


Information Disclosure Allianz Ayudhya Assurance Public Company Limited

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

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

Sign 
Name Mr. Bryan James Smith
Position Director

Sign 
Name Mr. Puchai Satayaporn
Position Director

Disclosed on 1 November 2018
Annual Year 2017



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Allianz Ayudhya Assurance Public Company Limited

Financial statements for the year ended
31 December 2017
and
Independent Auditor's Report



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Independent Auditor's Report

To the Shareholders of Allianz Ayudhya Assurance Public Company Limited

Opinion

I have audited the financial statements of Allianz Ayudhya Assurance Public Company Limited (the "Company"), which comprise the statement of financial position as at 31 December 2017, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

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

Other Information

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

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

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



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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

Chanchai S.

(Chanchai Sakulkoedsin)
Certified Public Accountant
Registration No. 6827

KPMG Phoomchai Audit Ltd.
Bangkok
15 February 2018

Allianz Ayudhya Assurance Public Company Limited

Statement of financial position

Assets	Note	31 December	
		2017	2016
		<i>(in Baht)</i>	
Cash and cash equivalents	4, 25	5,181,609,452	11,173,971,018
Premiums due and uncollected	5	1,751,764,716	1,703,622,664
Accrued investment income		2,758,775,932	2,516,877,838
Reinsurance receivables	6, 25	313,048,667	380,779,426
Investment receivables		9,747,884	144,115,244
Derivative assets	7	217,921,331	5,840,301
Investment assets			
Investments in securities	8, 25, 26	158,718,869,258	136,613,181,367
Loans	9	7,871,796,913	7,581,866,161
Investment assets held to cover linked liabilities		96,139,604	1,731,826
Premises and equipment	10	603,429,085	590,675,543
Intangible assets		283,027,544	174,768,018
Other assets	25	<u>218,846,576</u>	<u>208,105,771</u>
Total assets		<u>178,024,976,962</u>	<u>161,095,535,177</u>

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

Allianz Ayudhya Assurance Public Company Limited

Statement of financial position

Liabilities and equity	Note	31 December	
		2017	2016
		<i>(in Baht)</i>	
Liabilities			
Insurance contract liabilities	11	152,309,871,446	138,039,390,513
Investment contract liabilities	12	3,864,110,707	4,251,147,645
Reinsurance payables	13, 25	525,926,489	640,116,687
Investment payables		541,064,647	1,296,680,502
Derivative liabilities	7	33,494,550	-
Income tax payable		184,889,597	128,815,963
Accrued expenses	14	2,060,137,562	1,726,310,988
Employee benefit obligations		210,352,700	194,608,174
Provisions		195,971,470	173,659,732
Deferred tax liabilities	15	1,241,549,006	551,935,576
Other liabilities	25	463,579,749	299,436,932
Total liabilities		161,630,947,923	147,302,102,712
Equity			
Share capital			
Authorised share capital			
400,000,000 ordinary shares of 10 Baht each	16	4,000,000,000	4,000,000,000
Issued and paid-up share capital			
295,000,000 ordinary shares of 10 Baht each	16	2,950,000,000	2,950,000,000
Retained earnings			
Appropriated			
Legal reserve	17	400,000,000	400,000,000
Unappropriated		6,253,505,369	6,538,808,078
Other components of equity	17	6,790,523,670	3,904,624,387
Total equity		16,394,029,039	13,793,432,465
Total liabilities and equity		178,024,976,962	161,095,535,177

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

Allianz Ayudhya Assurance Public Company Limited

Statement of comprehensive income

	Note	Year ended 31 December	
		2017	2016
<i>(in Baht)</i>			
Revenues			
Gross premiums written	25	32,002,390,076	30,915,938,172
Less premiums ceded	25	<u>(663,730,156)</u>	<u>(709,708,626)</u>
Net premiums written		31,338,659,920	30,206,229,546
Less unearned premium reserve increased from previous year		<u>(127,855,439)</u>	<u>(175,220,254)</u>
Net premiums earned		31,210,804,481	30,031,009,292
Fees and commission income	25	152,931,337	114,979,128
Net investment income	18, 25	6,395,537,314	6,350,852,962
Gains on investment		229,576,091	91,120,088
Losses on foreign exchange rates		(18,076,768)	(26,694,979)
Other income		<u>51,015,543</u>	<u>49,881,167</u>
Total revenues		<u>38,021,787,998</u>	<u>36,611,147,658</u>
Expenses			
Long-term technical reserve increased from previous year		13,106,578,207	14,556,002,682
Benefits payments and insurance claims expenses	20, 25	15,504,300,949	12,637,294,222
Less benefits payments and insurance claims expenses recovered from reinsurers	25	<u>(290,817,798)</u>	<u>(289,679,481)</u>
Net benefits payment and insurance claims expenses		15,213,483,151	12,347,614,741
Commissions and brokerages		3,603,883,583	3,595,529,130
Other underwriting expenses	20	982,152,758	759,100,312
Operating expenses	19, 20, 25	3,107,451,701	2,969,144,322
Finance costs		-	27,978,350
Total expenses		<u>36,013,549,400</u>	<u>34,255,369,537</u>
Profit before income tax		2,008,238,598	2,355,778,121
Income tax	21	<u>363,791,363</u>	<u>429,763,176</u>
Net profit		<u>1,644,447,235</u>	<u>1,926,014,945</u>

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

Allianz Ayudhya Assurance Public Company Limited

Statement of comprehensive income

	Note	Year ended 31 December	
		2017	2016
		<i>(in Baht)</i>	
Other comprehensive income			
<i>Components of other comprehensive income that will not be reclassified to profit or loss</i>			
Losses on remeasurements of defined benefit plans		(7,937,430)	(17,397,315)
Income tax relating to components of the comprehensive income that will not be reclassified		1,587,486	3,479,463
		<u>(6,349,944)</u>	<u>(13,917,852)</u>
<i>Components of other comprehensive income that will be reclassified subsequently to profit or loss</i>			
Net change in fair value of available-for-sale investments		3,621,204,124	(509,895,146)
Net change in fair value of cash flow hedges		24,653,280	(271,624,156)
Income tax relating to components of the comprehensive income that will be reclassified		(759,958,121)	158,331,099
		<u>2,885,899,283</u>	<u>(623,188,203)</u>
Other comprehensive income for the year, net of tax	21	<u>2,879,549,339</u>	<u>(637,106,055)</u>
Total comprehensive income for the year		<u>4,523,996,574</u>	<u>1,288,908,890</u>
Basic earnings per share	22	<u>5.57</u>	<u>6.53</u>

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

Allianz Ayudhya Assurance Public Company Limited
Statement of changes in equity

	Retained earnings		Other components of equity				Total equity
	Issued and paid-up share capital	Legal reserve	Unappropriated	Net change in fair value of available-for-sale investments <i>(in Baht)</i>	Net change in fair value of cash flow hedges	Total other components of equity	
Year ended 31 December 2016							
Balance at 1 January 2016	2,950,000,000	400,000,000	6,482,260,985	4,297,268,264	230,544,326	4,527,812,590	14,360,073,575
Transaction with shareholders, recorded directly in equity							
<i>Distributions to shareholders of the Company</i>							
Dividends to shareholders of the Company	-	-	(1,855,550,000)	-	-	-	(1,855,550,000)
Total transaction with shareholders, recorded directly in equity	-	-	(1,855,550,000)	-	-	-	(1,855,550,000)
Comprehensive income for the year							
Net profit	-	-	1,926,014,945	-	-	-	1,926,014,945
Other comprehensive income	-	-	(13,917,852)	(407,916,117)	(215,272,086)	(623,188,203)	(637,106,055)
Total comprehensive income for the year	-	-	1,912,097,093	(407,916,117)	(215,272,086)	(623,188,203)	1,288,908,890
Balance at 31 December 2016	2,950,000,000	400,000,000	6,538,808,078	3,889,352,147	15,272,240	3,904,624,387	13,793,432,465

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

Allianz Ayudhya Assurance Public Company Limited
Statement of changes in equity

	Retained earnings		Other components of equity				Total equity
	Issued and paid-up share capital	Legal reserve	Unappropriated	Net change in fair value of available-for-sale investments <i>(in Baht)</i>	Net change in fair value of cash flow hedges	Total other components of equity	
Year ended 31 December 2017							
Balance at 1 January 2017	2,950,000,000	400,000,000	6,538,808,078	3,889,352,147	15,272,240	3,904,624,387	13,793,432,465
Transaction with shareholders, recorded directly in equity							
<i>Distributions to shareholders of the company</i>							
Dividends to shareholders of the Company	-	-	(1,923,400,000)	-	-	-	(1,923,400,000)
Total transaction with shareholders, recorded directly in equity	-	-	(1,923,400,000)	-	-	-	(1,923,400,000)
Comprehensive income for the year							
Net profit	-	-	1,644,447,235	-	-	-	1,644,447,235
Other comprehensive income	-	-	(6,349,944)	2,896,963,299	(11,064,016)	2,885,899,283	2,879,549,339
Total comprehensive income for the year	-	-	1,638,097,291	2,896,963,299	(11,064,016)	2,885,899,283	4,523,996,574
Balance at 31 December 2017	2,950,000,000	400,000,000	6,253,505,369	6,786,315,446	4,208,224	6,790,523,670	16,394,029,039

