the first premium installment is fully received and the policy is effective. Renewal premium is recognised as revenue when premium is due. Short-term products' premium is recognised as revenue on the effective date of the insurance policy. The movement in unearned premium reserve is presented under "Increase of unearned premium reserve from prior year".

Ceded premium is recognised when the insurance risk is transferred to another reinsurer.

Amounts collected as premiums from universal life products, which are insurance contracts with investment features but with sufficient insurance risk to be considered insurance contracts is recognised as premiums. Revenue from these contracts consists of policy fee for administration fee received from policyholder presented as fee and commission income in statement of comprehensive income, and fee charged for surrenders received from policyholder presented as fee and commission income in statement of comprehensive income during the year.

Amounts collected as premiums on investment component from unit-linked contracts are recognised as deposits presented as investment liabilities in statement of financial position. Revenue from these contracts consists of policy fees for the cost of insurance presented as gross written premium in statement of comprehensive income, policy fee for administration fee received from policyholder presented as fee and commission income in statement of comprehensive income, and fee charged for surrenders received from policyholder presented as fee and commission income in statement of comprehensive income during the year.

Upfront fees are recognised over the estimated life of the contracts to which they relate. Policy benefits and claims that are charged to expenses include benefit claims incurred in the period in excess of related policyholder contract deposits and interest credited to policyholder deposits.

### **3 Accounting policies (Cont'd)**

#### **3.25 Recognition of revenues and expenses (Cont'd)**

##### **b) Policy benefits and claims**

Insurance contract benefits reflect the cost of all maturities, surrenders, withdrawals and claims arising during the year, policyholder dividends accrued in anticipation of dividend declarations, as well as claims handling costs including internal and external costs incurred in connection with the negotiation and settlement of claims.

Accident and health claims incurred include all losses occurring during the year, related handling costs, a reduction for recoveries, and any adjustments to claims outstanding from previous years.

Benefit payments to policyholders are recorded when the notice of a claim has received or the policyholder requests to surrender the policy. Other benefits are recognised when due or on maturity.

##### **c) Policy acquisition cost**

Policy acquisition cost i.e. commissions and brokerages are recognised when incurred.

##### **d) Universal life products**

The change in account value of universal life products are presented in "change in long-term technical reserve".

##### **e) Investment income**

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective yield rate over the period to maturity.

Dividends on securities are recognised on the dividend declaration date.

##### **f) Other income and expenses**

Other income and expenses are recognised on an accrual basis.

### **4 Risk management**

The Company risk management framework is consistent with the AXA's Group that to effectively manage, rather than to eliminate, the risks the Company faces.

As an insurer, the Company is exposed to a range of insurance and financial risks. The Company applies a consistent risk management policy that is embedded in management processes and controls such that both existing and emerging risks are considered and addressed. In addition, the Company has established the enterprise risk management function for managing and monitoring the enterprise wide risks and also has established sub-committee among the Company to manage specific risks which is Local Risk Management Committee. The Committee directly reports to the Company's key management.

The following section summarises the Company's insurance and financial risk management.

## **4 Risk management (Cont'd)**

### **4.1 Insurance risk**

#### **4.1.1 Concentration**

To the extent and nature of regulations under Thailand RBC framework and AXA Group's internal policy, management considers the concentration of risk in various perspectives. The management reviews its exposure to ensure that the risk underwritten are diversified geographically, line of business unwritten, reinsurer and types of investments in order to manage concentration risk. Concentration risk is monitored and analysed by risk management and other relevant functions. The Company offers a wide range of well-mixed insurance products such as whole-life, saving, protection, credit life and accident and health to various group of customers across geographical area of Thailand.

#### **4.1.2 Lapse**

The Company annually reviews its lapse assumptions based on recent experience and studies on anticipated customer behaviour. Management closely monitors lapse experience and sets the lapse assumptions to be very close with the actual experience. Management also considers the inherent volatility in customer lapse behavior.

The lapse rates for riders are assumed to follow the same lapse rates as the attached base products. For new products that still do not have credible lapse experience, management uses best estimates from experience of comparable products and budgeting process.

#### **4.1.3 Expenses**

The expense assumptions are in line with actual expenses, since the Company derives its unit cost assumptions from actual expenses excluding one-off costs that are not expected to recur. Unit costs used in the current year were derived from the actual expenses in the previous financial year. While the Company is experiencing an increase in acquisition costs and operating expenses from various business projects, it actively manages expenses to reduce the risk of actual experience being adversely deviate from the assumption used in the pricing of products.

#### **4.1.4 Mortality and Morbidity**

The deviation of actual claims experience and mortality and morbidity assumption used can significantly impact the operating result. The experience is volatile at the individual product level, particularly for smaller products such as basic term assurances. The Company uses both its own experience and industry data to develop estimates and to ensure that the total company level of actual claims is close to or lower than the expected claims. The company's mortality and morbidity assumptions are therefore considered to be adequate.

An effective reinsurance program is used by the Company to reduce insurance risk to provide adequate protection of the Company's capital and the exposure or losses.

#### **4 Risk management (Cont'd)**

##### **4.2 Financial risk management**

###### **4.2.1 Credit risk**

The primary source of credit risk is investments in debt instrument portfolio and premium due and uncollected. The Company has credit risk management policy and takes Thailand's Risk based Capital framework into consideration to oversight exposure of credit risk and concentration of credit risk. The Company manages the risk by credit rating framework on investments in debt instrument portfolio and adopting appropriate credit control policies and procedures for premium due and uncollected. The maximum exposure to credit risk is limited to the carrying amounts of investments in debt instrument and premium due and uncollected as stated in the statement of financial position. Measuring and monitoring of credit risk is an ongoing process and is designed to enable early identification of emerging risk. Therefore, management does not expect to incur material financial losses.

###### **4.2.2 Interest rate risk**

The Company's exposure to interest rate risk relates primarily to investments in debt securities, policy loans and deposit at financial institutions. The majority of the Company's financial assets and liabilities bear fixed interest rates and are long term and therefore, their value may fluctuate due to changes in market interest rates.

