

Bangkok Insurance Public Company Limited  
Report and financial statements  
31 December 2017

## **Independent Auditor's Report**

To the Shareholders of Bangkok Insurance Public Company Limited

### **Opinion**

I have audited the accompanying financial statements of Bangkok Insurance Public Company Limited ("the Company"), which comprise the statement of financial position, in which the equity method is applied, as at 31 December 2017, and the related statements of comprehensive income, changes in owner's equity and cash flows, in which the equity method is applied, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and also audited the separate financial statements of Bangkok Insurance Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bangkok Insurance Public Company Limited as at 31 December 2017, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### **Basis for Opinion**

I conducted my audit in accordance with Thai Standards on Auditing. 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 as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Key Audit Matters**

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

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond to each matter are described below.

### ***Gross premium written***

In 2017, the Company had gross premium of Baht 15,941 million written. The Company accepted insurance from retail customers through brokers and agents and there have been a large number of insurance policies written. Calculation and recognition of gross premium written as earned revenue were dependent upon the information technology (IT) systems. I therefore focused on examining that gross premium written was correctly recognised as actually incurred.

I assessed and tested, on a sampling basis, the IT controls relevant to calculation and recognition of gross premium written. I checked, on a sampling basis, key data in reports relevant to insurance premium and reviewed the insurance policies and endorsement transactions occurring during the accounting period and after the reporting period-end. In addition, I performed analytical procedures on disaggregate gross premium written by insurance types, and tested key manual adjustments made through journal vouchers.

### ***Loss reserves***

As at 31 December 2017, the Company had loss reserves of Baht 6,422 million (included as a part of insurance contract liabilities), representing 26 percent of total liabilities. Loss reserves included both claims incurred and reported and claims incurred but not yet reported. Such reserves were calculated using actuarial method, which involved certain assumptions that required the management to exercise a high level of considerable judgment in estimation of such reserves. I therefore focused on adequacy of loss reserves.

I assessed and tested, on a sampling basis, the operation of the Company's internal controls relevant to recognition of loss reserves. I assessed and tested, on a sampling basis, key assumptions and calculation of loss reserves. I checked, on a sampling basis, claim data against documents of major claims. I performed analytical procedures on frequency of claims and average loss per claim. Furthermore, I involved the experts to perform an independent actuarial review of certain model points used in calculation of loss reserves.

### ***Allowances for doubtful accounts and impairment***

As at 31 December 2017, the Company had outstanding balances of premium receivables, reinsurance assets (loss reserves refundable from reinsurers), and reinsurance receivables totaling Baht 5,979 million (before allowances for doubtful accounts and impairment of Baht 66 million), representing 10 percent of total assets. In estimating allowances for doubtful accounts and impairment on such assets, the management is required to exercise judgement on certain assumptions used in calculation of losses that may be incurred on irrecoverable debts and assets. I therefore focused on adequacy of such allowances.

I assessed and tested, on a sampling basis, the operation of internal controls of the Company in relation to recording of collections from the brokers, agents and reinsurers, the calculation and recognition of allowance for doubtful accounts. Furthermore, I tested, on a sampling basis, data and method used in calculation of allowance for doubtful accounts, calculation of aging status and calculation of such allowances.

### ***Allowance for impairment on investments***

As at 31 December 2017, the Company had investments in associates and general investments, stated at cost less allowance for impairment in the separate financial statements, totaling Baht 844 million. In consideration of allowance for impairment, the management is required to exercise a high level of considerable judgment in selection of valuation methods and assumptions used for valuation such as discounted rate, growth rate, expected future revenue and so on. Such fair value assessment related to an estimation of future cash flows each entity would generate, which were uncertain. I therefore focused on adequacy of allowance for impairment on investments.

I assessed the valuation models used by the Company's management and tested, on a sampling basis, key assumptions used in valuation by comparing the applied discounted rates with industry's information and comparing the expected cash flows with historical financial performance and industry's trend and tested the fair value calculation.

### **Other Information**

Management is responsible for the other information. The other information comprise the information included in annual report of the Company, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do 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 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. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **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 Thai Financial Reporting Standards, 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 Thai Standards on Auditing 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 Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

I am responsible for the audit resulting in this independent auditor's report.

Rachada Yongsawadvanich  
Certified Public Accountant (Thailand) No. 4951

EY Office Limited  
Bangkok: 21 February 2018



**Bangkok Insurance Public Company Limited**

**Statements of financial position**

**As at 31 December 2017 and 2016**

(Unit: Baht)

	Note	Financial statements			
		in which the equity method is applied		Separate financial statements	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
<b>Assets</b>					
Cash and cash equivalents	6	399,583,620	412,484,321	399,583,620	412,484,321
Premium receivables - net	7	2,401,046,091	2,301,967,498	2,401,046,091	2,301,967,498
Accrued investment income		94,695,499	54,217,445	94,695,499	54,217,445
Reinsurance assets - net	8	5,487,395,925	4,886,344,426	5,487,395,925	4,886,344,426
Reinsurance receivables - net	9	239,202,038	131,230,580	239,202,038	131,230,580
Investment assets					
Investments in securities - net	10	47,819,624,499	45,656,857,271	47,819,624,499	45,656,857,271
Loans	11	1,359,308,172	1,427,371,610	1,359,308,172	1,427,371,610
Investments in associates	12.1	214,935,714	207,373,517	134,395,122	134,395,122
Investment properties - net	13	169,666,034	186,895,663	169,666,034	186,895,663
Premises and equipment - net	14	1,007,214,174	1,157,710,551	1,007,214,174	1,157,710,551
Intangible assets - net	15	226,579,175	277,358,409	226,579,175	277,358,409
Other assets					
Land and building leasehold rights - net		48,954,088	53,967,595	48,954,088	53,967,595
Others		634,575,332	578,824,232	634,575,332	578,824,232
<b>Total assets</b>		<b>60,102,780,361</b>	<b>57,332,603,118</b>	<b>60,022,239,769</b>	<b>57,259,624,723</b>

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

**Bangkok Insurance Public Company Limited**  
**Statements of financial position (continued)**  
**As at 31 December 2017 and 2016**

(Unit: Baht)

	Financial statements				
	Note	in which the equity method is applied		Separate financial statements	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
<b>Liabilities and owners' equity</b>					
<b>Liabilities</b>					
Insurance contract liabilities	17	13,762,343,603	13,480,671,518	13,762,343,603	13,480,671,518
Due to reinsurers	18	2,051,516,569	1,931,711,634	2,051,516,569	1,931,711,634
Income tax payable		112,217,882	132,439,797	112,217,882	132,439,797
Employee benefit obligations	19	351,202,663	318,970,794	351,202,663	318,970,794
Deferred tax liabilities	16.1	5,039,465,161	4,773,816,324	5,023,357,043	4,759,220,645
Other liabilities					
Premiums received in advance		1,802,396,156	1,705,263,043	1,802,396,156	1,705,263,043
Commission payables		333,856,726	381,759,217	333,856,726	381,759,217
Accrued expenses		635,001,045	515,149,539	635,001,045	515,149,539
Liabilities under finance lease agreements	20	65,006,724	68,685,079	65,006,724	68,685,079
Others		804,331,887	770,407,297	804,331,887	770,407,297
<b>Total liabilities</b>		<b>24,957,338,416</b>	<b>24,078,874,242</b>	<b>24,941,230,298</b>	<b>24,064,278,563</b>
<b>Owners' equity</b>					
Share capital	21				
Registered, issued and paid up					
106,470,000 ordinary shares of Baht 10 each		1,064,700,000	1,064,700,000	1,064,700,000	1,064,700,000
Share premium		1,442,500,000	1,442,500,000	1,442,500,000	1,442,500,000
Retained earnings					
Appropriated					
Statutory reserve	22	106,470,000	106,470,000	106,470,000	106,470,000
Other reserve		3,100,000,000	3,100,000,000	3,100,000,000	3,100,000,000
Unappropriated		6,381,856,699	5,472,711,707	6,317,424,225	5,414,328,991
Other component of owners' equity		23,049,915,246	22,067,347,169	23,049,915,246	22,067,347,169
<b>Total owners' equity</b>		<b>35,145,441,945</b>	<b>33,253,728,876</b>	<b>35,081,009,471</b>	<b>33,195,346,160</b>
<b>Total liabilities and owners' equity</b>		<b>60,102,780,361</b>	<b>57,332,603,118</b>	<b>60,022,239,769</b>	<b>57,259,624,723</b>

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

Directors

**Bangkok Insurance Public Company Limited**  
**Statements of comprehensive income**  
**For the years ended 31 December 2017 and 2016**

(Unit: Baht)