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

Allianz Ayudhya Assurance Public Company Limited

Statement of cash flows

	Note	Year ended 31 December	
		2017	2016
		(in Baht)	
<i>Cash flows from operating activities</i>			
Premiums written		31,937,119,014	30,900,317,720
Cash paid to reinsurers		(266,440,460)	(188,240,990)
Interest received		5,677,958,302	5,679,910,533
Dividends received		588,208,159	531,100,975
Other income		60,867,621	49,896,962
Benefits payments and insurance claims expenses		(14,714,162,724)	(12,139,225,335)
Commissions and brokerages		(3,489,687,344)	(3,695,005,216)
Other underwriting expenses		(982,152,758)	(759,100,312)
Operating expenses		(2,529,783,666)	(2,371,042,271)
Income tax paid		(376,474,935)	(506,313,299)
Investments in securities		(19,158,649,267)	(10,381,156,330)
Loans		(577,112,844)	(829,482,946)
Deposits		332,003	11,555,607
Net cash flow provided by (used in) operating activities		<u>(3,829,978,899)</u>	<u>6,303,215,098</u>
<i>Cash flows from investing activities</i>			
Acquisition of premises and equipment		(90,712,534)	(59,749,348)
Acquisition of intangible assets		(148,270,133)	(104,067,874)
Net cash flow used in investing activities		<u>(238,982,667)</u>	<u>(163,817,222)</u>
<i>Cash flows from financing activities</i>			
Proceeds from short-term loans from bank		-	3,167,566,770
Repayments of short-term loans from bank		-	(3,167,566,770)
Dividends paid to shareholders of the Company	23	(1,923,400,000)	(1,855,550,000)
Net cash flow used in financing activities		<u>(1,923,400,000)</u>	<u>(1,855,550,000)</u>
Net increase (decrease) in cash and cash equivalents		(5,992,361,566)	4,283,847,876
Cash and cash equivalents at 1 January		11,173,971,018	6,890,123,142
Cash and cash equivalents at 31 December	4	<u>5,181,609,452</u>	<u>11,173,971,018</u>

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

Allianz Ayudhya Assurance Public Company Limited

Statement of cash flows

	Year ended 31 December	
	2017	2016
	<i>(in Baht)</i>	
Supplemental cash flows information		
Non-cash items		
Receivables from sold investments	9,747,884	144,115,244
Payables from bought investments	541,064,647	1,296,680,502
Net change in fair value of available-for-sale investments	3,621,204,124	(509,895,146)
Net change in fair value of cash flow hedges	24,653,280	(271,624,156)
Losses on remeasurements of defined benefit plans	(7,937,430)	(17,397,315)

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

Allianz Ayudhya Assurance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2017

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Allianz Ayudhya Assurance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2017

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 15 February 2018.

1 General information

Allianz Ayudhya Assurance Public Company Limited, (the “Company”), was first incorporated in Thailand under the name of Sri Ayudhya Life Assurance Company Limited on 11 April 1951 and the Company was granted its license to operate as a life insurance company on 20 April 1951.

Its registered office is located at Ploenchit Tower, 1st floor Zone B, 2nd floor Zone B (Mezzanine), 5th floor Zone B, 6th floor, 9th floor Zone A2, 14th floor and 17th floor, 898 Ploenchit Road, Lumpini, Pathumwan, Bangkok.

The immediate and ultimate parent companies during the financial year were CPRN (Thailand) Limited and Allianz SE, respectively. The immediate parent company was incorporated in Thailand and the ultimate parent company was incorporated in Germany.

The principal business of the Company is the provision of life insurance business.

2 Basis of preparation of the financial statements

(a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (“TFRSs”); guidelines promulgated by the Federation of Accounting Professions (“FAP”). In addition, the financial statements are prepared in accordance with the Notification of the Office of Insurance Commission regarding “Rules, Procedures, Conditions, and Timing for Preparation and Submission of the Financial Statements and Reporting on the Operations of Life Insurance Companies” B.E. 2559, dated 4 March 2016.

The FAP has issued new and revised TFRSs effective for annual accounting periods beginning on or after 1 January 2017. The initial application of these new and revised TFRSs has resulted in changes in certain of the Company’s accounting policies. These changes have no material effect on the financial statements.

In addition to the above new and revised TFRSs, the FAP has issued a number of other new and revised TFRSs which are effective for annual financial periods beginning on or after 1 January 2018 and have not been adopted in the preparation of these financial statements. Those new and revised TFRSs that are relevant to the Company’s operations are disclosed in note 30.

(b) Basis of measurement

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

Allianz Ayudhya Assurance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2017

<i>Items</i>	<i>Measurement bases</i>
Derivative financial instruments	Fair value
Available-for-sale investments	Fair value
Defined benefit liability	Present value of the defined benefit obligation, as explained in note 3 (m)

(c) *Functional and presentation currency*

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

(d) *Use of judgements and estimates*

The preparation of financial statements in conformity with TFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, incomes and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Assumptions and estimation uncertainties

Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustments to the amounts recognised in the financial statements is included in the following notes:

Note 11	Insurance contract liabilities
Note 12	Investment contract liabilities

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

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

Process involved in determining assumptions

The Company determines assumptions in relation to mortality, morbidity and discount rate that were established at the time when insurance products were designed. These assumptions are locked-in and used for calculating the liabilities over the life of the contract. However, the Company revised the assumption of discount rates for the non-participating traditional insurance products as the locked-in discount rates of these products (at 5% - 6%) were higher than the Company's current study experience. Therefore, the Company has a policy to strengthen the reserves by adjusting the discount rates downwards. In 2017, a downward adjustment of 35 basis points (2016: 25 basis points) resulted in an additional expense of Baht 895.6 million (2016: Baht 575.2 million) reflected in the statement of comprehensive income.

Since the Company revised the assumption of discount rate for the non-participating traditional insurance products, the Company performed sensitivity analysis on the discount rate by decreasing 25 basis points (2016: 25 basis points) of discount rate, the liability will be increased approximately Baht 642.8 million (2016 : Baht 600 million).

Allianz Ayudhya Assurance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2017

Short-term technical reserves

Short-term technical reserves consist of loss reserves and outstanding claims and premium reserves. The carrying amounts as at the reporting date are provided in note 11.

Process involved in determining assumptions

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

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

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

The Company uses "Chain-Ladder" method to estimate claims incurred but not reported. The Chain-ladder technique involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year.

Measurement of fair values

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

Further information about the methods and assumptions made in measuring fair values is disclosed in note 24.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currencies

Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

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

Non-monetary assets and liabilities measured at fair value in foreign currencies are translated to the functional currency at the exchange rates at the dates the fair value was determined.

Allianz Ayudhya Assurance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2017

Foreign currency differences are generally recognized in profit or loss. However, foreign currency differences arising from the translation of the following items are recognized in other comprehensive income:

- available-for-sale equity investments (except on impairment in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to profit or loss)

(b) Insurance contracts and investment contracts

Classification of contracts

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

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

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

The Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least significant level more than the benefits payable if the insured event did not occur.

Contracts with discretionary participation features (“DPF”) that transfer insurance risk, but not significant insurance risk are termed investment contracts. A DPF is a contractual right (held by a policyholder) to receive, as a supplement to guaranteed minimum benefits, additional benefits that are likely to be a significant portion of the total contractual benefits, whose amount or timing is contractually at the Company’s discretion and are contractually based on:

- (1) the performance of a specified pool of contracts or a specified type of contract;
- (2) realised and/or unrealised investment returns on a specified pool of assets held by the issuing entity; or
- (3) the profit or loss of the issuing entity.

The accounting basis and disclosure for investment contracts with DPF are consistent with those for insurance contracts.

The deposit component of an insurance contract is unbundled when both of the following conditions are met:

- (1) the deposit component (including any embedded surrender option) can be measured separately (i.e. without taking into account the insurance component); and
- (2) the Company’s accounting policies do not otherwise require the recognition of all obligations and rights arising from the deposit component.

Allianz Ayudhya Assurance Public Company Limited
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For the year ended 31 December 2017

Recognition and measurement of insurance contracts and investment contracts with DPF

Premiums due and uncollected

Premiums due and uncollected are stated at their invoice value less allowance for doubtful accounts.

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

Long-term technical reserves

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

Actuarial assumptions are reviewed annually to assess whether they reflect actual experience, and where there is an indication that they are not appropriate then the assumption will be revised to reflect actual experience. These assumptions will not be adjusted unless there is further adverse experience.

In respect of unit-linked contracts, the unit reserves are calculated as the value of the underlying assets backing the units relating to the policies and the non-unit reserves are calculated using Net Premium Valuation method.

Loss reserves and outstanding claims

A provision for loss reserves and outstanding claims is made for the estimated cost of all claims notified but not settled at the reporting date. Provision is also made for the cost of claims incurred, but not reported, as at the reporting date based on the Company's experience and historical data. Differences between the provision for outstanding claims and subsequent revisions and settlements are included in profit or loss in later years.