Significant financial assets and liabilities as at 31 December 2019 and 2018 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

Unit: million Baht	2019						
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1-5 years	Over 5 years				
<b>Financial assets</b>							
Cash and cash equivalents	-	-	-	3,866	-	3,866	0.00 - 0.75
Derivative assets	1,007	1,552	1,536	258	50	4,403	1.42 - 7.73
Investments	13,840	71,420	185,475	-	26,594	297,329	0.00 - 7.88
Policy loans	12,693	-	-	-	-	12,693	4.30 - 8.00
	<u>27,540</u>	<u>72,972</u>	<u>187,011</u>	<u>4,124</u>	<u>26,644</u>	<u>318,291</u>	
<b>Financial liabilities</b>							
Derivative liabilities	8	5	1	157	11	182	1.41
Cash collateral received from derivative contracts	4,172	-	-	-	-	4,172	1.15 - 1.75
	<u>4,180</u>	<u>5</u>	<u>1</u>	<u>157</u>	<u>11</u>	<u>4,354</u>	

#### **4 Risk management (Cont'd)**

##### **4.2.2 Interest rate risk (Cont'd)**

Unit: million Baht	2018						
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1-5 years	Over 5 years				
<b>Financial assets</b>							
Cash and cash equivalents	-	-	-	3,954	-	3,954	0.00 - 0.75
Derivative assets	278	290	838	202	19	1,627	1.76 - 7.73
Investments	16,881	58,297	146,421	-	21,271	242,870	0.00 - 7.88
Policy loans	11,130	-	-	-	-	11,130	4.50 - 8.00
Cash collateral paid to derivative contracts	10	-	-	-	-	10	1.40 - 1.75
	<u>28,299</u>	<u>58,587</u>	<u>147,259</u>	<u>4,156</u>	<u>21,290</u>	<u>259,591</u>	
<b>Financial liabilities</b>							
Derivative liabilities	45	209	55	36	-	345	1.76 - 5.38
Cash collateral received from derivative contracts	1,326	-	-	-	-	1,326	1.40 - 1.75
	<u>1,371</u>	<u>209</u>	<u>55</u>	<u>36</u>	<u>-</u>	<u>1,671</u>	

##### **4.2.3 Foreign currency risk**

The Company's exposure to foreign currency risk arises mainly from investment in foreign bonds, foreign unit trust, ETF and amounts due to/from related companies which are denominated in foreign currencies. The Company has entered into cross currency interest rate swap contracts and foreign exchange forward to reduce the exposure.

##### **4.2.4 Liquidity risk**

The Company has adequate cash and investments in securities where there are active markets to deal with the liquidity risk.

##### **4.2.5 Fair values risk**

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

The details of fair value is described in Note 5.

#### **5 Fair values**

##### **5.1 Fair value estimation**

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).



**5 Fair values (Cont'd)**

**5.2 Fair value for assets and liabilities measured at fair value**

The following table presents assets and liabilities that are measured at fair value at 31 December 2019.

	<b>Level 1 Baht Thousand</b>	<b>Level 2 Baht Thousand</b>	<b>Level 3 Baht Thousand</b>	<b>Total Baht Thousand</b>
<b>Assets</b>				
Derivatives	-	4,403,329	-	4,403,329
Assets held to cover linked liabilities	10,281,684	-	-	10,281,684
Available-for-sale investments				
Deposit at financial institutions with original maturing more than 3 months	36,628	-	-	36,628
Debt securities	-	268,617,093	-	268,617,093
Equity securities	9,168,258	-	-	9,168,258
Unit Trust	13,105,840	-	-	13,105,840
ETF	4,320,465	-	-	4,320,465
Other securities	-	2,081,008	-	2,081,008
Total Available-for sale financial assets	26,631,191	270,698,101	-	297,329,292
Total assets	<u>36,912,875</u>	<u>275,101,430</u>	<u>-</u>	<u>312,014,305</u>
<b>Liabilities</b>				
Investment contract liabilities	-	10,289,230	-	10,289,230
Derivatives liabilities	-	182,364	-	182,364
Total liabilities	<u>-</u>	<u>10,471,594</u>	<u>-</u>	<u>10,471,594</u>

**5 Fair values (Cont'd)**

**5.2 Fair value for assets and liabilities measured at fair value (Cont'd)**

The following table presents assets and liabilities that are measured at fair value at 31 December 2018.

	<b>Level 1 Baht Thousand</b>	<b>Level 2 Baht Thousand</b>	<b>Level 3 Baht Thousand</b>	<b>Total Baht Thousand</b>
<b>Assets</b>				
Derivatives	-	1,627,569	-	1,627,569
Assets held to cover linked liabilities	9,863,813	-	-	9,863,813
Available-for-sale investments				
Deposit at financial institutions with original maturing more than 3 months	36,380	-	-	36,380
Debt securities	-	219,462,832	-	219,462,832
Equity securities	10,041,547	-	-	10,041,547
Unit Trust	9,355,849	-	-	9,355,849
ETF	1,873,136	-	-	1,873,136
Other securities	-	2,100,028	-	2,100,028
Total Available-for sale financial assets	21,306,912	221,562,860	-	242,869,772
Total assets	31,170,725	223,190,429	-	254,361,154
<b>Liabilities</b>				
Investment contract liabilities	-	9,865,011	-	9,865,011
Derivatives liabilities	-	344,939	-	344,939
Total liabilities	-	10,209,950	-	10,209,950

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

- Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

- Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

## **5 Fair values (Cont'd)**

### **5.3 Fair value for assets and liabilities not measured at fair value for which the fair value shall be disclosed**

Fair value of policy loans is determined by using amortised cost discounted by effective interest rate. The significant balance of loans is fixed interest rate bearing which management has assessed that the effective interest rate approximates to market rate. The carrying value amount is a reasonable approximation of fair value (Level 2).

Other financial instruments not carried at fair value are typically short-term receivables and payables in nature. They are not sensitive to external market factors. Accordingly, their carrying value amount is a reasonable approximation of fair value. This includes cash and cash equivalents, accrued investment income, premium due and uncollected, reinsurance receivable, agency security fund, accounts receivable - investment and other receivables, due to reinsurers, unpaid policy benefits and other liabilities of policy under insurance contract liabilities, accrued expense, accounts payable - investment and other payables.

Management has assessed that the fair value of financial assets and liabilities does not significantly differ from their carrying values.

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

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

### **6.1 Product classification**

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those contracts without significant insurance risk. The Company exercises significant judgement to determine whether there is a scenario (other than those lacking commercial substance) in which an insured event would require the Company to pay significant additional benefits to its customers.

In the event the Company has to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract. The judgements exercised in determining the level of insurance risk in product classification affect the amounts recognised in the financial statements as insurance and investment contract liabilities. The accounting policy on product classification is described in note 3.12.1.

## **6 Critical accounting estimates, assumptions and judgements (Cont'd)**

### **6.2 Insurance contract liabilities**

The Company calculates the insurance contract liabilities for traditional life insurance using a net level premium valuation method, whereby the liability represents the present value of estimated future policy benefits to be paid, less the present value of estimated future net premiums to be collected from policyholders. This method uses best estimate assumptions at inception for mortality, morbidity, expected investment yields, policyholder dividends (for other participating business), surrenders and expenses set at the policy inception date.

These assumptions remain locked in thereafter, unless a deficiency arises on liability adequacy testing. Interest rate assumptions can vary by year of issuance and product. Mortality, surrender and expense assumptions are based on actual experience modified to allow for variations in policy form. The Company exercises significant judgement in making appropriate assumptions.