	Note	Financial statements			
		in which the equity method is applied		Separate financial statements	
		2017	2016	2017	2016
<b>Profit or loss:</b>					
<b>Revenues</b>					
Gross premium written		15,940,906,580	16,031,323,734	15,940,906,580	16,031,323,734
Less: Premium ceded to reinsurers		(4,982,376,554)	(4,935,501,131)	(4,982,376,554)	(4,935,501,131)
Net premium written		10,958,530,026	11,095,822,603	10,958,530,026	11,095,822,603
Add (less): Unearned premium reserves (increased) decreased from prior year		82,785,957	(34,240,597)	82,785,957	(34,240,597)
Net earned premium		11,041,315,983	11,061,582,006	11,041,315,983	11,061,582,006
Commission and brokerage fee income		1,063,698,165	1,023,441,102	1,063,698,165	1,023,441,102
Shares of profits from investments in associates, accounted for under the equity method	12.2	12,017,730	8,718,783	-	-
Investment revenue		1,139,395,395	1,125,896,120	1,143,850,928	1,125,896,120
Gains on investments		124,136,764	69,833,861	124,136,764	69,833,861
Other income		180,074,950	168,304,485	180,074,950	168,304,485
<b>Total revenues</b>		<b>13,560,638,987</b>	<b>13,457,776,357</b>	<b>13,553,076,790</b>	<b>13,449,057,574</b>
<b>Expenses</b>					
Gross claims		8,249,798,042	7,056,051,201	8,249,798,042	7,056,051,201
Less: Claim recovery from reinsurers		(2,551,926,817)	(1,492,751,705)	(2,551,926,817)	(1,492,751,705)
Commission and brokerage expenses		2,100,215,926	2,161,996,096	2,100,215,926	2,161,996,096
Other underwriting expenses		1,920,333,784	1,806,550,976	1,920,333,784	1,806,550,976
Operating expenses	24	986,582,063	1,012,931,583	986,582,063	1,012,931,583
Investment expenses		89,715,156	87,335,936	89,715,156	87,335,936
Finance costs		3,618,163	3,767,782	3,618,163	3,767,782
<b>Total expenses</b>	25	<b>10,798,336,317</b>	<b>10,635,881,869</b>	<b>10,798,336,317</b>	<b>10,635,881,869</b>
<b>Profits before income tax expenses</b>		<b>2,762,302,670</b>	<b>2,821,894,488</b>	<b>2,754,740,473</b>	<b>2,813,175,705</b>
Less: Income tax expenses	16.2	(359,205,203)	(396,106,829)	(357,692,764)	(394,363,072)
<b>Profits for the years</b>		<b>2,403,097,467</b>	<b>2,425,787,659</b>	<b>2,397,047,709</b>	<b>2,418,812,633</b>
<b>Other comprehensive income:</b>					
Items to be recognised in profit or loss in subsequent periods:					
Gains (losses) on revaluation of available-for-sale investments		1,228,210,096	(2,842,663,017)	1,228,210,096	(2,842,663,017)
Add (less): Income taxes		(245,642,019)	568,532,604	(245,642,019)	568,532,604
Items to be recognised in profit or loss in subsequent periods - net of income taxes		982,568,077	(2,274,130,413)	982,568,077	(2,274,130,413)
Items not to be recognised in profit or loss in subsequent periods:					
Actuarial gains (losses)		(4,236,253)	4,242,330	(4,236,253)	4,242,330
Add (less): Income taxes		847,251	(848,466)	847,251	(848,466)
Items not to be recognised in profit or loss in subsequent periods - net of income taxes		(3,389,002)	3,393,864	(3,389,002)	3,393,864
<b>Other comprehensive income (loss) for the years</b>		<b>979,179,075</b>	<b>(2,270,736,549)</b>	<b>979,179,075</b>	<b>(2,270,736,549)</b>
<b>Total comprehensive income for the years</b>		<b>3,382,276,542</b>	<b>155,051,110</b>	<b>3,376,226,784</b>	<b>148,076,084</b>
<b>Earnings per share:</b>	27				
Basic earnings per share					
Profits for the years		22.57	22.78	22.51	22.72

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

**Bangkok Insurance Public Company Limited**  
**Statements of cash flows**  
**For the years ended 31 December 2017 and 2016**

(Unit: Baht)

	Financial statements				
	Note	in which the equity method is applied		Separate financial statements	
		2017	2016	2017	2016
<b>Cash flows from (used in) operating activities</b>					
Direct premium written		15,392,124,508	15,401,687,912	15,392,124,508	15,401,687,912
Cash paid for reinsurance		(1,841,990,078)	(2,123,061,802)	(1,841,990,078)	(2,123,061,802)
Interest income		265,851,686	360,433,556	265,851,686	360,433,556
Dividend income		836,831,550	793,163,745	836,831,550	793,163,745
Other investment revenue		144,950,917	141,901,594	144,950,917	141,901,594
Other income		28,721,022	22,466,121	28,721,022	22,466,121
Losses incurred on direct insurance		(7,067,453,485)	(6,989,768,958)	(7,067,453,485)	(6,989,768,958)
Commissions and brokerages on direct insurance		(1,995,364,314)	(1,998,233,230)	(1,995,364,314)	(1,998,233,230)
Other underwriting expenses		(2,150,901,461)	(2,052,149,026)	(2,150,901,461)	(2,052,149,026)
Operating expenses		(863,454,209)	(730,052,334)	(863,454,209)	(730,052,334)
Investment expenses		(63,021,693)	(60,657,402)	(63,021,693)	(60,657,402)
Income taxes		(358,179,343)	(381,090,366)	(358,179,343)	(381,090,366)
Investments in securities		(570,883,107)	(514,672,800)	(570,883,107)	(514,672,800)
Loans		68,063,438	400,306,161	68,063,438	400,306,161
Deposits at financial institutions		(220,919,909)	(507,257,343)	(220,919,909)	(507,257,343)
<b>Net cash provided by operating activities</b>		<b>1,604,375,522</b>	<b>1,763,015,828</b>	<b>1,604,375,522</b>	<b>1,763,015,828</b>
<b>Cash flows from (used in) investing activities</b>					
Cash flows from					
Premises and equipment		7,250,460	4,189,042	7,250,460	4,189,042
Cash from investing activities		7,250,460	4,189,042	7,250,460	4,189,042
Cash flows used in					
Premises and equipment		(99,717,388)	(209,322,210)	(99,717,388)	(209,322,210)
Intangible assets		(34,245,822)	(94,608,912)	(34,245,822)	(94,608,912)
Cash used in investing activities		(133,963,210)	(303,931,122)	(133,963,210)	(303,931,122)
<b>Net cash used in investing activities</b>		<b>(126,712,750)</b>	<b>(299,742,080)</b>	<b>(126,712,750)</b>	<b>(299,742,080)</b>
<b>Cash flows from (used in) financing activities</b>					
Dividends paid	28	(1,490,563,473)	(1,357,492,500)	(1,490,563,473)	(1,357,492,500)
<b>Net cash used in financing activities</b>		<b>(1,490,563,473)</b>	<b>(1,357,492,500)</b>	<b>(1,490,563,473)</b>	<b>(1,357,492,500)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(12,900,701)</b>	<b>105,781,248</b>	<b>(12,900,701)</b>	<b>105,781,248</b>
Cash and cash equivalents at beginning of the years		412,484,321	306,703,073	412,484,321	306,703,073
<b>Cash and cash equivalents at end of the years</b>		<b>399,583,620</b>	<b>412,484,321</b>	<b>399,583,620</b>	<b>412,484,321</b>

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

**Bangkok Insurance Public Company Limited**  
**Statements of changes in owners' equity**  
**For the years ended 31 December 2017 and 2016**

(Unit: Baht)

Financial statements in which the equity method is applied

	Note	Issued and paid-up		Retained earnings			Other component of equity	Total
		share capital	Share premium	Appropriated		Unappropriated	Revaluation surplus	
				Statutory reserve	Other reserve		on available-for-sale investments - net of income taxes	
<b>Balance as at 1 January 2016</b>		1,064,700,000	1,442,500,000	106,470,000	3,100,000,000	4,401,022,684	24,341,477,582	34,456,170,266
Dividend paid	28	-	-	-	-	(1,357,492,500)	-	(1,357,492,500)
Profit for the year		-	-	-	-	2,425,787,659	-	2,425,787,659
Other comprehensive income (loss) for the year		-	-	-	-	3,393,864	(2,274,130,413)	(2,270,736,549)
<b>Balance as at 31 December 2016</b>		<u>1,064,700,000</u>	<u>1,442,500,000</u>	<u>106,470,000</u>	<u>3,100,000,000</u>	<u>5,472,711,707</u>	<u>22,067,347,169</u>	<u>33,253,728,876</u>
<b>Balance as at 1 January 2017</b>		1,064,700,000	1,442,500,000	106,470,000	3,100,000,000	5,472,711,707	22,067,347,169	33,253,728,876
Dividend paid	28	-	-	-	-	(1,490,563,473)	-	(1,490,563,473)
Profit for the year		-	-	-	-	2,403,097,467	-	2,403,097,467
Other comprehensive income (loss) for the year		-	-	-	-	(3,389,002)	982,568,077	979,179,075
<b>Balance as at 31 December 2017</b>		<u>1,064,700,000</u>	<u>1,442,500,000</u>	<u>106,470,000</u>	<u>3,100,000,000</u>	<u>6,381,856,699</u>	<u>23,049,915,246</u>	<u>35,145,441,945</u>