Premium reserve

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

Unearned premium reserve

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

Unexpired risks reserve

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

As at the end of reporting period, the Company compares the amounts of unexpired risks reserve with unearned premium reserve, and if unexpired risks reserve is higher than unearned premium reserve, the difference is recognised as unexpired risks reserve in the financial statements.

Allianz Ayudhya Assurance Public Company Limited
Notes to the financial statements
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Unpaid policy benefits

Unpaid policy benefits represent claims and benefits payables to policyholders in relation to deaths, surrenders, dividends, maturities and policyholder deposits in respect of maturities and dividends, including its related interest payables. Unpaid policy benefits are recognised at cost.

Due to insured

Due to insured comprises of premium suspense account and amount due to insured other than contractual benefits. Due to insured are recognised at cost.

Premium written and premium earned

Short-term insurance contracts

Premium written is recognised as revenue on the inception date and are presented gross of premium ceded and commissions and brokerage expenses.

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

Long-term insurance contracts

First year premium written is recognised as revenue when the insurance policy is approved and premium is received. Renewal premium income is recognised as revenue when premium is due. First year premium written and renewal premium income are presented gross of premium ceded and commissions and brokerage expenses.

Premium received in advance is not recognised as revenue until the due date of policies.

Commissions and brokerage expenses

Commissions and brokerages are recognised on an accrual basis.

Benefits payments and insurance claims expenses

Benefits payments and insurance claims expenses consist of benefits, claims and losses adjustment expense during the years, less benefits payments and insurance claims expenses recovered from reinsurers and changes in provision for short-term insurance claims. These expenses are recognised in profit or loss when incurred.

Reinsurance

Reinsurance transactions are recorded based on estimates of the amounts to be received from or paid to reinsurers.

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

Premium ceded, fee and commission income, and benefits payments and insurance claims expenses recovered from reinsurers are recognised as expense or revenue in accordance with the pattern of reinsurance service received when incurred.

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An asset or liability is recognised in the statement of financial position representing reinsurance receivables and payables. The net amount is presented in the statement financial position only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Liability adequacy test

Short-term insurance contracts

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

Long-term insurance contracts

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

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

(c) Cash and cash equivalents

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

(d) Investments

Investments in debt and equity securities

Debt securities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated at amortised cost, less any impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortised using the effective interest rate method over the period to maturity.

Debt securities and marketable equity securities, other than those securities intended to be held to maturity, are classified as available-for-sale investments. Available-for-sale investments are, subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in equity. Impairment losses and foreign exchange differences are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Allianz Ayudhya Assurance Public Company Limited
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The fair value of marketable equity securities is based on the latest bid price on the last business day of the reporting date.

Equity securities which are not marketable are stated at cost less any impairment losses.

Recognition

Purchases and sales of investments are initially recognised on trade date which is the date that the Company commits to purchase or sell the investments.

Disposal of investments

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

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

(e) Derivative financial instruments

Derivative financial instruments are used to manage cash flow exposure risk arising from investment activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, they are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy 3 (f)).

(f) Hedging

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative financial instrument is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion is recognised immediately in profit or loss.

When a hedged forecast transaction occurs and results in the recognition of a financial asset or financial liability, the gain or loss recognised in other comprehensive income does not adjust the initial carrying amount of the asset or liability but remains in equity and is reclassified from equity to profit or loss consistently with the recognition of gains and losses on the asset or liability as a reclassification adjustment.

(g) Loans

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

The Company estimates the allowance by taking the difference between principal on loans which are overdue for more than 6 months and the valuation of collateral held.

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(h) Investment assets held to cover linked liabilities

Investment assets held to cover linked liabilities are marketable equity securities under unit-linked insurance contracts as the policy benefits are directly linked to the value of the investment in securities. They are stated at fair value using the latest bid price on the last business day of the reporting date.

(i) Premises and equipment

Recognition and measurement

Owned assets

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

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

When parts of an item of premises and equipment have different useful lives, they are accounted for as separate items (major components) of premises and equipment.

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

Subsequent costs

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

Depreciation

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

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

Buildings	20 years
Computer	3 - 5 years
Office equipment, furniture, and fitting	5 years
Vehicles	5 years

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

Allianz Ayudhya Assurance Public Company Limited
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Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(j) Intangible assets

Intangible assets representing computer software that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation

Amortisation is based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Computer software	5 - 10 years
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No amortisation is provided on computer software under installment.

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

(k) Impairment

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

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

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

Calculation of recoverable amount

The recoverable amount of held-to-maturity securities carried at amortised cost is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate.

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The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

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

Reversals of impairment

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss. For financial assets carried at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

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

(l) Other accounts payable

Other accounts payable are stated at cost.

(m) Employee benefits

Defined contribution plans

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

Defined benefit plans

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

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any application minimum funding requirements.

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

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

Short-term employee benefits

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

(n) Provision

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

(o) Revenue

Dividend income

Dividend income is recognised in profit or loss on the date the Company's right to receive payments is established.

Interest income

Interest income is recognised in profit or loss on an accrual basis, except interest on loans overdue more than 6 months is recognised on a cash basis.

(p) Expenses

Other underwriting, investment and operating expenses

Other underwriting, investment and operating expenses are recognised in profit or loss as expenses on an accrual basis.

Lease payments

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

(q) Directors' remuneration

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

Allianz Ayudhya Assurance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2017

(r) *Income tax*

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

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

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

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

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

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

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

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

(s) *Earnings per share*

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

Allianz Ayudhya Assurance Public Company Limited
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4 Cash and cash equivalents

	2017	2016
	<i>(in thousand Baht)</i>	
Cash on hand	123	230
Deposits at banks - call deposits	1,806,315	1,495,523
Deposits at banks - time deposits	650,000	500,000
Short-term investments	2,725,171	9,178,218
Total	<u>5,181,609</u>	<u>11,173,971</u>

The currency denomination of cash and cash equivalents as at 31 December was as follows:

	2017	2016
	<i>(in thousand Baht)</i>	
Thai Baht (THB)	5,002,216	11,101,621
United States Dollars (USD)	71,351	7,232
Australian Dollars (AUD)	57,363	9,209
Hong Kong Dollars (HKD)	37,907	17,556
Others	12,772	38,353
Total	<u>5,181,609</u>	<u>11,173,971</u>

5 Premiums due and uncollected

As at 31 December 2017 and 2016, the balances of premiums due and uncollected were aged as follows:

	2017	2016
	<i>(in thousand Baht)</i>	
Within credit terms	1,697,166	1,634,993
Overdue:		
Less than 30 days	181,210	155,501
31 - 60 days	13,796	10,983
61 - 90 days	13,254	18,006
91 days - 1 year	8,255	33,345
Over 1 year	21,680	34,490
Total	<u>1,935,361</u>	<u>1,887,318</u>
<i>Less allowance for doubtful accounts</i>	<i>(183,596)</i>	<i>(183,695)</i>
Net	<u>1,751,765</u>	<u>1,703,623</u>

In case of individual policies, premiums due and uncollected represent those amounts that are within the grace period, which is 30 days. For policies with cash values having amounts overdue longer than the grace period, the premiums due and uncollected will be settled by granting automatic policy loans. For policies without cash values and overdue longer than the grace period, the policies are lapsed.

In case of group policies, the credit term is 90 days. For overdue premium due and uncollected, the Company is processing the collection in accordance with the Company's policy.

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6 Reinsurance receivables

	2017 <i>(in thousand Baht)</i>	2016 <i>(in thousand Baht)</i>
Due from reinsurers	313,049	380,779
Total	<u>313,049</u>	<u>380,779</u>

Aging analysis for due from reinsurers was as follows:

	2017 <i>(in thousand Baht)</i>	2016 <i>(in thousand Baht)</i>
Within credit terms	313,049	380,779
Total	<u>313,049</u>	<u>380,779</u>

7 Derivatives

Derivative assets and liabilities consisted of:

Type of contract	Objectives	Notional amount	2017 Carrying amount - fair value		Change in fair value of derivatives
			Assets	Liabilities	
			<i>(in thousand Baht)</i>		
Cross currency swap	To hedge foreign currency risk	3,230,970	215,525	-	55,752
Bond forward	To hedge reinvestment risk	4,500,000	2,396	33,495	(31,099)
Total		<u>7,730,970</u>	<u>217,921</u>	<u>33,495</u>	<u>24,653</u>

Type of contract	Objectives	Notional amount	2016 Carrying amount - fair value		Change in fair value of derivatives
			Assets	Liabilities	
			<i>(in thousand Baht)</i>		
Cross currency swap	To hedge foreign currency risk	1,285,490	5,840	-	16,160
Bond forward	To hedge reinvestment risk	-	-	-	(287,784)
Total		<u>1,285,490</u>	<u>5,840</u>	<u>-</u>	<u>(271,624)</u>