For contracts with an explicit account balance, such as universal life, insurance contract liabilities represent the accumulation value, which represents premiums received and investment returns credited to the policy less deductions for mortality and morbidity costs and expense charges. Significant judgement is exercised in making appropriate estimates of gross profits which are based on historical and anticipated future experiences, these estimates are regularly reviewed by the Company.

The Company accounts for insurance contract liabilities for participating business written by establishing a liability for the present value of guaranteed benefits less estimated future net premiums to be collected from policyholders. Establishing these liabilities requires the exercise of significant judgement. In addition, the assumption that all relevant performance is declared as a policyholder dividend may not be borne out in practice. The Company accounts for insurance product with guarantee dividend by establishing a liability for the present value of guaranteed benefits and non-guaranteed participation, less estimated future net premiums to be collected from policyholders.

The judgements exercised in the valuation of insurance contract liabilities affect the amounts recognised in the financial statements as insurance contract benefits and insurance contract liabilities. Further details of the related accounting policy, key risk and variables, and the sensitivities of assumptions to the key variables in respect of insurance contract liabilities are provided in note 19.3.3.

### **6.3 Liabilities adequacy testing**

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

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

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

## **6 Critical accounting estimates, assumptions and judgements (Cont'd)**

### **6.5 Impairment of premium due and uncollected, other receivables and financial assets**

The Company maintains an allowance for doubtful accounts to reflect impairment of premium due and uncollected and other receivables relating to estimated losses that may be incurred in collection of the premium due. The allowance for doubtful accounts is based on collection experience and a review of current status of the premium due as at the date of statement of financial position.

Financial assets classified as available-for-sale and carried at cost/amortised cost are assessed for impairment regularly. This requires the exercise of significant judgement. The Company assess at each reporting date whether there is objective evidence that a financial assets is impaired.

### **6.6 Leasehold improvements and equipment and intangible assets**

Management determines the estimated useful lives and residual values for the leasehold improvements and equipment and intangible assets. Management will revise the depreciation charge where useful lives and residual values are different from previous estimates, or will write-off or write-down technically obsolete assets that have been abandoned or sold.

### **6.7 Deferred income taxes**

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

### **6.8 Employee benefits**

The present value of the employee benefits obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will have an impact on the carrying amount of employee benefits obligation.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the employee benefits obligation. In determining the appropriate discount rate, the Company considers market yield of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related employee benefit liability.

Other key assumptions for employee benefits obligation are based in part on current market conditions. Additional information is disclosed in Note 23.

## **7 Capital risk management**

The objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## **8 Cash and cash equivalents**

	<b>2019</b>	<b>2018</b>
	<b>Baht Thousand</b>	<b>Baht Thousand</b>
Cash on hand	474	474
Deposits at banks without fixed maturity date	3,865,585	3,953,359
Cash and cash equivalents	<b>3,866,059</b>	<b>3,953,833</b>

As at 31 December 2019, deposits with banks included deposits for Universal Life policies amounting to Baht 1.8 million (2018: Baht 2.8 million).

As at 31 December 2019, there were cash collaterals which financial institutions pledged under derivative contracts with the Company amounting to Baht 4,171.8 million (2018: Baht 1,326.4 million).

As at 31 December 2019, there was Baht no pledged cash collateral with financial institutions under derivative contracts (2018: Baht 10 million).

## **9 Premium due and uncollected - net**

The balances of premium due and uncollected as at 31 December 2019 and 2018 were aged as follows:

	<b>From direct insurance</b>	
	<b>2019</b>	<b>2018</b>
	<b>Baht Thousand</b>	<b>Baht Thousand</b>
Not yet due	1,621,094	1,905,685
Overdue under 30 days	883	12,269
Overdue over 30 days to 60 days	12,729	11,747
Overdue over 60 days to 90 days	2,678	6,400
Overdue over 90 days	17,197	55,628
Total premium receivables	<b>1,654,581</b>	<b>1,991,729</b>
<u>Less</u> Allowance for doubtful accounts	-	(31,000)
Premiums due and uncollected - net	<b>1,654,581</b>	<b>1,960,729</b>

## 10 Reinsurance assets

	<b>2019</b>	<b>2018</b>
	<b>Baht Thousand</b>	<b>Baht Thousand</b>
Amounts due from reinsurer - Not yet due	141,811	28,736

## 11 Derivative

The table below presents derivatives including embedded derivatives separately from main contracts that meet the definition in accounting policy as disclosed in note 3.6, by objective for holding as following:

	<b>2019</b>		<b>2018</b>	
	<b>Fair value</b>		<b>Fair value</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
	<b>Thousand</b>	<b>Thousand</b>	<b>Thousand</b>	<b>Thousand</b>
Held for hedge derivatives				
- Applied hedge accounting	2,583,742	(12,588)	600,240	(283,806)
- Not applied hedge accounting	1,819,587	(169,776)	1,027,329	(61,133)
<b>Total derivatives</b>	<b>4,403,329</b>	<b>(182,364)</b>	<b>1,627,569</b>	<b>(344,939)</b>

The Company has derivative financial instruments as below;

		2019			
		Fair value			
Type	Objective	Notional Baht Thousand	Assets Baht Thousand	Liabilities Baht Thousand	Net Baht Thousand
Cross currency interest swap	Manage currency risk of bonds denominated in foreign currency	20,246,554	2,594,603	(157,698)	2,436,905
Bond forward (for cash flow hedge)	Manage interest rate risk of bond	9,015,000	1,748,835	(12,588)	1,736,247
Foreign exchange forward	Manage currency risk of ETF and foreign unit trust denominated in foreign currency	5,751,220	50,013	(11,345)	38,668
Foreign exchange forward	Manage currency risk of accounts payable denominated in foreign currency	28,565	-	(733)	(733)
Credit default swaps	Manage credit risk	690,000	9,878	-	9,878
Total derivative instruments		35,731,339	4,403,329	(182,364)	4,220,965



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**11 Derivative (Cont'd)**

Type	Objective	Notional Baht Thousand	2018 Fair value		Net Baht Thousand
			Assets Baht Thousand	Liabilities Baht Thousand	
Cross currency interest swap	Manage currency risk of bonds denominated in foreign currency	23,139,108	1,220,691	(118,013)	1,102,678
Bond forward (for cash flow hedge)	Manage interest rate risk of bond	12,243,000	387,468	(224,544)	162,924
Foreign exchange forward	Manage currency risk of ETF denominated in foreign currency	2,458,035	18,694	(5)	18,689
Foreign exchange forward	Manage currency risk of accounts payable denominated in foreign currency	31,935	716	-	716
Credit default swaps	Manage credit risk	690,000	-	(2,377)	(2,377)
Total derivative instruments		38,562,078	1,627,569	(344,939)	1,282,630

**12 Investments in securities**

Investment in securities are as follow:

	2019		2018	
	Cost/ amortised cost Baht Thousand	Fair value Baht Thousand	Cost/ amortised cost Baht Thousand	Fair value Baht Thousand
<b>Available-for-sale securities</b>				
Government bonds and State Own Enterprise bonds	143,239,904	173,616,961	131,484,744	136,800,117
Foreign Government bonds and State Own Enterprise bonds	235,000	237,585	345,000	346,646
Private enterprises securities	68,528,729	72,148,619	59,404,885	61,157,325
Foreign debt securities	21,572,580	22,613,928	21,413,431	21,158,744
Stocks	8,740,666	9,168,258	9,878,324	10,041,547
Mutual funds	14,371,881	17,426,305	10,002,157	11,228,985
Others	2,036,629	2,117,636	2,036,169	2,136,408
Total	258,725,389	297,329,292	234,564,710	242,869,772
Add Unrealised gains on changes in value of investments	38,603,903	-	8,305,062	-
<b>Total available-for-sale securities</b>	<b>297,329,292</b>	<b>297,329,292</b>	<b>242,869,772</b>	<b>242,869,772</b>
<b>General investments</b>				
Stocks	714		714	
Less Impairment charge	(714)		(714)	
<b>Total General Investments</b>	<b>-</b>		<b>-</b>	
<b>Total investment in securities</b>	<b>297,329,292</b>		<b>242,869,772</b>	

For the year ended 31 December 2019, the Company has recorded interest income and dividend income amounting to Baht 8,885 million and Baht 864 million, respectively. (2018: Baht 7,936 million and Baht 894 million). The amount of which has been recorded as part of net investment income in statements of comprehensive income.

**Investments in securities (Cont'd)**

\* As at 31 December 2019, bonds of Baht 71,190 million (2018: Baht 54,518 million) have been deposited as a security with the registrar in accordance with the Life Insurance Act (No. 2) B.E. 2551 (Note 32).

\* As at 31 December 2019, bonds of Baht 71,190 million (2018: Baht 54,518 million) have been deposited as a security with the registrar in accordance with the Life Insurance Act (No. 2) B.E. 2551 (Note 32).

### 13 Policy loans

As at 31 December 2019 and 2018, the balance of loans and accrued interest are aged as follows:

Outstanding Period	Policy used as collateral					
	2019			2018		
	Principal Baht Thousand	Accrued interest income Baht Thousand	Total Baht Thousand	Principal Baht Thousand	Accrued interest income Baht Thousand	Total Baht Thousand
Not yet due	12,693,240	352,113	13,045,353	11,130,033	301,973	11,432,006
Loans	12,693,240	352,113	13,045,353	11,130,033	301,973	11,432,006

Cash values of insurance policies are used as collateral of the policy loans, and accrued interest income from policy loans is presented as a part of accrued investment income.

### 14 Assets held to cover linked liabilities

As at 31 December 2019 and 2018, assets held to cover linked liabilities are designated as fair value option. The details are as follows:

	2019 Baht Thousand	2018 Baht Thousand
Investment in mutual fund - Debt securities	438,252	349,771
Investment in mutual fund - Equity	1,764,358	1,739,313
Investment in mutual fund - Balanced fund	7,416,613	7,346,095
Investment in mutual fund - Foreign investment fund	643,201	414,248
Others	19,260	14,386
Total	10,281,684	9,863,813

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

	2019 Baht Thousand	2018 Baht Thousand
Beginning balance of the year	9,863,813	2,671,292
Additions	989,532	8,880,412
Disposals	(891,755)	(869,599)
Unrealised gain (loss) in profit or loss	320,094	(818,292)
Ending balance of the year	10,281,684	9,863,813

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## 15 Leasehold improvements and eq

	2019									
	Cost				Accumulated depreciation				Net - Leasehold improvements and equipment beginning balance Baht Thousand	Net - Leasehold improvements and equipment ending balance Baht Thousand
	Beginning balance Baht Thousand	Additions Baht Thousand	Disposals/ transfer Baht Thousand	Ending balance Baht Thousand	Beginning balance Baht Thousand	Depreciation charges Baht Thousand	Disposals/ transfer Baht Thousand	Ending balance Baht Thousand		
Leasehold improvements Equipment	462,530	1,132	-	463,662	(144,246)	(55,837)	-	(200,083)	318,284	263,579
	398,886	23,237	(28,317)	393,806	(289,468)	(54,623)	28,193	(315,898)	109,418	77,908
Leasehold work in process	-	1,132	(1,132)	-	-	-	-	-	-	-
Total	861,416	25,501	(29,449)	857,468	(433,714)	(110,460)	28,193	(515,981)	427,702	341,487

	2018									
	Cost				Accumulated depreciation				Net - Leasehold improvements and equipment	
	Beginning balance		Disposals/transfer		Ending balance		Depreciation charges		Beginning balance	
	Thousand	Baht	Thousand	Baht	Thousand	Baht	Thousand	Baht	Thousand	Baht
Leasehold improvements	450,651	11,879	-	462,530	(86,803)	(57,443)	-	(144,246)	363,848	318,284
Equipment	375,412	34,635	(11,161)	398,886	(241,784)	(57,936)	10,252	(289,468)	133,628	109,418
Leasehold work in process	1,502	12,131	(13,633)	-	-	-	-	-	1,502	-
Total	827,565	58,645	(24,794)	861,416	(328,587)	(115,379)	10,252	(433,714)	498,978	427,702

**Krungthai-AXA Life Insurance Public Company Limited**  
**Notes to Financial Statements**  
**For the year ended 31 December 2019**

**16 Intangible assets - net**

Intangible assets as at 31 December 2019 and 2018 comprise of:

2019									
Cost				Accumulated Amortisation			Intangible assets beginning balance		Net - Intangible assets ending Balance
Beginning balance Baht Thousand	Additions Baht Thousand	Disposal/ transfer Baht Thousand	Ending balance Baht Thousand	Beginning balance Baht Thousand	Amortisation charges Baht Thousand	Disposal/ transfer Baht Thousand	Ending balance Baht Thousand	Intangible assets beginning balance Baht Thousand	Net - Intangible assets ending Balance Baht Thousand
631,709	166,725	-	798,434	(329,828)	(122,630)	-	(452,458)	301,881	345,976
148,317	70,021	(186,712)	31,626	-	-	-	-	148,317	31,626
780,026	236,746	(186,712)	830,060	(329,828)	(122,630)	-	(452,458)	450,198	377,602
<b>Total</b>									
148,775	236	-	149,011	(139,050)	(4,934)	-	(143,984)	9,725	5,027
148,775	236	-	149,011	(139,050)	(4,934)	-	(143,984)	9,725	5,027
928,801	236,982	(186,712)	979,071	(468,878)	(127,564)	-	(596,442)	459,923	382,629
<b>Grand total</b>									