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

**Bangkok Insurance Public Company Limited**  
**Statements of changes in owners' equity (continued)**  
**For the years ended 31 December 2017 and 2016**

(Unit: Baht)

Separate financial statements								
	Note	Issued and paid-up share capital	Share premium	Retained earnings		Other component of equity		
				Appropriated		Unappropriated	Revaluation surplus on available-for-sale investments - net of income taxes	
				Statutory reserve	Other reserve			Total
<b>Balance as at 1 January 2016</b>		1,064,700,000	1,442,500,000	106,470,000	3,100,000,000	4,349,614,994	24,341,477,582	34,404,762,576
Dividend paid	28	-	-	-	-	(1,357,492,500)	-	(1,357,492,500)
Profit for the year		-	-	-	-	2,418,812,633	-	2,418,812,633
Other comprehensive income (loss) for the year		-	-	-	-	3,393,864	(2,274,130,413)	(2,270,736,549)
<b>Balance as at 31 December 2016</b>		<u>1,064,700,000</u>	<u>1,442,500,000</u>	<u>106,470,000</u>	<u>3,100,000,000</u>	<u>5,414,328,991</u>	<u>22,067,347,169</u>	<u>33,195,346,160</u>
<b>Balance as at 1 January 2017</b>		1,064,700,000	1,442,500,000	106,470,000	3,100,000,000	5,414,328,991	22,067,347,169	33,195,346,160
Dividend paid	28	-	-	-	-	(1,490,563,473)	-	(1,490,563,473)
Profit for the year		-	-	-	-	2,397,047,709	-	2,397,047,709
Other comprehensive income (loss) for the year		-	-	-	-	(3,389,002)	982,568,077	979,179,075
<b>Balance as at 31 December 2017</b>		<u>1,064,700,000</u>	<u>1,442,500,000</u>	<u>106,470,000</u>	<u>3,100,000,000</u>	<u>6,317,424,225</u>	<u>23,049,915,246</u>	<u>35,081,009,471</u>

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

**Bangkok Insurance Public Company Limited**  
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**For the years ended 31 December 2017 and 2016**

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# **Bangkok Insurance Public Company Limited**

## **Notes to financial statements**

**For the years ended 31 December 2017 and 2016**

### **1. Corporate information**

Bangkok Insurance Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand, and listed on the Stock Exchange of Thailand. The Company’s major shareholder is Bangkok Bank Public Company Limited whereby as at 31 December 2017 and 2016, such major shareholder held 9.97% of the issued and paid-up ordinary shares of the Company. The Company is principally engaged in the provision of non-life insurance. The Company’s registered office is located at No. 25, Bangkok Insurance Building, South Sathon Road, Tung Ma Ha Mek, Sathon, Bangkok.

### **2. Basis for preparation of financial statements**

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547, and in accordance with Thai accounting practices related to insurance and the accounting and reporting guidelines prescribed by the Office of Insurance Commission (“OIC”), and in accordance with the format of financial statements specified in the Notification of the Office of Insurance Commission (“OIC”) regarding criteria, procedures, terms and conditions for preparation and submission of financial statements and operating performance reports of non-life insurance companies dated 4 March 2017.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in Note 4 to the financial statements regarding a summary of significant accounting policies.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from such financial statements in Thai language.

#### **2.1 The financial statements in which the equity method is applied**

The Company has prepared the financial statements, in which equity method is applied, which have presented investments in associates under the equity method.

#### **2.2 Separate financial statements**

The Company has prepared its separate financial statements, which have presented investments in associates under the cost method.



### **3. New financial reporting standards**

#### **3.1 Financial reporting standards that became effective in the current year**

During the year, the Company have adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements. However, one standard that directly relevant to the Company changes to key principles, which are summarised below.

##### **TAS 27 (revised 2016) Separate Financial Statements**

This revised standard stipulates an additional option to account for investments in subsidiaries, joint ventures and associates in separate financial statements under the equity method, as described in TAS 28 (revised 2016) Investments in Associates and Joint Ventures. However, the entity is to apply the same accounting treatment for each category of investment and if an entity elects to account for such investments using the equity method in the separate financial statements, it has to adjust the transaction retrospectively. Hence, the management decided to continue its accounting treatment on its investments in associates under the cost method in the separate financial statements and therefore there is no impact on these separate financial statements.

#### **3.2 Financial reporting standard that will become effective in the future**

During the year, the Federation of Accounting Professions issued a number of revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The management of the Company believes that the revised financial reporting standards will not have any significant impact on the Company's financial statements when they are initially applied.

## **4. Significant accounting policies**

### **4.1 Revenue recognition**

#### **(a) Gross premium written**

Gross premium written consists of direct premium and reinsurance premium less premium of the canceled policies and premium refunded to the policy holders and is adjusted by unearned premium reserves.

Direct premium is recognised as revenue when the insurance policy comes into effect. For long-term insurance policies with a coverage period of longer than 1 year, premiums are recorded as premiums received in advance and will be gradually recognised as revenue on a yearly basis over the coverage period.

Reinsurance premium is recognised as revenue when the reinsurer places the reinsurance application or the statement of accounts with the Company.

#### **(b) Commission and brokerage fee income**

Commission and brokerage fees from ceded premium are recognised as revenue over the period in which the related services are rendered.

#### **(c) Investment revenues**

Interest on investments, both in the form of lending or investing in debt securities and deposits, is recognised as revenue on an accrual basis. Interest on loans is recognised as revenue over the term of the loans based on the amount of outstanding principal. No accrual is made for loans with interest default over six continuous months. Interest on investments in debt securities is recognised as revenue on the effective interest rate over the investment holding periods. Interest on deposits is recognised as revenue over the term of deposits on an accrual basis.

Dividends on investments are recognised as revenues when the right to receive the dividend is established.

#### **(d) Gains (losses) on investments**

Gains (losses) on investments are recognised as revenue or expense on the transaction dates.

## 4.2 Expenses recognition

### (a) Premium ceded to reinsurers

Premium ceded to reinsurers are recognised as expenses when the insurance risk is transferred to another reinsurer at amount per policy.

### (b) Gross claims

Gross claims consist of claims and losses adjustment expenses of direct insurance and reinsurance for both reported and not reported claims, which include the amounts of claims, related expenses, and loss adjustments of current and prior period claims incurred during the year, less residual value and other recoveries (if any) and claims refundable from reinsurers.

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

Claims refundable from reinsurers are recognised as deduction item against gross claims when claims are recorded by the condition in the relevant reinsurance contract.

### (c) Commission and brokerage expenses

Commission and brokerage expenses are expensed when incurred.

### (d) Other underwriting expenses

Other underwriting expenses are other insurance expenses for both direct and indirect expenses, including contributions, which are recognised as expenses on accrual basis.

### (e) Operating expenses

Operating expenses are operating expenses, not related to underwriting and claim, which are recognised as expenses on accrual basis.

### **4.3 Product classification**

The Company classifies inward reinsurance contracts and outward reinsurance contracts based on the nature of the insurance contract. Insurance contracts are those contracts where the insurer has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. To determine whether a significant insurance risk has been accepted, the insurer compares the benefits payable after an insured event with the benefits payable if the insured event did not occur. If the criteria are not met, the Company classifies the insurance contract and reinsurance contract as an investment contract. Investment contracts have the legal form of insurance contracts and transfer financial risk to the insurer, but not significant insurance risk. Financial risks are specified as interest rate risk, exchange rate risk, or price risk.

The Company classifies contracts based on assessment of the significance of the insurance risk at inception of contract, for each contract. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime. A contract classified as an investment contract at inception can be reclassified as an insurance contract after inception if the insurance risk becomes significant.

### **4.4 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investment with an original maturity of three months or less and not subject to withdrawal restrictions.

### **4.5 Premium receivables and allowance of doubtful accounts**

Premium receivables from direct insurance are stated at their net realisable values. The Company sets up an allowance for doubtful accounts based on the estimated loss that may incur in collection of the premium receivables, on the basis of collection experiences, analysis of debtor aging and a review of current status of the premium receivables as at the end of the reporting periods.

#### **4.6 Reinsurance assets**

Reinsurance assets are stated at the amounts of insurance reserves refundable from reinsurers, which consist of (a) loss reserves and (b) unearned premium reserves that are estimated based on related reinsurance contracts in accordance with insurance reserve calculation law.

The Company sets up an allowance for impairment, of reinsurance assets based on losses that may be incurred due to irrecoverable, taking into account collection experience, aged of balance, and the status of receivables from reinsurers as at the end of the reporting periods. Increase (decrease) in an allowance for impairment is recorded as an increase (a decrease) to expenses during the years in profit or loss.