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8 Investments in securities

8.1 Investments in securities

		2017		
	Cost/ amortised cost	Unrealised gain	Unrealised loss	Fair value
		<i>(in thousand Baht)</i>		
<i>Available-for-sale securities</i>				
Government and state enterprise debt securities	78,677,848	5,275,649	(533,858)	83,419,639
Private debt securities	7,152,258	277,335	(54,946)	7,374,647
Foreign debt securities	3,303,733	-	(122,404)	3,181,329
Equity securities	6,974,873	3,339,111	(45,697)	10,268,287
Foreign equity securities	3,474,872	243,599	(82,091)	3,636,380
Total	99,583,584	9,135,694	(838,996)	107,880,282
<i>Add unrealised surpluses from fair value changes in investments</i>	8,306,938			
<i>Less allowance for impairment</i>	(10,240)			
Total available-for-sale securities	107,880,282			
<i>Held-to-maturity securities</i>				
Government and state enterprise debt securities	40,123,431			
Private debt securities	5,774,018			
Deposits at financial institutions with original maturities more than 3 months	4,900,000			
Total held-to-maturity securities	50,797,449			
<i>General investments</i>				
Equity securities	41,138			
Total general investments	41,138			
Total investments in securities	158,718,869			

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		2016		
	Cost/ amortised cost	Unrealised gain (in thousand Baht)	Unrealised loss	Fair value
<i>Available-for-sale securities</i>				
Government and state enterprise debt securities	65,215,094	3,093,429	(1,141,292)	67,167,231
Private debt securities	4,114,903	135,054	(142,742)	4,107,215
Foreign debt securities	1,270,938	15,041	(18)	1,285,961
Equity securities	6,970,176	2,982,036	(23,365)	9,928,847
Foreign equity securities	1,651,876	21,619	(89,940)	1,583,555
Total	79,222,987	6,247,179	(1,397,357)	84,072,809
<i>Add unrealised surpluses from fair value changes in investments</i>	4,860,062			
<i>Less allowance for impairment</i>	(10,240)			
Total available-for-sale securities	84,072,809			
<i>Held-to-maturity securities</i>				
Government and state enterprise debt securities	41,634,749			
Private debt securities	5,964,485			
Deposits at financial institutions with original maturities more than 3 months	4,900,000			
Total held-to-maturity securities	52,499,234			
<i>General investments</i>				
Equity securities	41,138			
Total general investments	41,138			
Total investments in securities	136,613,181			

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8.2 Remaining period of debt securities

As at 31 December 2017 and 2016, debt securities were classified by the remaining period to maturity as follows:

	2017				Total
	Within 1 year	1-5 years	Maturity 5-10 years <i>(in thousand Baht)</i>	Over 10 years	
Available-for-sale securities					
Government and state enterprise debt securities	-	6,515,321	25,705,036	46,457,491	78,677,848
Private debt securities	31,008	1,214,626	4,637,029	1,269,595	7,152,258
Foreign debt securities	-	35,570	3,268,163	-	3,303,733
Add (less) unrealised surpluses (losses) from fair value changes in investments	(3,944)	295,451	1,837,529	2,712,740	4,841,776
Total available-for-sale securities	27,064	8,060,968	35,447,757	50,439,826	93,975,615
Held-to-maturity securities					
Government and state enterprise debt securities	3,473,813	20,406,030	8,769,972	7,473,616	40,123,431
Private debt securities	446,465	3,356,766	1,970,787	-	5,774,018
Deposits at financial institutions with original maturities more than 3 months	-	3,900,000	1,000,000	-	4,900,000
Total held-to-maturity securities	3,920,278	27,662,796	11,740,759	7,473,616	50,797,449
Total debt securities	3,947,342	35,723,764	47,188,516	57,913,442	144,773,064
	2016				Total
	Within 1 year	1-5 years	Maturity 5-10 years <i>(in thousand Baht)</i>	Over 10 years	
Available-for-sale securities					
Government and state enterprise debt securities	-	-	17,856,433	47,358,661	65,215,094
Private debt securities	32,945	140,949	2,547,108	1,393,901	4,114,903
Foreign debt securities	-	35,488	1,235,450	-	1,270,938
Add (less) unrealised surpluses (losses) from fair value changes in investments	(5,906)	(12,909)	1,102,262	876,025	1,959,472
Total available-for-sale securities	27,039	163,528	22,741,253	49,628,587	72,560,407
Held-to-maturity securities					
Government and state enterprise debt securities	1,429,175	23,188,527	9,515,168	7,501,879	41,634,749
Private debt securities	283,623	2,958,981	2,721,881	-	5,964,485
Deposits at financial institutions with original maturities more than 3 months	-	2,900,000	2,000,000	-	4,900,000
Total held-to-maturity securities	1,712,798	29,047,508	14,237,049	7,501,879	52,499,234
Total debt securities	1,739,837	29,211,036	36,978,302	57,130,466	125,059,641

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9 Loans

As at 31 December 2017 and 2016, loans and accrued interest were classified by aging as follows:

Outstanding periods	2017									
	Policy loans		Mortgage loans		Other loans		Loans and accrued interest		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
Within credit terms	7,844,286	1,266,323	24,077	44	-	-	7,868,363	1,266,367	9,134,730	-
Overdue	-	-	3,434	22	-	-	3,434	22	3,456	-
Less than 3 months	-	-	-	-	-	-	-	-	-	-
Over 3 - 6 months	-	-	430	40	-	-	430	40	470	-
Over 6 - 12 months	-	-	48,671	4,557	-	-	48,671	4,557	53,228	-
Over 12 months	-	-	76,612	4,063	-	-	7,920,898	1,270,986	9,191,884	-
Total	7,844,286	1,266,323	76,612	4,063	-	-	7,920,898	1,270,986	9,191,884	-
Less allowance for doubtful accounts	-	-	(49,101)	(4,597)	-	-	(49,101)	(4,597)	(53,698)	-
Net	7,844,286	1,266,323	27,511	66	-	-	7,871,797	1,266,389	9,138,186	-

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Outstanding periods	2016									
	Policy loans		Mortgage loans		Loans and accrued interest Other loans		Total			
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
Within credit terms	7,548,268	1,194,147	30,873	42	-	-	7,579,141	1,194,189	8,773,330	
Overdue										
Less than 3 months	-	-	2,233	23	-	-	2,233	23	2,256	
Over 3 - 6 months	-	-	492	28	-	-	492	28	520	
Over 6 - 12 months	-	-	-	-	-	-	-	-	-	
Over 12 months	-	-	48,671	4,557	-	-	48,671	4,557	53,228	
Total	7,548,268	1,194,147	82,269	4,650	-	-	7,630,537	1,198,797	8,829,334	
Less allowance for doubtful accounts	-	-	(48,671)	(4,557)	-	-	(48,671)	(4,557)	(53,228)	
Net	7,548,268	1,194,147	33,598	93	-	-	7,581,866	1,194,240	8,776,106	

* Presented in accrued investment income in the statements of financial position.

Policy loans represent loans granted to the policyholders in an amount not exceeding the cash value of the policy. The loans carry interest rate at not more than 8% per annum, as approved by the Office of Insurance Commission.

Mortgage loans are loans secured by real estates. The Company stopped providing new mortgage loans since 2010.

Other loans were personal guarantee loans to staffs with interest rates at MLR of local banks and were issued in accordance with the Company's welfare policy.

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10 Premises and equipment

	Land	Building	Computer	Office equipment	Furniture (in thousand Baht)	Fitting	Vehicles	Assets under installation	Total
<i>Cost</i>									
At 1 January 2016	247,916	513,040	226,964	150,637	3,960	287,827	1,650	-	1,431,994
Additions	-	-	35,177	9,726	-	12,986	-	2,000	59,889
Disposals and write off	-	-	(9,753)	(2,899)	(165)	(1,121)	-	-	(13,938)
At 31 December 2016 and 1 January 2017	247,916	513,040	252,388	157,464	3,795	299,692	1,650	2,000	1,477,945
Additions	-	-	53,981	9,759	117	13,110	-	7,373	84,340
Transfers	-	-	2,000	-	-	-	-	(2,000)	-
Disposals and write off	-	-	(10,774)	(8,844)	(255)	(10,724)	(620)	-	(31,217)
At 31 December 2017	247,916	513,040	297,595	158,379	3,657	302,078	1,030	7,373	1,531,068
<i>Accumulated depreciation</i>									
At 1 January 2016	-	249,179	181,918	131,454	3,448	262,149	1,101	-	829,249
Depreciation charge for the year	-	23,403	29,681	6,748	214	11,760	111	-	71,917
Disposals and write off	-	-	(9,753)	(2,857)	(165)	(1,121)	-	-	(13,896)
At 31 December 2016 and 1 January 2017	-	272,582	201,846	135,345	3,497	272,788	1,212	-	887,270
Depreciation charge for the year	-	23,268	26,337	8,397	107	10,286	111	-	68,506
Disposals and write off	-	-	(10,773)	(8,738)	(254)	(7,752)	(620)	-	(28,137)
At 31 December 2017	-	295,850	217,410	135,004	3,350	275,322	703	-	927,639
<i>Net book value</i>									
At 1 January 2016	247,916	263,861	45,046	19,183	512	25,678	549	-	602,745
At 31 December 2016 and 1 January 2017	247,916	240,458	50,542	22,119	298	26,904	438	2,000	590,675
At 31 December 2017	247,916	217,190	80,185	23,375	307	26,756	327	7,373	603,429

As at 31 December 2017, certain items of buildings and equipment have been fully depreciated, some of which are still in-use, the original cost amounted to Baht 604.5 million (2016: Baht 584.3 million).