**2018**

Cost				Accumulated Amortisation			Intangible assets beginning balance		Net - Intangible assets ending Balance
Beginning balance Baht Thousand	Additions Baht Thousand	Disposal/ transfer Baht Thousand	Ending balance Baht Thousand	Beginning balance Baht Thousand	Amortisation charges Baht Thousand	Disposal/ transfer Baht Thousand	Ending balance Baht Thousand	Intangible assets beginning balance Baht Thousand	Net - Intangible assets ending Balance Baht Thousand
407,576	224,133	-	631,709	(255,274)	(74,554)	-	(329,828)	152,302	301,881
61,760	279,328	(192,771)	148,317	-	-	-	-	61,760	148,317
469,336	503,461	(192,771)	780,026	(255,274)	(74,554)	-	(329,828)	214,062	450,198
<b>Total</b>									
147,999	776	-	148,775	(131,635)	(7,415)	-	(139,050)	16,364	9,725
147,999	776	-	148,775	(131,635)	(7,415)	-	(139,050)	16,364	9,725
617,335	504,237	(192,771)	928,801	(386,909)	(81,969)	-	(468,878)	230,426	459,923
<b>Grand total</b>									

**17 Deferred income tax assets (liabilities) - net**

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

	<b>2019 Baht Thousand</b>	<b>2018 Baht Thousand</b>
<b>Deferred tax assets:</b>		
Deferred tax asset to be recovered after more than 12 months	242,910	363,490
	<u>242,910</u>	<u>363,490</u>
<b>Deferred tax liabilities:</b>		
Deferred tax liability to be settled after more than 12 months	(8,591,634)	(1,955,593)
	<u>(8,591,634)</u>	<u>(1,955,593)</u>
<b>Deferred tax liabilities - net</b>	<u><u>(8,348,724)</u></u>	<u><u>(1,592,103)</u></u>

**17 Deferred income tax assets (liabilities) - net (Cont'd)**

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

	Allowance for doubtful debt-premium due and uncollected Baht Thousand	Reserve for claim incurred but not reported Baht Thousand	(Gain) loss on changes in value of available-for-sale investment Baht Thousand	(Gain) loss on cash flow hedge Baht Thousand	(Gain) loss on swap Baht Thousand	Others Baht Thousand	Total Baht Thousand
<b>Deferred tax assets (liabilities)</b>							
As at 1 January 2019	6,200	66,844	(1,665,472)	(63,287)	(78,737)	142,349	(1,592,103)
Increased/(decrease) in profit or loss	(6,200)	(2,865)	-	-	(366,959)	18,909	(357,115)
Increased/(decrease) in other comprehensive income (loss) (Note 28)	-	-	(6,064,296)	(335,210)	-	-	(6,399,506)
<b>As at 31 December 2019</b>	-	63,979	(7,729,768)	(398,497)	(445,696)	161,258	(8,348,724)
<b>Deferred tax assets (liabilities)</b>							
As at 1 January 2018	9,600	69,380	(2,966,672)	(116,298)	(122,180)	31,476	(3,094,694)
Increased/(decrease) in profit or loss	(3,400)	(2,536)	-	-	43,443	110,873	148,380
Increased/(decrease) in other comprehensive income (loss) (Note 28)	-	-	1,301,199	53,012	-	-	1,354,211
<b>As at 31 December 2018</b>	6,200	66,844	(1,665,473)	(63,286)	(78,737)	142,349	(1,592,103)



## **18 Other assets**

Other assets as at 31 December 2019 and 2018 comprise:

	<b>2019 Baht Thousand</b>	<b>2018 Baht Thousand</b>
Other debtors	6,225	41,404
Security and deposits	41,684	42,141
Prepaid expenses	68,094	70,097
Cash collateral paid to derivative contracts	-	10,000
Others	96,792	98,258
<b>Total</b>	<b>212,795</b>	<b>261,900</b>

Cash collateral paid to derivative contracts are cash collateral that the Company pledged with the financial institutions under derivative contracts.

## **19 Insurance contract liabilities**

	<b>2019 Baht Thousand</b>	<b>2018 Baht Thousand</b>
Long-term technical reserves	243,227,361	222,886,928
Short-term technical reserves		
Claim liabilities		
- Reported claims	517,109	454,806
- Claims incurred but not reported	224,185	262,524
<b>Total Claim liabilities</b>	<b>741,294</b>	<b>717,330</b>
Premium liabilities		
- Unearned premium reserves	2,082,158	1,864,731
Unpaid policy benefits	8,690,915	8,094,014
Due to insured	879,765	916,296
<b>Total</b>	<b>255,621,493</b>	<b>234,479,299</b>

The Company has recorded benefits payment to life policies and insurance claims recovered from reinsurers for paid claim only.

'd)

able before reinsurance

ted Year	Unit: Baht Thousand						Total
	2014	2015	2016	2017	2018	2019	
ear	2,337,932	3,108,114	4,275,644	4,961,346	5,418,681	5,268,335	
	2,539,003	3,286,150	4,522,521	5,302,167	5,659,431	-	
	2,542,807	3,292,119	4,526,427	5,310,453	-	-	
	2,546,455	3,293,395	4,527,255	-	-	-	
	2,546,656	3,293,921	-	-	-	-	
	2,546,656	-	-	-	-	-	
	2,546,656	3,293,921	4,527,255	5,310,453	5,659,431	5,492,520	
	(2,507,795)	(3,268,867)	(4,498,162)	(5,269,054)	(5,584,733)	(4,960,331)	
	38,861	25,054	29,093	41,399	74,698	532,189	741,294

19 Insurance contract liabilities (Cont'd)

19.1 Claim Development Table (Cont'd)

19.1.2 Claim development table, net

Incident Year / Reported Year	Unit: Baht Thousand					
	2014	2015	2016	2017	2018	2019
Estimated claim:						
- At the end of the year	2,206,499	3,003,335	4,268,184	4,954,418	5,412,748	5,265,343
- After 1 year	2,391,086	3,177,498	4,514,545	5,294,772	5,652,923	-
- After 2 years	2,394,851	3,183,446	4,518,423	5,303,023	-	-
- After 3 years	2,398,496	3,184,721	4,519,242	-	-	-
- After 4 years	2,398,693	3,185,245	-	-	-	-
- After 5 years	2,398,693	-	-	-	-	-
Ultimate claim	2,398,693	3,185,245	4,519,242	5,303,023	5,652,923	5,489,528
Cumulative claim paid	(2,359,860)	(3,160,226)	(4,490,196)	(5,261,648)	(5,578,220)	(4,957,325)
Claim liabilities	38,833	25,019	29,046	41,375	74,703	532,203
						741,179

**19 Insurance contract liabilities (Cont'd)**

**19.2 Long-term technical reserves**

	<b>2019 Baht Thousand</b>	<b>2018 Baht Thousand</b>
Beginning balance of the year	222,886,928	193,739,567
Policy reserve increase for new policies and inforce policies	44,099,748	43,991,217
Policy reserve decrease from benefits paid to life policyholders for lapse, cancel, etc	(23,759,315)	(14,843,856)
Ending balance of the year	<u>243,227,361</u>	<u>222,886,928</u>