#### **4.7 Reinsurance receivables and due to reinsurers**

- (a) Reinsurance receivables are stated at the outstanding balances of amounts due from reinsurers and amounts deposited on reinsurance.

Amounts due from reinsurers consist of reinsurance premium ceded receivable, accrued commission and brokerage income, claims and various other items receivable from reinsurers. The Company records allowance for doubtful accounts for reinsurance receivables based on the estimated losses that may be incurred due to uncollectible, taking into account collection experience and the status of receivables from reinsurers as at the end of the reporting periods.

- (b) Due to reinsurers are stated at the outstanding balance of amounts due to reinsurers and amounts withheld on reinsurance.

Amounts due to reinsurers consist of outward premium payables and other reinsurance payables to reinsurers, excluding claims.

The Company presents the net amount of due to and from the same reinsurance party (as reinsurance receivables or amounts due to reinsurers) when the following criteria for offsetting are met.

- (1) The Company has a legal right to offset amounts presented in the statements of financial position, and
- (2) The Company intends to receive or pay the net amount recognised in the statements of financial position, or to realise the asset at the same time as it pays the liability.

## 4.8 Investment assets

### (a) Investments in securities

Available-for-sale investments are stated at fair value. Changes in the fair value of these investments are recorded in other comprehensive income, and will be recorded in profit or loss when the investments are disposed of.

Held-to-maturity investments are recorded at amortised cost. The premium/discount is amortised/accreted by the effective interest rate method with the amortised/accreted amount presented as an adjustment to the interest income.

Investments in non-marketable equity securities, which are classified as general investments, are stated at cost net of allowance for impairment (if any).

The fair value of marketable securities is based on the latest bid price of the last working day of the year of the Stock Exchange of Thailand. The fair value of debt instruments is determined based on yield rates quoted by the Thai Bond Market Association. The fair value of investment units is determined from their net asset value.

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

On disposal of an investment, the difference between net disposal proceeds and the cost of the investment is recognised in profit or loss. The weighted average method is used for computation of the cost of an investment.

The Company records purchases and sales of investments in equity securities on trade dates and records purchases and sales of investments in debt securities on settlement dates.

### (b) Loans

Loans are stated at net realisable value. Allowance for doubtful accounts on loans is provided for the estimated losses that may be incurred in collection of loans based on an evaluation of the current status of the debtors taking into consideration the recovery risk and the value of collateral. Increase (decrease) in allowance for doubtful accounts is recognised as expenses in statements of income.

(c) Investment in associates

Investments in associates as presented in the financial statements, in which the equity method is applied, is recorded initially at cost and adjusted to reflect the proportionate share of the associate's operating results and is deducted by dividend income.

Investments in associates as presented in the separate financial statements is stated at cost net of allowance for impairment (if any). Loss on impairment is recorded as an expense in profit or loss.

(d) Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for impairment loss (if any).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over the estimated useful life of 30 years (over the lease period). Depreciation of the investment properties is recognised as expense in profit or loss.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

#### **4.9 Premises and equipment and depreciation**

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for impairment (if any).

Depreciation of buildings and equipment is calculated by reference to their costs on a straight-line basis over the following estimated useful lives:

Buildings	- 20 years and 33 years (over the lease period)
Condominium units	- 20 years
Furniture, fixture and office equipment	- 3 years, 4 years and 5 years (over the lease period)
Motor vehicles	- 4 years and 5 years (over the lease period)

Depreciation is recognised in profit or loss. No depreciation is provided for land and construction in progress.

An item of premises and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

#### **4.10 Intangible assets and amortisation**

Intangible assets acquired are recognised at cost. Following the initial recognition, intangible assets are carried at cost less accumulated amortisation and allowance for impairment (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year-end. The amortisation expense is charged to profit or loss. No amortisation is provided for computer softwares under development.

Intangible assets with finite useful lives, which are computer softwares, have the economic lives of 3, 5 and 10 years.

#### **4.11 Impairment of assets**

At the end of each reporting period, the Company performs impairment reviews in respect of property, buildings and equipment and intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised in profit or loss when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use is less than the carrying amount.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimations used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.



## 4.12 Insurance contract liabilities

Insurance contract liabilities consist of loss reserve and premium reserves.

### (a) Loss reserves

Loss reserves are recorded at the amounts to be actually paid. Loss reserves are provided upon receipt of claim advices from the insured based on the claims notified by the insured and estimates made by the Company's management. The maximum value of claims estimate shall not exceed the sum-insured under the relevant policy.

Outstanding claim provision are calculated using an actuarial method based on a best estimate of claims which are expected to be paid in respect of losses occurring before or as at the end of the reporting periods for both reported and not reported losses including loss adjustment expense. The different of the calculated outstanding claim provision which are higher than the loss reserve that recognised into financial statement, the Company has additionally provided reserves for claims incurred but not yet reported (IBNR).

### (b) Premium reserves

Premium reserves are the higher amounts of unearned premium reserves and unexpired risk reserves. As at the end of the reporting periods, the Company compares the amounts of unexpired risk reserves with unearned premium reserves, and if the amount of unexpired risk reserves is higher that of the unearned premium reserve, the difference is recognised to present the amounts of unexpired risk reserves in the financial statements.

#### (1) Unearned premium reserves

Unearned premium reserves are calculated based on direct premium before deducting premium ceded as follows:

Fire, marine, transportation (hull), motor and miscellaneous	- Monthly average basis (the one-twenty fourth basis)
Transportation (cargo), travelling accident with coverage periods of not over six-months	- 100% of premiums as from the effective date of the inforce policies over the insurance coverage period
Bail bond	- 70% of premiums as from the effective date of the inforce policies over the insurance coverage period

Outward unearned premium reserve is calculated based on reinsurance premium ceded, as the same method as direct insurance, that transfer insurance risk to reinsurer throughout the coverage period of insurance contract.

(2) Unexpired risk reserves

Unexpired risk reserves are the reserves for the claims that may be incurred in respect of in-force policies. Unexpired risk reserves are set aside using an actuarial method, at the best estimate of the claims that are expected be incurred during the remaining coverage period, based on historical claims data.

#### **4.13 Employee benefits**

(a) Defined contribution plan

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognised as expenses when incurred.

(b) Defined benefit plan and other long-term employee benefits

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan. In addition, the Company provides other long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan and other long-term employee benefit plans are determined based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income and adjusted directly to retained earnings and those arising from other long-term benefits are recognised immediately in profit and loss.

#### **4.14 Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### **4.15 Long-term leases**

Leases of equipment and vehicles which transfer substantially all the risks and rewards of ownership to the Company, as a lessee, are classified as finance lease. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to profit or loss over the lease period. The equipment acquired under finance leases is depreciated over the lower of useful life of the leased asset or the lease periods.

Leases of buildings and equipment which do not transfer substantially all the risks and rewards of ownership to the Company, as the lessee, are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

#### **4.16 Foreign currencies**

The financial statements are presented in Baht, which is also the Company's functional currency.

Transactions in foreign currency are translated into Baht at the exchange rates ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rates ruling at the end of reporting periods. Gains and losses on exchange are recorded as revenues or expenses in profit or loss.

#### **4.17 Income taxes**

Income tax expenses represent the sum of corporate income taxes currently payable and deferred income taxes.

(a) Current income taxes

Current income taxes are provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

(b) Deferred income taxes

Deferred income taxes are provided on temporary differences between the tax bases of assets and liabilities and its carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company recognises deferred tax liabilities for all taxable temporary differences while it recognises deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting period, the Company reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

The Company records deferred income taxes directly to equity if they relate to items that are recorded directly to equity.

#### **4.18 Related party transactions**

Related parties comprise individuals or enterprises that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies, individuals or enterprises which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

#### **4.19 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company applies a quoted market price in an active market to measure its assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case where there is no active market of an identical asset or liability or when a quoted market price is not available, the Company measures fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company determines whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting periods that are measured at fair value on a recurring basis.

#### **5. Significant accounting judgments and estimates**

The preparation of financial statements in conformity with Thai Financial Reporting Standards at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ from these estimates. Significant judgments and estimates are as follows:

### **5.1 Allowances for doubtful accounts and impairment**

In determining allowances for doubtful accounts and impairment on premium receivables, reinsurance assets, and reinsurance receivables, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

### **5.2 Allowance for impairment on investments**

The Company sets aside allowance for impairment on available-for-sale investments, general investments and investments in associates when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires the management judgment.

### **5.3 Premises and equipment and depreciation**

In calculating depreciation of buildings and equipment, the management is required to make estimates of the useful lives and residual values of the Company’s buildings and equipment and to review estimate useful lives and residual values when circumstance changes.

In addition, the management is required to review premises and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that its recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

### **5.4 Intangible assets and allowance for impairment**

The initial recognition and measurement of intangible assets, and subsequent impairment testing require management to make estimates of cash flows to be generated by the asset, including the choice of a suitable discount rate used in calculation of the present value for those cash flows.