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11 Insurance contract liabilities

	2017			2016		
	Liabilities under insurance contracts	Reinsurers' share of liabilities	Net	Liabilities under insurance contracts	Reinsurers' share of liabilities	Net
Long-term technical reserves	143,920,680	-	143,920,680	130,332,657	-	130,332,657
Short-term technical reserves						
Loss reserves and outstanding claims						
- Case reserves	277,409	-	277,409	252,873	-	252,873
- Incurred but not reported	256,023	-	256,023	235,599	-	235,599
Total loss reserves and outstanding claims	533,432	-	533,432	488,472	-	488,472
Unearned premium reserves	2,540,027	-	2,540,027	2,412,172	-	2,412,172
Total short-term technical reserves	3,073,459	-	3,073,459	2,900,644	-	2,900,644
Unpaid policy benefits	4,434,678	-	4,434,678	3,953,035	-	3,953,035
Due to insured	881,054	-	881,054	853,054	-	853,054
Total	152,309,871	-	152,309,871	138,039,390	-	138,039,390

11.1 Long-term technical reserves

	2017	2016
	<i>(in thousand Baht)</i>	
At 1 January	130,332,657	115,808,451
Reserves increased from new and inforce policies during the year	21,008,702	20,550,531
Reserves released for benefits payment, lapse and cancelled policies during the year	(8,316,288)	(6,601,557)
Change in assumption	895,609	575,232
At 31 December	143,920,680	130,332,657

11.2 Short-term technical reserves

11.2.1 Loss reserves and outstanding claims

	2017	2016
	<i>(in thousand Baht)</i>	
At 1 January	488,472	589,270
Loss incurred during the year	4,199,766	3,767,825
Loss paid during the year	(4,154,806)	(3,868,623)
At 31 December	533,432	488,472

11.2.2 Unearned premium reserves

	2017	2016
	<i>(in thousand Baht)</i>	
At 1 January	2,412,172	2,236,951
Premiums written during the year	7,647,265	7,326,580
Earned premium during the year	(7,519,410)	(7,151,359)
At 31 December	2,540,027	2,412,172

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11.2.3 Unexpired risk reserve

No reserve for unexpired risks was established at 31 December 2017 as the unexpired risk reserve estimated by the Company of Baht 1,634.4 million (2016: Baht 1,528.8 million) was lower than the unearned premium reserve.

11.3 Loss development table

At 31 December 2017								
Accident year/Reporting year	Before 2012	2012	2013	2014	2015	2016	2017	Total
<i>(in thousand Baht)</i>								
Incremental claims paid								
At accident year		2,115,075	2,216,276	2,634,631	2,870,495	3,532,372	3,824,914	
Development year 1		131,322	145,951	157,329	158,814	159,408	-	
Development year 2		9,001	4,213	5,356	7,239	-	-	
Development year 3		2,914	1,015	1,820	-	-	-	
Development year 4		633	2,061	-	-	-	-	
Development year 5		407	-	-	-	-	-	
Estimate of ultimate claims		2,259,479	2,369,976	2,801,803	3,040,776	3,704,553	4,338,087	
Accumulative claims paid		(2,259,352)	(2,369,516)	(2,799,136)	(3,036,548)	(3,691,780)	(3,824,914)	
Loss reserves and outstanding claims	4	127	460	2,667	4,228	12,773	513,173	533,432
At 31 December 2016								
Accident year/Reporting year	Before 2011	2011	2012	2013	2014	2015	2016	Total
<i>(in thousand Baht)</i>								
Incremental claims paid								
At accident year		1,409,118	2,114,697	2,216,032	2,633,530	2,869,167	3,539,059	
Development year 1		114,556	131,320	145,927	156,924	156,876	-	
Development year 2		4,053	8,999	4,214	5,262	-	-	
Development year 3		2,606	2,914	788	-	-	-	
Development year 4		1,277	179	-	-	-	-	
Development year 5		233	-	-	-	-	-	
Estimate of ultimate claims		1,532,340	2,258,933	2,368,121	2,801,544	3,036,690	4,007,997	
Accumulative claims paid		(1,531,843)	(2,258,109)	(2,366,961)	(2,795,716)	(3,026,043)	(3,539,059)	
Loss reserves and outstanding claims	578	497	824	1,160	5,828	10,647	468,938	488,472

11.4 Unpaid policy benefits

	2017	2016
<i>(in thousand Baht)</i>		
Death	116,857	84,175
Dividend	3,603,428	3,356,178
Others	714,393	512,682
Total	4,434,678	3,953,035

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11.5 Due to insured

	2017	2016
	<i>(in thousand Baht)</i>	
Uncashed cheques	522,492	477,674
Premium received during underwriting	355,472	374,558
Others	3,090	822
Total	881,054	853,054

12 Investment contract liabilities

	2017	2016
	<i>(in thousand Baht)</i>	
Investment contract liabilities with discretionary participation features	3,767,971	4,249,416
Unit-linked contract liabilities	96,140	1,732
Total	3,864,111	4,251,148

12.1 Investment contract liabilities with discretionary participation features

	2017	2016
	<i>(in thousand Baht)</i>	
At 1 January	4,249,416	4,217,619
Reserves increased from inforce policies during the year	325,856	377,872
Reserves released for benefits payment, lapse, and cancelled policies during the year	(807,301)	(346,075)
At 31 December	3,767,971	4,249,416

13 Reinsurance payables

	2017	2016
	<i>(in thousand Baht)</i>	
Due to reinsurers	525,926	640,117
Total	525,926	640,117

14 Accrued expenses

	2017	2016
	<i>(in thousand Baht)</i>	
Accrued commission expenses	333,545	310,821
Accrued production cost	605,405	533,426
Accrued administration	300,645	218,181
Accrued agency overhead	438,559	406,588
Others	381,984	257,295
Total	2,060,138	1,726,311

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15 Deferred tax

Deferred tax assets and liabilities as at 31 December were as follows:

	2017	2016
	<i>(in thousand Baht)</i>	
Deferred tax assets	973,688	1,015,386
Deferred tax liabilities	<u>(2,215,237)</u>	<u>(1,567,322)</u>
Deferred tax liabilities, net	<u>(1,241,549)</u>	<u>(551,936)</u>

Movements in deferred tax assets and liabilities during the year were as follows:

	At 1 January 2017	(Charged) / credited to:		At 31 December 2017
		Profit or loss (Note 21) <i>(in thousand Baht)</i>	Other comprehensive income	
Deferred tax assets				
Allowance for doubtful accounts	83,638	245	-	83,883
Provisions	252,379	57,691	-	310,070
Insurance reserves	363,006	24,982	-	387,988
Employee benefit obligations	38,922	1,561	1,587	42,070
Unrealised loss on derivative	-	-	6,699	6,699
Unrealised loss on available- for-sale securities	277,441	-	(134,463)	142,978
Total	<u>1,015,386</u>	<u>84,479</u>	<u>(126,177)</u>	<u>973,688</u>
Deferred tax liabilities				
Unrealised gain on derivative	(1,168)	-	(42,416)	(43,584)
Unrealised gain on available- for-sale securities	(1,249,780)	-	(589,777)	(1,839,557)
Premiums due and uncollected	(316,374)	(15,722)	-	(332,096)
Total	<u>(1,567,322)</u>	<u>(15,722)</u>	<u>(632,193)</u>	<u>(2,215,237)</u>
Net	<u>(551,936)</u>	<u>68,757</u>	<u>(758,370)</u>	<u>(1,241,549)</u>
	At 1 January 2016	(Charged) / credited to:		At 31 December 2016
		Profit or loss (Note 21) <i>(in thousand Baht)</i>	Other comprehensive income	
Deferred tax assets				
Allowance for doubtful accounts	83,101	537	-	83,638
Provisions	254,019	(1,640)	-	252,379
Insurance reserves	349,071	13,935	-	363,006
Employee benefit obligations	32,037	3,405	3,480	38,922
Unrealised loss on derivative	357	-	(357)	-
Unrealised loss on available- for-sale securities	32,767	-	244,674	277,441
Total	<u>751,352</u>	<u>16,237</u>	<u>247,797</u>	<u>1,015,386</u>
Deferred tax liabilities				
Unrealised gain on derivative	(57,877)	-	56,709	(1,168)
Unrealised gain on available- for-sale securities	(1,107,084)	-	(142,696)	(1,249,780)
Premiums due and uncollected	(302,412)	(13,962)	-	(316,374)
Total	<u>(1,467,373)</u>	<u>(13,962)</u>	<u>(85,987)</u>	<u>(1,567,322)</u>
Net	<u>(716,021)</u>	<u>2,275</u>	<u>161,810</u>	<u>(551,936)</u>

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16 Share capital

	Par value Per share (in Baht)	2017		2016	
		Number of shares	Amount (thousand shares/in thousand Baht)	Number of shares	Amount
<i>Authorised</i>					
At 1 January					
- ordinary shares	10	400,000	4,000,000	400,000	4,000,000
At 31 December					
- ordinary shares	10	400,000	4,000,000	400,000	4,000,000
<i>Issued and paid - up</i>					
At 1 January					
- ordinary shares	10	295,000	2,950,000	295,000	2,950,000
At 31 December					
- ordinary shares	10	295,000	2,950,000	295,000	2,950,000

17 Reserves

Legal reserve

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

Other components of equity

Fair value changes in derivative instruments and available-for-sale investments

The fair value changes in derivative instruments and available-for-sale investments accounts within equity comprise the cumulative net change in the fair value of derivative instruments and available-for-sale investments until the investments are derecognised or impaired.