The assumptions used in actuarial estimation are as follows;

	<b>2019 %</b>	<b>2018 %</b>
Mortality, Morbidity, and Survival rate	100% of TMO86, TMO97, TMO08, TMO17, Annuity table 2009	100% of TMO86, TMO97, TMO08, TMO17, Annuity table 2009
Discount rate	2% - 6%	2% - 6%
Benefit paid to insured	100% of guarantee benefit	100% of guarantee benefit

Aging of undiscounted insurance contract liabilities' repayment is as follows;

	<b>2019 Baht Thousand</b>	<b>2018 Baht Thousand</b>
Expected repayment within 1 year	34,187,210	25,899,923
Expected repayment between 1-5 years	164,424,628	142,299,150
Expected repayment over 5 years	293,296,443	379,965,917
Total	<u>491,908,281</u>	<u>548,164,990</u>

**19 Insurance contract liabilities (Cont'd)**

**19.3 Short-term technical reserves**

**19.3.1 Claim liabilities**

The movement details are belows:

	<b>2019</b> <b>Baht Thousand</b>	<b>2018</b> <b>Baht Thousand</b>
Beginning balance of the year	717,330	686,638
Claim incurred for the year	4,577,494	4,377,091
Changes in claim reserves assumptions for the year	(38,338)	(34,122)
Claim paid for the year	(4,515,192)	(4,312,277)
Ending balance of the year	<u>741,294</u>	<u>717,330</u>

**19.3.2 Aging of claim liabilities' repayment**

	<b>2019</b> <b>Baht Thousand</b>	<b>2018</b> <b>Baht Thousand</b>
Expected repayment within 1 year	741,294	717,330
Total	<u>741,294</u>	<u>717,330</u>

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

	<b>Change in Assumptions %</b>	<b>Impact to claim reserve and uncollected loss adjustment expense Baht Thousand</b>	<b>Impact on profit (loss) Baht Thousand</b>	<b>Impact on equity Baht Thousand</b>
Expected loss ratio	+10%	19,856	(19,856)	(19,856)
	-10%	(19,856)	19,856	19,856

**19.3.4 Unearned premium reserve**

	<b>2019</b> <b>Baht Thousand</b>	<b>2018</b> <b>Baht Thousand</b>
Beginning balance of the year	1,864,731	1,920,799
Premium written in the year	7,542,151	7,149,661
Earned premium in the year	(7,324,724)	(7,205,729)
Ending balance of the year	<u>2,082,158</u>	<u>1,864,731</u>

**19 Insurance contract liabilities (Cont'd)**

**19.3 Short-term technical reserves (Cont'd)**

**19.3.5 Unpaid policy benefits**

	<b>2019</b>	<b>2018</b>
	<b>Baht Thousand</b>	<b>Baht Thousand</b>
Death benefits	494,202	261,171
Maturity benefits	8,072	1,609
Surrender	111,825	50,445
Dividends	8,072,525	7,780,789
Annuities	4,291	-
<b>Total</b>	<b>8,690,915</b>	<b>8,094,014</b>

**20 Investment contract liabilities**

	<b>31 December</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	<b>Baht Thousand</b>	<b>Baht Thousand</b>
Beginning balance for the year	9,865,011	2,672,501
Deposit during the year	932,648	8,680,209
Withdrawal during the year	(569,461)	(388,680)
Fee charged	(241,056)	(279,249)
Change in fair value	313,180	(819,682)
Others	(11,092)	(88)
<b>Closing balance at the end of year</b>	<b>10,289,230</b>	<b>9,865,011</b>

**21 Amount due to reinsurers**

	<b>2019</b>	<b>2018</b>
	<b>Baht Thousand</b>	<b>Baht Thousand</b>
Amount withheld on reinsurance treaties	18,570	21,053
Reinsurance payables	168,059	228,323
<b>Total amounts due to reinsurers</b>	<b>186,629</b>	<b>249,376</b>

## **22 Employee benefits**

### **22.1 Employee benefits obligation**

The amounts recognised in profit or loss are as follows:

	<b>2019</b>	<b>2018</b>
	<b>Baht Thousand</b>	<b>Baht Thousand</b>
<u>Defined benefits obligation</u>		
Current Service costs	25,277	14,265
Past Service costs	20,276	-
Interest cost	3,470	2,223
Total expenses	49,023	16,488
<u>Commitment from defined benefit plans</u>		
Present value of employee benefits obligations	139,237	97,163
<u>Changes in the present value of employee benefits</u>		
As at 1 January	97,163	82,557
Current Service costs	25,277	14,265
Past Service costs	20,276	-
Interest cost	3,470	2,223
<u>Less</u> Benefits paid	(14,512)	(547)
(Gain) loss on actuarial remeasurement	10,793	(1,285)
Other adjustment	(3,230)	(50)
As at 31 December	139,237	97,163

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

	<b>2019</b>	<b>2018</b>
Discount rate	1.76% - 4.16%	1.76% - 4.16%
Salary increase rate	6.0% - 10.0%	6.0% - 10.0%
Retirement ages	60 years old	60 years old
Turnover rate	10% - 15%	10% - 15%

Sensitivity analysis on key assumptions changes are as follows:

	<b>Change in assumptions</b>		<b>Impact on employee benefits obligation</b>			
			<b>Increase in assumption</b>		<b>Decrease in assumption</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Discount rate	1%	1%	-12%	-11%	+14%	+13%
Salary increase rate	1%	1%	+15%	+14%	-13%	-12%
Turnover rate	20%	20%	-19%	-18%	+26%	+24%

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



## **22 Employee benefits (Cont'd)**

### **22.1 Employee benefits obligation (Cont'd)**

	<b>2019</b>	<b>2018</b>
Weighted average duration of the defined benefit obligation (years)	14	10
Maturity analysis of undiscounted benefits expected to be paid (Baht Thousand)		
Benefits expected to be paid within 1 year	2,694	4,813
Benefits expected to be paid between 1 - 5 years	47,541	12,004
Benefits expected to be paid more than 5 years	734,983	614,005

### **22.2 Share-based compensation**

As at 31 December 2019, the Company has share-based compensation in accordance with AXA Group policy using the share of AXA SA, a listed company in Euronext Paris Compartiment A, which is one of the ultimate parent companies.

During the year 2019, there is a share-based compensation plan to employee. The details are as below:

The plan will give eligible employees the right to acquire AXA SA free ordinary shares, after the respective vesting period and under the specified conditions. This period will be a 4-year acquisition. The number of AXA SA free ordinary shares at the end of the acquisition period will be calculated depending on the achievement of performance objectives of the company during specified financial periods.