### **5.5 Deferred tax assets**

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimated future taxable profits.

## **5.6 Loss reserves**

At the end of the reporting periods, the Company has to estimate loss reserves taking into account two parts, which are the claims incurred and reported, and the claims incurred but not yet reported (IBNR), the latter of which require actuarial technique such as the Chain Ladder and Bornheutter-Ferguson methods in estimation of reserves. The main assumptions underlying such techniques relate to historical experience, including the development of claim estimates, losses incurred and paid, average costs per claim and number of claims, etc. However, such estimates are forecasts of future outcomes, and actual results could differ.

## **5.7 Unexpired risk reserves**

Unexpired risk reserves are calculated using an actuarial method, based on the best estimate of the claims expected to incur over the remaining coverage period of the insurance contracts. Estimating the reserves requires the management to exercise judgment, with reference to historical data and the best estimate available at the time.

## **5.8 Provisions for employee benefits**

Provisions for employee benefit are determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary incremental rate, mortality rate and staff turnover rate, based on their best knowledge of current events and arrangements.

## **5.9 Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

## **5.10 Litigation**

The Company has contingent liabilities as a result of litigation claims. The Company's management has used judgment to assess the results of the litigation and believes that losses incurred will not exceed the recorded amounts as at the end of reporting periods.

## 5.11 Recognition and derecognition of assets and liabilities

In considering whether to recognise or to derecognise assets or liabilities, the management is required to make judgement on whether significant risk and rewards of those assets or liabilities have been transferred, based on their best knowledge of the current events and arrangements.

## 5.12 Fair value of financial instruments

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercises judgement, using a variety of valuation techniques and models. The inputs to these models are taken from observable markets, and include consideration of credit risk (the Company and its counterparty), liquidity risk, correlation and longer-term volatility of financial instruments. Changes in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosures of fair value hierarchy.

## 6. Cash and cash equivalents

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	31 December	
	2017	2016
Cash on hand	2,579,000	2,851,115
Deposits at banks with no fixed maturity date	127,004,620	149,633,206
Deposits at banks with fixed maturity date	270,000,000	260,000,000
Total cash and cash equivalents	<u>399,583,620</u>	<u>412,484,321</u>

As at 31 December 2017 and 2016, saving deposits and fixed deposits carried interests at the rates between 0.38 and 1.35 percent per annum and 0.05 and 1.00 percent per annum, respectively.



## 7. Premium receivables

As at 31 December 2017 and 2016, the balances of premium receivables from direct insurance were classified by aging from the maturity date under the stipulated law of the premium collection as follows:

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	31 December	
	2017	2016
Not yet due	1,837,930,662	1,698,668,793
Overdue not longer than 30 days	201,204,808	288,853,642
Overdue 31 days to 60 days	95,178,596	111,378,445
Overdue 61 days to 90 days	59,087,727	85,243,530
Overdue 91 days to 1 year	207,644,298	117,823,088
Overdue longer than 1 year	22,411,427	22,981,531
Total	2,423,457,518	2,324,949,029
Less: Allowance for doubtful accounts	(22,411,427)	(22,981,531)
Premium receivables - net	2,401,046,091	2,301,967,498

For premium receivables due from agents and brokers, the Company has stipulated the collection guidelines in accordance with the Premium Collection Law whereby the Company has taken legal proceedings with agents and brokers on a case by case basis for overdue premiums.

## 8. Reinsurance assets

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements	
	31 December	
	2017	2016
Insurance reserves refundable from reinsurers		
Loss reserves	3,345,545,432	2,807,288,733
Unearned premium reserves	2,148,429,161	2,124,622,742
Total	5,493,974,593	4,931,911,475
Less: Allowance for impairment	(6,578,668)	(45,567,049)
Reinsurance assets - net	5,487,395,925	4,886,344,426

As at 31 December 2017 and 2016, Insurance reserves refundable from reinsurers included insurance reserves refundable from reinsurers due to flood situation in 2011 amounting to Baht 31.5 million and Baht 145.0 million, respectively.

## 9. Reinsurance receivables

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements	
	31 December	
	2017	2016
Amounts deposited on reinsurance	37,091,956	37,688,914
Amounts due from reinsurers	239,405,655	205,542,813
Total	276,497,611	243,231,727
Less: Allowance for doubtful accounts	(37,295,573)	(112,001,147)
Receivables on reinsurance contracts - net	239,202,038	131,230,580

As at 31 December 2017 and 2016, amounts due from reinsurers were classified by aging as follows:

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	31 December	
	2017	2016
Not over 12 months	211,909,966	167,278,026
Overdue from 1 year to 2 years	7,766,248	10,376,395
Overdue longer than 2 years	19,729,441	27,888,392
Total amounts due from reinsurers	239,405,655	205,542,813
Less: Allowance for doubtful accounts	(37,295,573)	(112,001,147)
Amounts due from reinsurers - net	<u>202,110,082</u>	<u>93,541,666</u>

## 10. Investments in securities

### 10.1 Classified by type of investment

	(Unit: Baht)			
	Financial statements in which the equity method is applied and Separate financial statements			
	31 December			
	2017		2016	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
<b>Available-for-sale investments</b>				
Government and state enterprise securities	1,954,375,379	1,964,880,052	1,894,339,916	1,901,523,224
Private sector debt securities	1,313,390,745	1,337,918,329	1,092,027,542	1,115,812,842
Equity securities	6,977,967,772	35,755,329,572	6,568,477,215	34,121,692,568
Total	10,245,733,896	39,058,127,953	9,554,844,673	37,139,028,634
Add: Unrealised gains	28,812,394,057	-	27,584,183,961	-
Total available-for-sale investments	<u>39,058,127,953</u>	<u>39,058,127,953</u>	<u>37,139,028,634</u>	<u>37,139,028,634</u>
<b>Held-to-maturity investments</b>				
Deposits at financial institutions which matured over 3 months	8,051,575,864		7,830,655,955	
Total held-to-maturity investments	<u>8,051,575,864</u>		<u>7,830,655,955</u>	
<b>General investments</b>				
Domestic equity securities	603,435,058		609,234,808	
Foreign equity securities	201,689,384		166,120,034	
Total	805,124,442		775,354,842	
Less: Allowance for impairment	(95,203,760)		(88,182,160)	
General investments - net	<u>709,920,682</u>		<u>687,172,682</u>	
Investment in securities - net	<u>47,819,624,499</u>		<u>45,656,857,271</u>	

On 12 May 2017, the Board of Directors Meeting No. 2/2017 of the Company resolved to approve the sale of 1,159,950 ordinary shares in EMCS Thai Company Limited, for Baht 50 per share, totaling Baht 58.0 million, to Thai Reinsurance Public Company Limited and the Company already received payment from sale of such investment on 7 August 2017.

## 10.2 Remaining periods to maturity of debt securities

(Unit: Baht)

	Financial statements in which the equity method is applied and separate financial statements as at 31 December							
	2017				2016			
	Period to maturity				Period to maturity			
	1 year	1 - 5 years	Over 5 years	Total	1 year	1 - 5 years	Over 5 years	Total
<b>Available-for-sale investment</b>								
Government and state enterprise securities	896,326,724	858,048,655	200,000,000	1,954,375,379	1,370,033,877	324,306,039	200,000,000	1,894,339,916
Private enterprise debt securities	360,077,574	953,313,171	-	1,313,390,745	148,148,294	893,879,248	50,000,000	1,092,027,542
Total	1,256,404,298	1,811,361,826	200,000,000	3,267,766,124	1,518,182,171	1,218,185,287	250,000,000	2,986,367,458
Add (less): Unrealised gains (losses)	8,688,797	26,806,180	(462,720)	35,032,257	7,447,994	30,443,779	(6,923,165)	30,968,608
<b>Total available-for-sale investments</b>	<b>1,265,093,095</b>	<b>1,838,168,006</b>	<b>199,537,280</b>	<b>3,302,798,381</b>	<b>1,525,630,165</b>	<b>1,248,629,066</b>	<b>243,076,835</b>	<b>3,017,336,066</b>
<b>Held-to-maturity investments</b>								
Deposits at financial institutions which mature over 3 months	8,051,575,864	-	-	8,051,575,864	7,830,655,955	-	-	7,830,655,955
<b>Total held-to-maturity investments</b>	<b>8,051,575,864</b>	<b>-</b>	<b>-</b>	<b>8,051,575,864</b>	<b>7,830,655,955</b>	<b>-</b>	<b>-</b>	<b>7,830,655,955</b>

## 10.3 Revaluation surplus on available-for-sale investments

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements	
	For the year ended 31 December	
	2017	2016
Revaluation surplus on available-for-sale investments - beginning of the years	27,584,183,961	30,426,846,978
Gains (losses) on revaluation during the years	1,317,176,684	(2,797,439,533)
Gains on sales of available-for-sale investments during the years transferred to be recognised in profit or loss	(88,966,588)	(45,223,484)
Revaluation surplus on available-for-sale investments - end of the years	28,812,394,057	27,584,183,961
Less: Income taxes	(5,762,478,811)	(5,516,836,792)
Revaluation surplus on available-for-sale investments - net of income taxes	23,049,915,246	22,067,347,169

## 10.4 Investments subject to restriction

As at 31 December 2017 and 2016, the Company placed certain investments as a security with the Registrar and placed with the bank to secure bank overdraft facilities and others as required in the normal course of business of the Company as described in Note 30 to the financial statements.