18 Net investment income

	Note	2017 (in thousand Baht)	2016
<i>Dividend income</i>			
Other related parties	25	37,989	38,278
Other parties		561,979	502,214
		<u>599,968</u>	<u>540,492</u>
<i>Interest income</i>			
Other related parties	25	841	961
Other parties		5,870,620	5,862,595
		<u>5,871,461</u>	<u>5,863,556</u>
Investment expenses		<u>(75,892)</u>	<u>(53,195)</u>
Total		<u>6,395,537</u>	<u>6,350,853</u>

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19 Operating expenses

	2017	2016
	<i>(in thousand Baht)</i>	
Personnel expenses	1,039,171	949,444
Buildings and equipment expenses	303,598	305,408
Taxes and duties	164,171	238,540
Bad debt and doubtful accounts expenses	155,155	182,016
Directors' remuneration	6,020	5,610
Selling expenses	717,642	715,746
Other operating expenses	721,695	572,380
Total	<u>3,107,452</u>	<u>2,969,144</u>

20 Employee benefit expenses

	2017	2016
	<i>(in thousand Baht)</i>	
<i>Management</i>		
Wages, bonuses and salaries	134,585	139,877
Contribution to provident funds	5,689	5,113
	<u>140,274</u>	<u>144,990</u>
<i>Employees</i>		
Wages, bonuses and salaries	1,280,683	1,161,700
Contribution to provident funds	51,741	47,452
	<u>1,332,424</u>	<u>1,209,152</u>
Total	<u>1,472,698</u>	<u>1,354,142</u>

Provident Funds

Provident funds have been established by the Company for its employees. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 2% to 15% of their basic salaries and by the Company at rates ranging from 5% to 10% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by a licensed Fund Manager.

21 Income tax

Income tax recognised in profit or loss

	<i>Note</i>	2017	2016
		<i>(in thousand Baht)</i>	
Current tax			
Current year		433,748	432,229
Prior year tax adjustment		(1,200)	(191)
Deferred tax			
Movements in temporary differences	15	<u>(68,757)</u>	<u>(2,275)</u>
Total		<u>363,791</u>	<u>429,763</u>

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Income tax recognised in other comprehensive income

	Before tax	2017 Tax benefit (expense) (Note 15)	Net of tax	Before tax	2016 Tax benefit (expense) (Note 15)	Net of tax
<i>(in thousand Baht)</i>						
31 December						
Net change in fair value of cash flow hedges	41,093	(36,884)	4,209	16,440	(1,168)	15,272
Net change in fair value of available-for-sale investments	8,482,895	(1,696,580)	6,786,315	4,861,691	(972,339)	3,889,352
Losses on remeasurement of defined benefit plans	(19,701)	3,940	(15,761)	(11,764)	2,353	(9,411)
	<u>8,504,287</u>	<u>(1,729,524)</u>	<u>6,774,763</u>	<u>4,866,367</u>	<u>(971,154)</u>	<u>3,895,213</u>
1 January						
Net change in fair value of cash flow hedges	16,440	(1,168)	15,272	288,064	(57,520)	230,544
Net change in fair value of available-for-sale investments	4,861,691	(972,339)	3,889,352	5,371,585	(1,074,317)	4,297,268
Gains (losses) on remeasurement of defined benefit plans	(11,764)	2,353	(9,411)	5,634	(1,127)	4,507
	<u>4,866,367</u>	<u>(971,154)</u>	<u>3,895,213</u>	<u>5,665,283</u>	<u>(1,132,964)</u>	<u>4,532,319</u>
Movement during the year						
Net change in fair value of cash flow hedges	24,653	(35,716)	(11,063)	(271,624)	56,352	(215,272)
Net change in fair value of available-for-sale investments	3,621,204	(724,241)	2,896,963	(509,894)	101,978	(407,916)
Losses on remeasurement of defined benefit plans	(7,937)	1,587	(6,350)	(17,398)	3,480	(13,918)
	<u>3,637,920</u>	<u>(758,370)</u>	<u>2,879,550</u>	<u>(798,916)</u>	<u>161,810</u>	<u>(637,106)</u>

Reconciliation of effective tax rate

	2017	2016
	Rate (%) (thousand Baht)	Rate (%) (thousand Baht)
Profit before income tax	2,008,239	2,355,778
Income tax using the Thai corporation tax rate	20.0 401,648	20.0 471,156
Income not subject to tax	(49,111)	(43,842)
Expenses not deductible for tax purposes	13,579	4,277
Additional deduction for tax purposes	(2,060)	(1,637)
Taxable revenue	935	-
Prior year tax adjustment	(1,200)	(191)
Total	18.1 <u>363,791</u>	18.2 <u>429,763</u>

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22 Basic earnings per share

The calculations of basic earnings per share for the years ended 31 December 2017 and 2016 were based on the profit for the years attributable to ordinary shareholders of the Company and the number of ordinary shares outstanding during the years as follows:

	2017	2016
	<i>(in thousand Baht / thousand shares)</i>	
Profit for the year attributable to ordinary shareholders of the Company (basic)	1,644,447	1,926,015
Number of ordinary shares outstanding	<u>295,000</u>	<u>295,000</u>
Basic earnings per share (in Baht)	<u>5.57</u>	<u>6.53</u>

23 Dividends

The Annual General Meeting of the shareholders of the Company held on 20 April 2017 approved the appropriation of dividends of Baht 6.52 per share on 295 million shares, amounting to Baht 1,923.4 million. The dividend was endorsed by the Office of Insurance Commission on 29 June 2017. The dividend payment was made on 14 July 2017.

The Annual General Meeting of the shareholders of the Company held on 27 April 2016 approved the appropriation of dividends of Baht 6.58 per share on 295 million shares, amounting to Baht 1,941.1 million. On 13 June 2016, the Office of Insurance Commission endorsed for distribution of profit for the year 2015 for dividend payments within an amount of Baht 1,856 million. Therefore, the Company appropriated the dividend of Baht 6.29 per share on 295 million shares, amounting to Baht 1,855.55 million. The dividend payment was made on 8 July 2016.

24 Insurance and financial risks management

24.1 Financial risk management policies

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

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

24.2 Insurance risk

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

24.2.1 Insurance risk management

Underwriting risk

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

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This risk may arise from inadequacy of reinsurance and the concentration. However it is also from the unexpected loss due to catastrophe and unforeseen event.

To mitigate the risk, the Company has a strong underwriting and control process to regularly monitor the risk in order to adjust the pricing and underwriting condition to reflect the actual risk. The effective reinsurance strategy is also used for transferring the underwriting risk.

Mortality and Morbidity risk

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

Lapse risk

Risk that arises from policyholder discontinues premium payment or surrender prior to the maturity of the contract. The risk is mitigated by providing adequate training to reduce mis-selling and monitor the persistency respectively.

24.2.2 Concentration of insurance risk

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

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

As at 31 December 2017, the discount interest rates for the purpose of the liability adequacy test, in accordance with industry practice, is the average of eight quarters of the zero coupon Thailand government bond yield curve plus illiquidity premium of 25 - 42 basis points (2016: 27 - 49 basis points). Management monitors the sensitivity to changes in rates on an ongoing basis. A decrease of 100 basis points from current market interest rates would not be a trigger to a liability adequacy test adjustment.

24.3 Capital management

Under the Life Insurance Act, the Company shall maintain its capital fund whilst undertaking life insurance business. The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern in order to protect policyholders and to provide returns for shareholders and benefits for other stakeholders.

In accordance with and the requirements of the Office of Insurance Commission, all insurers are required to maintain at least 140% of capital adequacy requirement (CAR). The Company's policy is to hold capital levels in excess of CAR.

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24.4 Credit risk

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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. However, due to the large number of parties comprising the Company's customer base, Management does not anticipate material losses from its debt collection.

Concentrations of the credit risk with respect to loans, and premium due and uncollected are less significant since the borrowers and the insured are dispersed across different industries and geographic regions in Thailand.

There is insignificant risk from policy loans since the sum that the Company has lent to insured parties is less than the cash value of their policies with the Company. The maximum value of the risk arising from secured loans is the amount of the loan less the value which the Company is able to derive from the assets pledged as security.

24.5 Interest rate risk

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Company's operations and its cash flows because debt securities and loan interest rates are mainly fixed. The Company manages the risk by considering the risk of investments together with the return on such investments.