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

	<b>2019 Number of shares</b>	<b>2018 Number of shares</b>
As at 1 January	188,246	185,859
Granted/Transferred in	99,670	93,616
Exercised	(22,148)	(14,548)
Forfeited/Transferred out	(48,834)	(76,681)
As at 31 December	<u>216,934</u>	<u>188,246</u>

The total recognised compensation in other employee benefits for the year ended 31 December 2019 amount of Baht 44 million (2018: Baht 34 million) and the total compensation liabilities in other liabilities amount of Baht 98 million (2018: Baht 70 million). The company uses projected cash flow technique to calculate the fair value of this share-based payment plan. The key assumptions for valuations are expected share price and employee turn-over rate.

**23 Other liabilities**

	<b>2019</b>	<b>2018</b>
	<b>Baht Thousand</b>	<b>Baht Thousand</b>
Cash collateral received from derivative contracts	4,171,800	1,326,400
Other liabilities from related party	195,037	257,563
Others	315,191	307,433
<b>Total</b>	<b>4,682,028</b>	<b>1,891,396</b>

Cash collateral received from derivative contracts are cash collateral that the financial institutions pledged with the Company under derivative contracts.

**24 Dividends**

Dividends payable are not accounted for until they have been approved at the Annual General Meeting and the Office of Insurance Commission. At the Annual General Meeting held on 11 April 2019, the shareholders approved the non-payment of dividend regarding the 2018 operating results (2018 : the shareholders approved the dividend payment regarding the 2017 operating results amounting to Baht 3,421 million). There is no dividend payment in 2019 and 2018.

**25 Operating expenses**

	<b>2019</b>	<b>2018</b>
	<b>Baht Thousand</b>	<b>Baht Thousand</b>
Employee expenses not relating to underwriting expenses and loss adjustment expenses	1,339,482	1,342,574
Property and equipment expenses not relating to underwriting expenses	610,767	633,491
Tax and duty	9,895	10,965
Reversal on bad debt and doubtful accounts	-	(17,000)
Selling and marketing expenses	297,933	297,020
Service fees	655,585	735,182
Other operating expenses	823,311	740,910
<b>Total operating expenses</b>	<b>3,736,973</b>	<b>3,743,142</b>

**26 Employee expenses**

	<b>2019</b>	<b>2018</b>
	<b>Baht Thousand</b>	<b>Baht Thousand</b>
Salary and wages	1,652,505	1,749,479
Social securities	17,395	15,956
Provident fund	65,459	61,018
Other employee benefits	357,161	358,228
<b>Total employee expenses</b>	<b>2,092,520</b>	<b>2,184,681</b>

The Company established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees pay and the Company contribute to the Fund monthly at the rate of 3%-10% of basic salary. The Company appointed a fund manager to manage the fund in accordance with terms and conditions as prescribed in the Ministerial Regulations.

**27 Income tax expenses**

	<b>2019 Baht Thousand</b>	<b>2018 Baht Thousand</b>
Current tax on profit for the year	189,837	300,611
Increase (Decrease) in deferred tax (Note 17)	357,115	(148,380)
Income taxes for the year	<u>546,952</u>	<u>152,231</u>

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

	<b>2019 Baht Thousand</b>	<b>2018 Baht Thousand</b>
Profit before tax	2,428,078	1,663,439
Income tax rate	20%	20%
Tax calculated at tax rate	485,616	332,688
The impact of income/expense not addition/deductible for tax purpose	(53,166)	(57,165)
Re-measurement of deferred tax	114,502	(123,292)
Income taxes for the year	<u>546,952</u>	<u>152,231</u>

The effective tax rate for 2019 is 23% (2018: 9%). Significant transaction being income not subject to tax is dividend income (2018 : Dividend income). There was no significant transaction being expenses not deductible for tax purpose.

The additional information related to deferred tax are provided in Note 17.

**28 Tax effect from other comprehensive income**

	<b>2019</b>			<b>2018</b>		
	<b>Before Tax Baht Thousand</b>	<b>Tax benefit (expense) Baht Thousand</b>	<b>Net of tax Baht Thousand</b>	<b>Before Tax Baht Thousand</b>	<b>Tax benefit (expense) Baht Thousand</b>	<b>Net of tax Baht Thousand</b>
Unrealised gain (loss) from available-for-sale securities	31,853,139	(6,370,628)	25,482,511	(6,434,770)	1,286,954	(5,147,816)
Actuarial gain (loss) from employment benefit plan	(10,793)	-	(10,793)	1,285	-	1,285
Unrealised gain (loss) from hedging instruments	1,676,051	(335,210)	1,340,841	(265,059)	53,012	(212,047)
Items in other comprehensive transferred to profit or loss	(1,531,659)	306,332	(1,225,327)	(71,226)	14,245	(56,981)
Total	<u>31,986,738</u>	<u>(6,399,506)</u>	<u>25,587,232</u>	<u>(6,769,770)</u>	<u>1,354,211</u>	<u>(5,415,559)</u>

## 29 Basic earnings per share

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

	2019	2018
Net profit for the year attributable to ordinary shareholders (Baht Thousand)	1,881,126	1,511,208
Weighted average number of ordinary shares in issue during the year (Thousand Shares)	135,500	135,500
Basic profit per share (Baht)	13.88	11.15

These are no potential dilutive ordinary shares in issue for the years ended 31 December 2019 and 2018.

## 30 Related party transactions

Transactions with its major or common shareholders and related companies are mainly as follows:

**Balances with related companies as at 31 December 2019 and 2018:**

	Relationship	2019 Baht Thousand	2018 Baht Thousand
<b>Krungthai Bank Public Company Limited</b>	Shareholder		
Bank deposits		2,880,852	2,580,657
Account receivable		-	411
Investment in equity security		132,280	169,214
Corporate bond		622,160	640,047
Promissory note		-	500,000
Bill of exchange		4,113,925	3,591,450
Accrued interest - Bond		1,948	2,099
Accrued interest - Notes		25,569	29,347
Accrued service fees expense		249,936	171,357
<b>Inter Partner Assistance Company Limited</b>	Common shareholders		
Accrued service fees expense		73,084	30,000
Other receivable		-	29
<b>AXA Asia Limited</b>	Common shareholders		
Other receivable		1,449	2,583
Other payable		12,067	85,944
<b>Krungthai Asset Management Public Company Limited</b>	Common shareholders		
Accrued management fee		579	347
Other receivable		-	1,814
<b>AXA Group Operations Hong Kong Limited (formerly AXA Technology Services Asia (HK) Limited)</b>	Common shareholders		
Other receivable		3,935	969
Other payable		158,534	153,433