## 11. Loans and interest receivables

As at 31 December 2017 and 2016, the balances of loans and interest receivables, classified by overdue years, were as follows:

(Unit: Baht)

Overdue years	Financial statements in which the equity method is applied and Separate financial statements						
	31 December 2017						
	Mortgaged loans		Other loans		Total		
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest <sup>(1)</sup>	Total
Not yet due	1,169,395,263	925,744	6,233,720	-	1,175,628,983	925,744	1,176,554,727
Overdue							
Less than 3 months	30,200,000	147,484	-	-	30,200,000	147,484	30,347,484
Longer than 12 months	153,479,189	-	-	-	153,479,189	-	153,479,189
Loans and interest receivables	<u>1,353,074,452</u>	<u>1,073,228</u>	<u>6,233,720</u>	<u>-</u>	<u>1,359,308,172</u>	<u>1,073,228</u>	<u>1,360,381,400</u>

<sup>(1)</sup> Shown as a part of "accrued investment income" in the statements of financial position

(Unit: Baht)

Overdue years	Financial statements in which the equity method is applied and Separate financial statements						
	31 December 2016						
	Mortgaged loans		Other loans		Total		
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest <sup>(1)</sup>	Total
Not yet due	1,264,559,264	1,008,440	3,380,260	-	1,267,939,524	1,008,440	1,268,947,964
Overdue							
3 - 6 months	108,494,017	2,493,475	-	-	108,494,017	2,493,475	110,987,492
7 - 12 months	847,925	-	-	-	847,925	-	847,925
Longer than 12 months	50,090,144	-	-	-	50,090,144	-	50,090,144
Loans and Interest receivables	<u>1,423,991,350</u>	<u>3,501,915</u>	<u>3,380,260</u>	<u>-</u>	<u>1,427,371,610</u>	<u>3,501,915</u>	<u>1,430,873,525</u>

<sup>(1)</sup> Shown as a part of "accrued investment income" in the statements of financial position

Credit limits granted to each employee under the Company's employee welfare plan are not exceeding 30 times of employee's salary and Baht 1,000,000 for personal guarantee loans with interest being charged at the rate of 3.0% per annum, and not exceeding 60 times of employee's salary and Baht 5,000,000 for mortgaged loans with interest being charged at the rate of 2.5% per annum.

As at 31 December 2017 and 2016, the balances of employee loans were Baht 53.9 million and Baht 39.8 million, respectively.

## 12. Investments in associates

### 12.1 Details of associates

Company's name	Nature of business	Country of incorporation	Paid-up share capital as at		Shareholding	
			31 December 2017	31 December 2016	31 December 2017	31 December 2016
			(USD)	(USD)	(%)	(%)
Asia Insurance (Cambodia) Plc.	Non-life insurance	Cambodia	7,000,000	7,000,000	22.92	22.92
Asian Insurance International (Holding) Limited	Holding company	Bermuda	5,740,000	5,740,000	41.70	41.70
Bangkok Insurance (Lao) Co.,Ltd	Non-life insurance	Lao	2,000,000	2,000,000	45.00	45.00

(Unit: Baht)

Company's name	Financial statements in which the equity method is applied				Separate financial statements	
	31 December		31 December		31 December	
	2017	2016	2017	2016	2017	2016
Asia Insurance (Cambodia) Plc.	73,608,791	69,861,966	30,202,059	30,202,059	30,202,059	30,202,059
Asian Insurance International (Holding) Limited	113,598,568	109,468,179	72,054,063	72,054,063	72,054,063	72,054,063
Bangkok Insurance (Lao) Co.,Ltd	27,728,355	28,043,372	32,139,000	32,139,000	32,139,000	32,139,000
Total	214,935,714	207,373,517	134,395,122	134,395,122	134,395,122	134,395,122

### 12.2 Shares of profits (losses) and dividends income

(Unit: Baht)

Company's name	Financial statements			
	in which the equity method is applied		Separate financial statements	
	Share of profits (losses)		Dividend received during	
	from investments in associates for the years ended 31 December		the years ended 31 December	
	2017	2016	2017	2016
Asia Insurance (Cambodia) Plc.	8,202,358	10,342,600	4,455,533	-
Asian Insurance International (Holding) Limited	4,130,389	(92,336)	-	-
Bangkok Insurance (Lao) Co.,Ltd	(315,017)	(1,531,481)	-	-
Total	12,017,730	8,718,783	4,455,533	-

## 12.3 Financial information of associates

### Summarised information from statements of financial position

(Unit: Million Baht)

	Asia Insurance (Cambodia) Plc.		Asian Insurance International (Holding) Limited		Bangkok Insurance (Lao) Co.,Ltd	
	31 December		31 December		31 December	
	2017	2016	2017	2016	2017	2016
Total assets	398.9	415.6	211.9	232.3	105.7	76.4
Total liabilities	(58.8)	(59.5)	-	-	(50.3)	(13.7)
Net assets	340.1	356.1	211.9	232.3	55.4	62.7
Shareholding percentage (%)	22.9	22.9	41.7	41.7	45.0	45.0
Shares of net assets of the associates	78.0	81.6	88.4	96.9	24.9	28.2
Carrying values based on the equity method	73.6	69.9	113.6	109.5	27.7	28.0

### Summarised information from statements of comprehensive income or loss

(Unit: Million Baht)

	Asia Insurance (Cambodia) Plc.		Asian Insurance International (Holding) Limited		Bangkok Insurance (Lao) Co.,Ltd	
	For the years ended 31 December		For the years ended 31 December		For the years ended 31 December	
	2017	2016	2017	2016	2017	2016
Revenue	104.7	108.9	0.5	0.3	19.1	13.6
Profit (loss) for the years	40.8	45.1	(0.0)	(0.2)	(3.5)	(2.9)
Total comprehensive income (loss) for the years	40.8	45.1	(0.0)	(0.2)	(3.5)	(2.9)

As at 31 December 2017 and 2016, the Company recorded investment in an associate under the equity method (in the financial statements in which the equity method is applied) based on the financial information, as prepared by the associate's management. However, the Company obtained the 2016 financial statements of the associate, which were audited by the associate's auditor, and showed the amounts that are not significantly different from the financial information prepared by the associate's management used in equity accounting in that year.

### 13. Investment properties

The investment properties of the Company, which are offices for rent, as at 31 December 2017 and 2016 were presented below.

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	31 December	
	2017	2016
Cost	533,653,195	533,653,195
Less: Accumulated depreciation	(363,987,161)	(346,757,532)
Net book value	<u>169,666,034</u>	<u>186,895,663</u>

Reconciliations of the net book value of investment properties for the years ended 31 December 2017 and 2016 were presented below.

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2017	2016
Net book value at beginning of the years	186,895,663	204,172,496
Depreciation charged	(17,229,629)	(17,276,833)
Net book value at end of the years	<u>169,666,034</u>	<u>186,895,663</u>



The fair values of the investment properties as at 31 December 2017 and 2016 were stated below:

	(Unit: Million Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	31 December	
	2017	2016
Office building for rent	206.0	241.7

The fair values of the investment properties were appraised by an independent valuer using the income approach. The key assumptions used in such appraisal are yield rate, inflation rate, long-term vacancy rate and long-term growth rate in rental fee, etc.