As at 31 December 2017 and 2016, significant interest bearing financial assets classified by type of interest rate were as follows:

	2017			Total	2016			Total
	Floating interest rate	Fixed interest rate	Non-interest bearing		Floating interest rate	Fixed interest rate	Non-interest bearing	
<i>(in thousand Baht)</i>								
Financial assets								
Cash and cash equivalents	1,806,315	3,375,171	123	5,181,609	1,495,523	9,678,218	230	11,173,971
Investment in securities								
Bonds	-	114,405,047	-	114,405,047	-	101,701,980	-	101,701,980
Notes	-	11,991,499	-	11,991,499	-	11,158,307	-	11,158,307
Debentures	-	13,476,518	-	13,476,518	-	7,299,354	-	7,299,354
Deposits at financial institutions with original maturities more than 3 months								
	-	4,900,000	-	4,900,000	-	4,900,000	-	4,900,000
Loan								
Policy loans	-	7,844,286	-	7,844,286	-	7,548,268	-	7,548,268
Mortgage loans	2,311	74,301	-	76,612	2,697	79,572	-	82,269
Total	<u>1,808,626</u>	<u>156,066,822</u>	<u>123</u>	<u>157,875,571</u>	<u>1,498,220</u>	<u>142,365,699</u>	<u>230</u>	<u>143,864,149</u>

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Financial assets carrying interest at fixed rates as of 31 December 2017 and 2016 were classified below on the basis of the length of time from the reporting date to the next re-pricing date, or to the maturity date whichever is sooner.

	Average interest rate (% per annum)	Within 1 year	2017 Maturity		Total
			Over 1-5 years (in thousand Baht)	Over 5 years	
Financial assets					
Cash and cash equivalents	0.49	3,375,171	-	-	3,375,171
Investments in securities					
Bonds	4.19	3,473,813	20,554,844	90,376,390	114,405,047
Notes	3.46	473,529	6,361,559	5,156,411	11,991,499
Debentures	4.07	-	4,907,361	8,569,157	13,476,518
Deposits at financial institutions with original maturities more than 3 months	4.17	-	3,900,000	1,000,000	4,900,000
Loans					
Mortgage loans	6.42	-	2,900	71,401	74,301
	Average interest rate (% per annum)	Within 1 year	2016 Maturity		Total
			Over 1-5 years (in thousand Baht)	Over 5 years	
Financial assets					
Cash and cash equivalents	0.34	9,678,218	-	-	9,678,218
Investments in securities					
Bonds	4.39	1,429,176	18,588,527	81,684,277	101,701,980
Notes	3.56	310,663	6,087,040	4,760,604	11,158,307
Debentures	4.87	-	1,635,469	5,663,885	7,299,354
Deposits at financial institutions with original maturities more than 3 months	4.17	-	2,900,000	2,000,000	4,900,000
Loans					
Mortgage loans	6.42	-	4,067	75,505	79,572

Policy loans are fully collateralized by the value of the underlying policy and carry interest rates which follow the regulations of the Office of Insurance Commission. The average rate of interest in the year ended 31 December 2017 was 5.76% per annum (2016: 5.46% per annum). The contractual maturity of these loans would generally follow the maturity profile of the underlying insurance policy with which they are associated. Policyholders may repay policy loans prior to maturity.

24.6 Foreign currency risk

The Company is exposed to foreign currency risk relating to investment in securities for both fixed income and equity which are denominated in foreign currencies. The Company primarily utilises cross currency swap contracts to hedge such foreign currency risk arising from fixed incomes.

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24.7 Equity risk

Equity risk is the risk arising from changes in the price of equities or common stock that may cause the fluctuations in the value of financial assets. The Company manages the risk by setting both internal investment limits and strictly complies with the Office of Insurance Commission limits to ensure that the risk is within the Company's risk appetite.

24.8 Liquidity risk

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

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

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

	Carrying amount	Estimated undiscounted net cash flows				Total
		Less than 1 year	1 - 5 years	5 - 10 years	More than 10 years	
<i>(in thousand Baht)</i>						
31 December 2017						
Ordinary life insurance	146,537,705	(6,000,344)	25,618,241	79,166,577	104,041,987	202,826,461
Pensions	1,150,946	(284,998)	(677,638)	68,414	3,765,952	2,871,730
Unit-linked	96,140	(22,393)	(82,663)	(25,599)	433,726	303,071
Total	147,784,791	(6,307,735)	24,857,940	79,209,392	108,241,665	206,001,262

	Carrying amount	Estimated undiscounted net cash flows				Total
		Less than 1 year	1 - 5 years	5 - 10 years	More than 10 years	
<i>(in thousand Baht)</i>						
31 December 2016						
Ordinary life insurance	133,732,737	(6,320,718)	18,414,644	73,126,667	105,277,367	190,497,960
Pensions	849,336	(254,316)	(650,533)	(2,017)	3,244,726	2,337,860
Unit-linked	1,732	(744)	(3,175)	(1,096)	14,307	9,292
Total	134,583,805	(6,575,778)	17,760,936	73,123,554	108,536,400	192,845,112

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24.9 Fair values of financial assets and liabilities

Fair values hierarchy

The Company has an established control framework with respect to the measurement of fair values. The Company has overall responsibility for overseeing all significant fair value measurements. If third party information is used to measure fair values, then the Company assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of TFRSs, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

The carrying amounts of the following financial assets and financial liabilities are considered to be approximate to their fair values: cash and cash equivalents, accrued investment income, premiums due and uncollected, reinsurance receivables, policy loans, other receivables, due to reinsurers, and other payables.

The fair value of deposits at financial institutions which have remaining terms to maturity of less than 90 days are based on carrying value. For those with remaining terms to maturity greater than 90 days, the fair value is estimated by using a discounted cash flow analysis based on current interest rates for the remaining period to maturity.

The Company determines Level 2 fair values for debt securities using the prices on the last business day of the period provided by the Thai Bond Market Association.

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

The Company determines Level 2 fair values for simple over-the-counter derivative financial instruments based on broker quotes.

The fair value of mortgage loans and other loans which carry floating interest rates and are fully collateralised is taken to approximate the carrying value. The fair value of fixed interest rate loans is estimated by using discounted cash flow analysis based on current interest rates for the remaining years to maturity.

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24.9.1 Financial assets and liabilities measured at fair value

	Fair value			Total
	Level 1	Level 2	Level 3	
	<i>(in thousand Baht)</i>			
31 December 2017				
<i>Financial assets</i>				
Derivative assets	-	217,921	-	217,921
Investments in securities				
Available-for-sale securities	13,904,667	93,975,615	-	107,880,282
Investment assets held to cover linked liabilities	-	96,140	-	96,140
<i>Financial liabilities</i>				
Derivative liabilities	-	33,495	-	33,495

	Fair value			Total
	Level 1	Level 2	Level 3	
	<i>(in thousand Baht)</i>			
31 December 2016				
<i>Financial assets</i>				
Derivative assets	-	5,840	-	5,840
Investments in securities				
Available-for-sale securities	9,928,846	74,143,963	-	84,072,809
Investment assets held to cover linked liabilities	1,732	-	-	1,732

At 31 December 2017, due to changes in market conditions, financial assets measured at fair value were transferred from level 2 to level 1 amounting to Baht 1,775.9 million and transferred from level 1 to level 2 amounting to Baht 96.1 million. There were no transfers between level 1 and level 2 of the fair value hierarchy in 2016.

24.9.2 Financial assets and liabilities not measured at fair value

The following table shows financial assets and liabilities not measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
		<i>(in thousand Baht)</i>			
31 December 2017					
<i>Financial assets</i>					
Investments in securities					
Held-to-maturity securities	50,797,449	-	55,391,305	-	55,391,305
31 December 2016					
<i>Financial assets</i>					
Investments in securities					
Held-to-maturity securities	52,499,234	-	57,106,081	-	57,106,081

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25 Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with key management and related parties were as follows:

Name of entities	Country of incorporation/ nationality	Nature of relationships
Key management personnel	Thai/foreigners	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Company
Allianz SE	Germany	Ultimate parent, 24.99% shareholding
Allianz SE, Singapore Branch	Singapore	Related company of ultimate parent
Allianz Technology SE	Germany	Related company of ultimate parent
Allianz SE Reinsurance Branch Asia Pacific	Singapore	Related company of ultimate parent
Allianz Investment Management Singapore Pte Ltd.	Singapore	Related company of ultimate parent
Allianz Global Investors Singapore Limited	Singapore	Related company of ultimate parent
Allianz Technology (Thailand) Company Limited	Thailand	Related company of ultimate parent
CPRN (Thailand) Limited	Thailand	Immediate parent, 37.66% shareholding
Sri Ayudhya Capital Public Company Limited	Thailand	Major shareholder, 20.17% shareholding and common director
Bangkok Broadcasting & Television Company Limited	Thailand	Shareholders, 2.79% shareholding and common director
Bank of Ayudhya Public Company Limited	Thailand	Related company of major shareholders
Krungsri Asset Management Company Limited	Thailand	Related company of major shareholders and common director
Krungsri Securities Public Company Limited	Thailand	Related company of major shareholders
Ayudhya Development Leasing Company Limited	Thailand	Related company of major shareholders
Ayudhya Capital Auto Lease Public Company Limited	Thailand	Related company of major shareholders
BBTV Equity Company Limited	Thailand	Related company of major shareholders
Siam City Cement Public Company Limited	Thailand	Related company of major shareholders and common director
Eastern Star Real Estate Public Company Limited	Thailand	Related company of major shareholders and common director
Allianz General Insurance Public Company Limited (Formerly: Allianz C.P. General Insurance Public Company Limited)	Thailand	Related company of ultimate parent and common director
Sri Ayudhya General Insurance Public Company Limited	Thailand	Related company of major shareholders and common director