**30 Related party transactions (Cont'd)**

**Balances with related companies as at 31 December 2019 and 2018: (Cont'd)**

	<b>Relationship</b>	<b>2019 Baht Thousand</b>	<b>2018 Baht Thousand</b>
<b>Krungthai Card Public Company Limited</b>	Common shareholders		
Other receivable		-	3,757
<b>AXA SA</b>	Common shareholders		
Other receivable		4,381	301
<b>AXA Insurance Public Company Limited</b>	Common shareholders		
Other receivable		2,358	2,049
<b>AXA Asian Markets Office</b>	Common shareholders		
Other receivable		-	1,113
<b>AXA Global Move SA</b>	Common shareholders		
Other payable		10,601	16,911
<b>GIE AXA</b>	Common shareholders		
Other payable		62	400
<b>AXA Group Solutions Asia Limited</b>	Common shareholders		
Other payable		-	874
<b>AXA Shared Services Centre Malaysia Sdn Bhd</b>	Common shareholders		
Other payable		13,835	-
<b>National Mutual International Pty. Ltd.</b>	Shareholder		
Other receivable		112	120
<b>AXA France VIE</b>	Common shareholders		
Amounts due to reinsurer - Net		76,494	81,883
<b>AXA China Region Insurance Company Limited</b>	Common shareholders		
Amounts due to reinsurer - Net		9,635	4,138

**30 Related party transactions (Cont'd)**

**Transactions with related companies for the year ended 31 December 2019 and 2018:**

	<b>Relationship</b>	<b>2019 Baht Thousand</b>	<b>2018 Baht Thousand</b>
<b>Krungthai Bank Public Company Limited</b>	Shareholder		
<b>Income</b>			
Interest received		88,708	99,765
Dividend income		6,361	5,851
		<b>95,069</b>	<b>105,616</b>
<b>Expenses</b>			
Bank charge		65,491	68,357
Credit card fee		99,772	-
Service fee		1,805,594	1,896,983
		<b>1,970,857</b>	<b>1,965,340</b>
<b>AXA France VIE</b>	Common shareholders		
<b>Income</b>			
Premiums ceded to reinsurer		(57,590)	(54,496)
Fee and commission income		3,405	7,077
		<b>(54,185)</b>	<b>(47,419)</b>
<b>Expenses</b>			
Claim recovered from reinsurer		(30,684)	(26,263)
		<b>(30,684)</b>	<b>(26,263)</b>
<b>AXA China Region Insurance Company Limited</b>	Common shareholders		
<b>Income</b>			
Premiums ceded to reinsurer		(6,668)	(3,822)
		<b>(6,668)</b>	<b>(3,822)</b>
<b>Expenses</b>			
Claim recovered from reinsurer		(1,172)	(99)
Service fee		39	-
		<b>(1,133)</b>	<b>(99)</b>
<b>AXA Global Re</b>	Common shareholders		
<b>Income</b>			
Premiums ceded to reinsurer		(6,249)	(5,746)

**30 Related party transactions (Cont'd)**

**Transactions with related companies for the year ended 31 December 2019 and 2018:**  
(Cont'd)

	<b>Relationship</b>	<b>2019 Baht Thousand</b>	<b>2018 Baht Thousand</b>
<b>AXA Investment Manager Asia Ltd.</b>	Common shareholders		
Management fee		20,714	10,137
<b>Krungthai Card Public Company Limited</b>	Common shareholders		
Credit card fee		156,139	284,959
<b>Inter Partner Assistance Company Limited</b>	Common shareholders		
Service fees		126,388	185,958
<b>AXA Group Operations Hong Kong Limited (formerly AXA Technology Services Asia (HK) Limited)</b>	Common shareholders		
Service fees		505,812	539,154
<b>AXA Asia Limited</b>	Common shareholders		
Service fees		122,472	232,704
<b>AXA Global Move SA</b>	Common shareholders		
Service fees		19,308	16,911
<b>AXA Group Solutions</b>	Common shareholders		
Service fees		2,684	-
<b>AXA Services SAS</b>	Common shareholders		
Service fees		7,878	-
<b>AXA Share Services Centre Malaysia</b>	Common shareholders		
Service fees		14,220	-
<b>AXA Group Solutions Asia Limited</b>	Common shareholders		
Service fees		920	-
<b>AXA EB Partners</b>	Common shareholders		
Service fees		2,636	-

**30 Related party transactions (Cont'd)**

**Transactions with related companies for the year ended 31 December 2019 and 2018:**  
(Cont'd)

	<b>Relationship</b>	<b>2019 Baht Thousand</b>	<b>2018 Baht Thousand</b>
<b>AXA Group Operations SAS</b>	Common shareholders		
Service fees		33	-
<b>AXA SA</b>	Common shareholders		
Service fees		623	-
<b>GIE AXA</b>	Common shareholders		
Service fees		1,498	-
<b>GIE AXA Universite</b>	Common shareholders		
Service fees		905	-
<b>Krungthai Asset Management Public Company Limited</b>	Common shareholders		
Management fees		36,213	32,312

The Company is offered the same interest rate and condition as the bank offers to other customers.

The rate and conditions of bank charges are the same as the bank offers to other customers.

The rates and conditions of credit card fees, service fees and management fees are as specified in the agreement between the Company and the related companies.

**Key management compensations**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. For the years ended 31 December 2019 and 2018, the Company has recorded salaries, bonuses, post-employment benefits and other expenses relating to key management personnel amounting to Baht 254 million and Baht 233 million, respectively. The amount of which has been recorded as part of operating expense in statements of comprehensive income.



### **31 Securities placed with the Registrar and securities reserved with the Registrar**

#### **31.1 Securities placed with the Registrar**

The Company placed securities with the Registrar, Office of Insurance Commission, as required by the Life Insurance Act. (No.2) B.E. 2551. Deposit with Registrar as at 31 December 2019 and 2018 comprises as follows:

	<b>2019</b>	<b>2018</b>
	<b>Baht Thousand</b>	<b>Baht Thousand</b>
Government bonds	30,562	25,686

#### **31.2 Securities reserved with the Registrar**

	<b>2019</b>	<b>2018</b>
	<b>Baht Thousand</b>	<b>Baht Thousand</b>
Government bonds	71,158,955	54,492,515

### **32 Contingent liabilities and Commitments**

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

	<b>2019</b>	<b>2018</b>
	<b>Baht Thousand</b>	<b>Baht Thousand</b>
Due within 1 year	190,328	118,354
Due more than 1 year but no later than 5 years	242,389	47,681
Total	432,717	166,035

#### **32.2** As at 31 December 2019, the Company has commitments with a bank in Thailand to purchase future investment in government bonds within year 2020, 2021 and 2022, amounting to Baht 5,871 million, Baht 3,106 million and Baht 527 million, respectively (as at 31 December 2018: Baht 12,562 million).

#### **32.3** As at 31 December 2019, the Company had no commitments to invest in several series of bills of exchange issued by banks. (As at 31 December 2018: Baht 300 million).

### **33 Financial instruments**

The Company has entered into derivatives for the Cash flow hedge agreements. The Company has recorded fair value of the derivatives as at 31 December 2019 to be derivatives assets Baht 2,058 million and derivatives liabilities Baht 66 million and recognised the unrealised gain (loss) on cash flow hedging transaction under the statement of other comprehensive income (As at 31 December 2018: derivatives assets Baht 600 million and derivatives liabilities Baht 284 million).