Revenues and expenses related to investment properties were recognised in profit or loss as below:

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	For the year ended 31 December	
	2017	2016
Rental income	142,899,162	141,267,215
Direct operating expenses which generated rental income	69,327,896	66,368,234
Direct operating expenses which did not generate rental income	-	288,503
Total expenses	69,327,896	66,656,737

## 14. Premises and equipment

(Unit: Baht)

Financial statements in which the equity method is applied and Separate financial statements							
	Land	Buildings	Condominium units	Furniture, fixture and office equipment	Motor vehicles	Construction in progress	Total
<b>Cost</b>							
1 January 2016	206,132,665	828,306,000	8,750,941	1,512,544,330	138,693,398	72,268,290	2,766,695,624
Additions	-	-	-	180,012,374	29,427,254	28,463,808	237,903,436
Disposals	-	-	-	(39,376,040)	(23,803,628)	-	(63,179,668)
Transfers in (out)	-	-	-	57,248,808	-	(57,248,808)	-
31 December 2016	206,132,665	828,306,000	8,750,941	1,710,429,472	144,317,024	43,483,290	2,941,419,392
Additions	-	-	-	79,588,140	19,102,226	19,208,276	117,898,642
Disposals	-	-	-	(20,232,475)	(24,505,020)	-	(44,737,495)
Transfers in (out)	-	-	-	35,301,718	-	(35,301,718)	-
31 December 2017	206,132,665	828,306,000	8,750,941	1,805,086,855	138,914,230	27,389,848	3,014,580,539
<b>Accumulated depreciation</b>							
1 January 2016	-	506,054,627	8,523,224	984,412,247	65,892,542	-	1,564,882,640
Depreciation for the year	-	27,806,675	198,088	226,466,368	26,493,904	-	280,965,035
Depreciation for the disposals	-	-	-	(38,475,280)	(23,663,554)	-	(62,138,834)
31 December 2016	-	533,861,302	8,721,312	1,172,403,335	68,722,892	-	1,783,708,841
Depreciation for the year	-	27,340,542	-	215,890,723	25,005,942	-	268,237,207
Depreciation for the disposals	-	-	-	(20,176,354)	(24,403,329)	-	(44,579,683)
31 December 2017	-	561,201,844	8,721,312	1,368,117,704	69,325,505	-	2,007,366,365
<b>Net book value</b>							
31 December 2016	206,132,665	294,444,698	29,629	538,026,137	75,594,132	43,483,290	1,157,710,551
31 December 2017	206,132,665	267,104,156	29,629	436,969,151	69,588,725	27,389,848	1,007,214,174
<b>Depreciation for the year:</b>							
2016							280,965,035
2017							268,237,207

As at 31 December 2017 and 2016, certain equipment items were fully depreciated but are still in use. The original cost before deducting accumulated depreciation of those assets amounted to Baht 1,024.4 million and Baht 851.9 million, respectively.

As at 31 December 2017 and 2016, the Company had vehicles under finance lease agreements with net book values amounting to Baht 62.1 million and Baht 65.4 million, respectively.

## 15. Intangible assets

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements		
	Computer softwares	Computer softwares under development	Total
<b>Cost</b>			
1 January 2016	430,395,595	43,680,975	474,076,570
Addition	77,489,702	2,212,546	79,702,248
Transfer in (out)	19,390,000	(19,390,000)	-
31 December 2016	527,275,297	26,503,521	553,778,818
Addition	18,319,061	3,640,011	21,959,072
Disposals/ Write off	(31,238,608)	-	(31,238,608)
Transfer in (out)	26,503,521	(26,503,521)	-
31 December 2017	540,859,271	3,640,011	544,499,282
<b>Accumulated amortisation</b>			
1 January 2016	200,958,100	-	200,958,100
Amortisation	50,479,981	-	50,479,981
31 December 2016	251,438,081	-	251,438,081
Amortisation	72,738,306	-	72,738,306
Amortisation for the disposals	(6,256,280)	-	(6,256,280)
31 December 2017	317,920,107	-	317,920,107
<b>Allowance for impairment loss</b>			
31 December 2016	24,982,328	-	24,982,328
31 December 2017	-	-	-
<b>Net book value</b>			
31 December 2016	250,854,888	26,503,521	277,358,409
31 December 2017	222,939,164	3,640,011	226,579,175
<b>Amortisation for the years</b>			
2016			50,479,981
2017			72,738,306

As at 31 December 2017 and 2016, certain computer softwares were fully amortised but are still in use. The original cost before deducting accumulated amortisation of those assets amounted to Baht 124.7 million and Baht 111.1 million, respectively.

## 16. Deferred tax asset/liabilities and income tax expenses

### 16.1 Deferred tax assets/liabilities

As at 31 December 2017 and 2016, the components of deferred tax assets and liabilities consisted of tax effects arising from the following transactions.

	Financial statements in which the equity method is applied as at 31 December		Changes in deferred tax assets and liabilities for the year ended 31 December	
	2017	2016	2017	2016
(Unit: Baht)				
Deferred tax assets arose from:				
Allowance for impairment on investments	19,040,752	17,636,432	1,404,320	(3,494,800)
Premium reserves	161,663,994	167,237,780	(5,573,786)	12,708,127
Loss reserves of claims incurred and reported	403,860,729	428,915,316	(25,054,587)	(37,241,160)
Loss reserves of claims incurred but not yet reported	66,265,177	69,120,229	(2,855,052)	9,708,264
Provision for long-term employee benefits	80,383,677	64,784,554	15,599,123	5,587,032
Others	8,050,583	10,912,231	(2,861,648)	(1,407,289)
<b>Total</b>	<b>739,264,912</b>	<b>758,606,542</b>		
Deferred tax liabilities arose from:				
Gains on revaluation of available-for-sale investments	5,762,478,811	5,516,836,792	(245,642,019)	568,532,604
Actuarial gains	143,144	990,395	847,251	(848,466)
Shares of profits from investments in associates	16,108,118	14,595,679	(1,512,439)	(1,743,757)
<b>Total</b>	<b>5,778,730,073</b>	<b>5,532,422,866</b>		
<b>Deferred tax liabilities</b>	<b>5,039,465,161</b>	<b>4,773,816,324</b>		
<b>Total changes</b>			<b>(265,648,837)</b>	<b>551,800,555</b>
Changes are recognised:				
- in profit or loss			(20,854,069)	(15,883,583)
- in other comprehensive income			(244,794,768)	567,684,138
			<b>(265,648,837)</b>	<b>551,800,555</b>

(Unit: Baht)

	Separate financial statements		Changes in deferred tax assets and liabilities for the year ended	
	as at 31 December		31 December	
	2017	2016	2017	2016
Deferred tax assets arose from:				
Allowance for impairment on investments	19,040,752	17,636,432	1,404,320	(3,494,800)
Premium reserves	161,663,994	167,237,780	(5,573,786)	12,708,127
Loss reserves of claims incurred and reported	403,860,729	428,915,316	(25,054,587)	(37,241,160)
Loss reserves of claims incurred but not yet reported	66,265,177	69,120,229	(2,855,052)	9,708,264
Provision for long-term employee benefits	80,383,677	64,784,554	15,599,123	5,587,032
Others	8,050,583	10,912,231	(2,861,648)	(1,407,289)
Total	<u>739,264,912</u>	<u>758,606,542</u>		
Deferred tax liabilities arose from:				
Gains on revaluation of available-for-sale investments	5,762,478,811	5,516,836,792	(245,642,019)	568,532,604
Actuarial gains	143,144	990,395	847,251	(848,466)
Total	<u>5,762,621,955</u>	<u>5,517,827,187</u>		
Deferred tax liabilities	<u>5,023,357,043</u>	<u>4,759,220,645</u>		
Total changes			<u>(264,136,398)</u>	<u>553,544,312</u>
Changes are recognised:				
- in profit or loss			(19,341,630)	(14,139,826)
- in other comprehensive income			<u>(244,794,768)</u>	<u>567,684,138</u>
			<u>(264,136,398)</u>	<u>553,544,312</u>

## 16.2 Income tax expenses

Income tax expenses for the years ended 31 December 2017 and 2016 were made up as follows:

(Unit: Baht)

	Financial statements in which			
	the equity method is applied		Separate financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2017	2016	2017	2016
<b>Current income taxes:</b>				
Corporate income tax charge	(338,351,134)	(380,223,246)	(338,351,134)	(380,223,246)
<b>Deferred income taxes:</b>				
Deferred income taxes relating to origination and reversal of temporary differences	(20,854,069)	(15,883,583)	(19,341,630)	(14,139,826)
Income tax expenses reported in profit or loss	<u>(359,205,203)</u>	<u>(396,106,829)</u>	<u>(357,692,764)</u>	<u>(394,363,072)</u>

Reconciliations between income tax expenses and the product of accounting profits for the years ended 31 December 2017 and 2016 and the applicable tax rate were as follows:

(Unit: Baht)

	Financial statements in which			
	the equity method is applied		Separate financial Statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2017	2016	2017	2016
Accounting profits before income tax expenses	<u>2,762,302,670</u>	<u>2,821,894,488</u>	<u>2,754,740,473</u>	<u>2,813,175,705</u>
Applicable tax rate	20%	20%	20%	20%
Income taxes at the applicable tax rate	(552,460,534)	(564,378,898)	(550,948,095)	(562,635,141)
Net tax effect on tax-exempted revenues and non tax-deductible expenses	194,669,387	168,289,167	194,669,387	168,289,167
Others	<u>(1,414,056)</u>	<u>(17,098)</u>	<u>(1,414,056)</u>	<u>(17,098)</u>
Income tax expenses reported in profit or loss	<u>(359,205,203)</u>	<u>(396,106,829)</u>	<u>(357,692,764)</u>	<u>(394,363,072)</u>

## 17. Insurance contract liabilities

(Unit: Baht)

Financial statements in which the equity method is applied  
and Separate financial statements

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31 December 2017

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	Insurance contract liabilities	Reinsurance on liabilities	Net
Loss reserves			
Claims incurred and reported	6,024,121,001	(3,272,231,190)	2,751,889,811
Claims incurred but not reported and unallocated loss adjustment expenses	398,061,459	(66,735,574)	331,325,885
Premium reserves			
Unearned premium reserves	7,340,161,143	(2,148,429,161)	5,191,731,982
<b>Total</b>	<b>13,762,343,603</b>	<b>(5,487,395,925)</b>	<b>8,274,947,678</b>

(Unit: Baht)

Financial statements in which the equity method is applied  
and Separate financial statements

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31 December 2016

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	Insurance contract liabilities	Reinsurance on liabilities	Net
Loss reserves			
Claims incurred and reported	5,717,486,956	(2,743,278,949)	2,974,208,007
Claims incurred but not reported	364,043,881	(18,442,735)	345,601,146
Premium reserves			
Unearned premium reserves	7,399,140,681	(2,124,622,742)	5,274,517,939
<b>Total</b>	<b>13,480,671,518</b>	<b>(4,886,344,426)</b>	<b>8,594,327,092</b>

The Company entered into reinsurance agreements in order to mitigate insurance risk. Although positions are managed on a net basis by management. However, insurance contract liabilities disclosures have been made on both gross and net basis.