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

Transactions	Pricing policies
Premiums written	Market price
Premiums ceded	Market price
Fee and commission income	Contractually agreed price
Interest income	Market rate
Insurance claims expenses	Actual indemnity
Insurance claims expenses recovered from reinsurers	Actual indemnity
Insurance premium expenses	Market price
Bank charges	Market rate
Fees and services expenses	Contractually agreed price
Personnel expenses	Contractually agreed price
Professional expenses	Contractually agreed price
Rental expenses	Contractually agreed price
Dividend received	As the shareholders approved

Significant transactions for the years ended 31 December 2017 and 2016 with key management and related parties were as follows:

	2017	2016
	<i>(in thousand Baht)</i>	
<i>Gross premiums written</i>		
Major shareholder	35	43
Other related parties	212,648	188,857
<i>Premiums ceded</i>		
Ultimate parent	108,626	71,325
Other related parties	349,868	347,619
<i>Fee and commission income</i>		
Ultimate parent	19,786	10,215
Other related parties	87,930	75,162
<i>Interest income</i>		
Other related parties	841	961
<i>Insurance claims expenses</i>		
Other related parties	233,447	220,203
<i>Insurance claims expenses recovered from reinsurers</i>		
Ultimate parent	72,073	56,853
Other related parties	132,187	142,322
<i>Insurance premium expenses</i>		
Other related parties	34	42
<i>Bank charges</i>		
Other related parties	171,542	144,953

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	2017	2016
	<i>(in thousand Baht)</i>	
<i>Fees and service expenses</i>		
Ultimate parent	26,528	4,620
Other related parties	230,067	203,568
<i>Personnel expenses</i>		
Other related parties	18,387	24,361
<i>Professional expenses</i>		
Other related parties	69,582	60,717
<i>Rental expenses</i>		
Other related parties	48,056	46,954
<i>Key management personnel compensation</i>		
Short-term benefits	134,585	139,365
Post-employment benefits	5,689	5,113
Total	<u>140,274</u>	<u>144,478</u>

Significant agreements with related parties

- (a) The Company entered into an agreement with a related company whereby the related company will provide the support services to the Company. The Company was charged a service fee of SGD 6.49 million. The term of the agreement is for 1 year from 1 January 2017 to 31 December 2017. The payments are made on quarterly basis. Either party may terminate this agreement at any time by giving 6 months prior written notice to another party.
- (b) The Company entered into an agreement with Ultimate parent whereby Ultimate parent will provide the support services to the Company. The Company was charged a service fee of EUR 0.63 million. The term of the agreement is for 1 year from 1 January 2017 to 31 December 2017. Either party may terminate this agreement at any time by giving 6 months prior written notice to another party.
- (c) The Company has entered into lease and service agreements for offices and equipment with a related company from July 2015 to July 2018, from March 2016 to March 2019 and from October 2016 to October 2019 with monthly rental and service fees of Baht 0.17 million (excluding VAT), Baht 3.27 million (excluding VAT) and Baht 0.25 million (excluding VAT), respectively.

As at 31 December 2017 and 2016 the Company had commitments from entering into long-term agreements for rental and services with a related party as follows:

	2017	2016
	<i>(in thousand Baht)</i>	
<i>Operating lease commitments</i>		
Within one year	43,260	44,309
After one year but within five years	8,769	52,029
Total	<u>52,029</u>	<u>96,338</u>

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Investments in related parties

Investments in related parties as at 31 December 2017 and 2016 and dividends received for the years ended 31 December 2017 and 2016 were as follows:

	Book value		Dividend income	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Investments - equity securities	77,970	77,680	37,989	38,278
Total	77,970	77,680	37,989	38,278

Significant balances as at 31 December 2017 and 2016 with related parties were as follows:

	2017	2016
	<i>(in thousand Baht)</i>	
<i>Deposits at financial institutions</i>		
Other related party	500,514	306,296
<i>Due from reinsurers</i>		
Ultimate parent	14,912	6,900
Other related parties	207,359	300,330
<i>Rental deposits</i>		
Other related parties	11,127	11,927
<i>Other receivables</i>		
Other related parties	42,354	37,086
<i>Due to reinsurers</i>		
Ultimate parent	37,972	21,467
Other related parties	283,023	382,817
<i>Other payables</i>		
Ultimate parent	6,685	1,177
Other related parties	101,190	69,485

26 Securities and assets pledged with the Registrar

26.1 The Company pledged investments in debt securities with the Registrar in accordance with Section 20 of the Life Assurance Act B.E. 2535 and amendment Act (No.2) B.E. 2551 were as follows:

	2017		2016	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
<i>Held-to-maturity securities</i>				
Government bonds	20,258	20,000	20,329	20,000

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26.2 The Company placed investments in debt securities for life policy reserve with the Registrar in accordance with Section 24 of the Life Assurance Act B.E. 2535 and amendment Act (No.2) B.E. 2551 were as follows:

	2017		2016	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
<i>Held-to-maturity securities</i>				
Government bonds	25,223,066	22,597,000	22,665,115	21,394,000
State enterprise bonds	7,734,299	7,300,000	5,484,365	5,300,000
Total	<u>32,957,365</u>	<u>29,897,000</u>	<u>28,149,480</u>	<u>26,694,000</u>

27 Contribution to Life Insurance Fund

As at 31 December 2017 and 2016, the accumulated Contributions to Life Insurance Fund were as follows:

	2017	2016
	<i>(in thousand Baht)</i>	
Contribution to Life Insurance Fund	<u>227,319</u>	<u>195,301</u>

28 Commitments with non-related parties

28.1 Non-cancellable operating lease commitments

	2017	2016
	<i>(in thousand Baht)</i>	
Within one year	5,630	7,848
After one year but within five years	1,876	5,636
Total	<u>7,506</u>	<u>13,484</u>

The Company has entered into several lease agreements in respect of office space and service agreements. The maximum period of the agreements remains up to 2020.

28.2 Investment commitments

As at 31 December 2017, the Company had commitments to invest in several series of bills of exchange issued by banks amounting to Baht 2,360 million (2016: Baht 3,337 million). These investments have a duration up to 2023 (2016: up to 2023) and are payable based on the contract terms. The timing of the commitments are as follows:

	2017	2016
	<i>(in thousand Baht)</i>	
Within one year	893,070	976,950
After one year but within five years	1,453,756	2,290,826
After five years	13,000	69,000
Total	<u>2,359,826</u>	<u>3,336,776</u>

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29 Events after the reporting period

At the Company's Board of Directors' meeting held on 15 February 2018, the Board of Directors unanimously resolved to propose a dividend payment of Baht 5.57 per share on 295 million shares amounting to Baht 1,643.2 million to the 2018 Annual General Meeting of the shareholders of the Company for approval, subject to the Office of Insurance Commission's endorsement.

30 Thai Financial Reporting Standards (TFRSs) not yet adopted

A number of new and revised TFRSs have been issued but are not yet effective and have not been applied in preparing these financial statements. Those new and revised TFRSs that may be relevant to the Company's operations, which become effective for annual financial periods beginning on or after 1 January 2018, are set out below. The Company does not plan to adopt these TFRSs early.

TFRS	Topic
TAS 1 (revised 2017)	Presentation of Financial Statements
TAS 7 (revised 2017)	Statement of Cash Flows
TAS 8 (revised 2017)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2017)	Events after the Reporting Period
TAS 12 (revised 2017)	Income Taxes
TAS 16 (revised 2017)	Property, Plant and Equipment
TAS 17 (revised 2017)	Leases
TAS 18 (revised 2017)	Revenue
TAS 19 (revised 2017)	Employee Benefits
TAS 21 (revised 2017)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (revised 2017)	Related Party Disclosures
TAS 26 (revised 2017)	Accounting and Reporting by Retirement Benefit Plans
TAS 33 (revised 2017)	Earnings per Share
TAS 34 (revised 2017)	Interim Financial Reporting
TAS 36 (revised 2017)	Impairment of Assets
TAS 37 (revised 2017)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2017)	Intangible Assets
TFRS 2 (revised 2017)	Share-based Payment
TFRS 4 (revised 2017)	Insurance Contracts
TFRS 13 (revised 2017)	Fair Value Measurement
TSIC 32 (revised 2017)	Intangible Assets - Web Site Costs
TFRIC 10 (revised 2017)	Interim Financial Reporting and Impairment
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 21 (revised 2016)	Levies

The Company has made a preliminary assessment of the potential initial impact on the Company's financial statements of these new and revised TFRSs and expects that there will be no material impact on the financial statements in the period of initial application.