## 17.1 Loss reserves

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2017	2016
Beginning balances	6,081,530,837	6,683,116,552
Claim incurred during the years	8,453,995,159	7,156,500,946
Change in loss reserves of claimed incurred in prior years	(140,591,841)	(151,777,644)
Changes in assumptions in calculating loss reserves	619,713	(11,773,302)
Claims and loss adjustment expenses paid during the years	<u>(7,973,371,408)</u>	<u>(7,594,535,715)</u>
Ending balances	<u>6,422,182,460</u>	<u>6,081,530,837</u>

As at 31 December 2017 and 2016, the Company, which is a reinsurer under the reinsurance contracts, had loss reserves under such contracts totaling Baht 246.7 million and Baht 403.5 million, respectively.

As at 31 December 2017 and 2016, loss reserves included loss reserves incurred as a result of the flood situation in 2011 amounting to Baht 46.3 million and Baht 177.3 million, respectively.



## 17.2 Claims development table

### (a) Gross claims table

(Unit: Million Baht)

Accident year/Reporting year	Prior to 2012	2012	2013	2014	2015	2016	2017	Total
Loss reserves:								
- as at accident year		8,244	5,097	6,854	7,101	7,157	8,454	
- Next one year		9,127	5,562	7,359	7,382	7,407		
- Next two years		8,584	5,928	6,846	6,947			
- Next three years		8,397	5,709	6,693				
- Next four years		8,334	5,672					
- Next five years		8,259						
Cumulative claim estimates		8,259	5,672	6,693	6,949	7,362	8,754	
Cumulative payments		(8,185)	(5,645)	(6,520)	(6,561)	(6,495)	(4,922)	
Total	674	74	27	173	388	867	3,832	6,035
Inward treaty								270
Unallocated loss adjustment expenses								117
Total gross loss reserves								6,422

### (b) Net claims table

(Unit: Million Baht)

Accident year/Reporting year	Prior to 2012	2012	2013	2014	2015	2016	2017	Total
Loss reserves:								
- as at accident year		3,554	4,251	5,082	5,414	5,415	5,724	
- Next one year		3,784	4,521	5,267	5,720	5,549		
- Next two years		3,712	4,500	5,119	5,389			
- Next three years		3,701	4,283	4,983				
- Next four years		3,566	4,261					
- Next five years		3,546						
Cumulative claim estimates		3,546	4,261	4,983	5,390	5,500	5,963	
Cumulative payments		(3,544)	(4,258)	(4,956)	(5,289)	(5,101)	(4,012)	
Total	213	2	3	27	101	399	1,951	2,696
Inward treaty								270
Unallocated loss adjustment expenses								117
Total net loss reserves								3,083

### 17.3 Assumption

Assumptions used in measurement of assets, liabilities, revenues, and expenses incurred on insurance contracts are summarised below;

(a) Assumptions of claims experience

At the end of the reporting periods, the Company estimates loss reserves using historical experience and actuarial technique, which is a standard that is generally accepted. In estimation of loss reserves, they are classified as gross (before reinsurance) and net (after reinsurance) reserves, by accident year, and duration of claim development. The Company uses the higher value between those determined from the Payment Method and the Incurred Method but excluding disaster losses. However, in calculation using the above-mentioned data, the management is required to exercise judgement to exclude all large claims in order to eliminate the fluctuations in loss development factor but include certain relevant large claims on a case-by-case basis where appropriate.

(b) Assumptions of related expenses

The Company estimates the unallocated loss adjustment expenses (ULAE) based on Claim Department's incurred expenses, for example, salaries, employee benefits, and technology costs, which is set as a ratio of ULAE to claims paid.

### 17.4 Unearned premium reserves

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2017	2016
Beginning balances	7,399,140,681	7,271,855,700
Premium written during the years	15,940,906,580	16,031,323,734
Premium earned during the years	(15,999,886,118)	(15,904,038,753)
Ending balances	<u>7,340,161,143</u>	<u>7,399,140,681</u>

## 17.5 Unexpired risk reserves

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2017	2016
Beginning balances	4,279,482,220	4,320,166,720
Estimated claims for the years	3,287,671,653	2,855,251,103
Risk expired during the years	(3,226,285,385)	(2,895,935,603)
Ending balances	<u>4,340,868,488</u>	<u>4,279,482,220</u>

## 18. Due to reinsurers

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2017	2016
Amounts withheld on reinsurance	1,045,802,502	1,019,925,074
Amounts due to reinsurers	1,005,714,067	911,786,560
Total due to reinsurers	<u>2,051,516,569</u>	<u>1,931,711,634</u>

## 19. Employee benefit obligations

Changes in employee benefit obligations, which were compensations on employee retirement, for the years ended 31 December 2017 and 2016 were as follows:

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2017	2016
Employee benefit obligations at beginning of the years	318,970,794	295,277,965
Included in profit or loss:		
Current service costs	28,564,608	31,229,312
Interest costs	12,758,832	11,811,119
Included in other comprehensive income or loss:		
Actuarial (gains) losses arising from:		
- Demographic assumptions changes	5,472,052	2,886,125
- Experience adjustments	(1,235,799)	(7,128,455)
Benefits paid during the years	(13,327,824)	(15,105,272)
Employee benefit obligations at end of the years	<u>351,202,663</u>	<u>318,970,794</u>

As at 31 December 2017 and 2016, the Company expected to pay Baht 11.2 million and Baht 12.9 million, respectively, of long-term employee benefits over the next 1-year period.

As at 31 December 2017 and 2016, the weighted average durations of the liabilities on long-term employee benefits were 11.4 years and 11.7 years, respectively.

The key assumptions used for actuarial calculation on the valuation dates were summarised below:

	Financial statements in which the equity method is applied and Separate financial statements	
	31 December	
	2017	2016
	(%)	(%)
Discount rates	4.0	4.0
Future salary incremental rate	6.0	6.0
Employee turnover rates (depending on age)	1.6 - 24.0	1.2 - 25.0

The results of sensitivity analysis based on key assumptions were summarised below:

	Financial statements in which the equity method is applied and Separate financial statements			
	Increase (decrease) in employee benefit obligations as at 31 December 2017		Increase (decrease) in employee benefit obligations as at 31 December 2016	
	+ 1 %	- 1 %	+ 1 %	- 1 %
Discount rate	(45.8)	53.7	(32.4)	38.2
Future salary incremental rate	49.8	(43.3)	34.8	(30.2)
Employee turnover rate	(17.6)	19.5	(12.9)	14.3

## 20. Liabilities under finance lease agreements

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements	
	31 December	
	2017	2016
Liabilities under finance lease agreements	70,996,144	75,768,097
Less: Deferred interest expenses	(5,989,420)	(7,083,018)
Total	65,006,724	68,685,079
Less: Portion due within one year	(21,867,909)	(21,316,211)
Liabilities under finance lease agreements - net of current portion	43,138,815	47,368,868

As at 31 December 2017 and 2016, the Company entered into the finance lease agreements with leasing companies for rental of equipment and motor vehicles for use in its operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are on an average of 4 - 5 years.

As at 31 December 2017 and 2016, Future minimum lease payments required under the finance lease agreements were as follows:

	(Unit: Million Baht)		
	Financial statements in which the equity method is applied and Separate financial statements		
	31 December 2017		
	within 1 year	1 - 5 years	Total
Future minimum lease payments	24,814,935	46,181,209	70,996,144
Deferred interest expenses	(2,947,026)	(3,042,394)	(5,989,420)
Present value of future minimum lease payments	<u>21,867,909</u>	<u>43,138,815</u>	<u>65,006,724</u>

	(Unit: Million Baht)		
	Financial statements in which the equity method is applied and Separate financial statements		
	31 December 2016		
	within 1 year	1-5 years	Total
Future minimum lease payments	24,556,110	51,211,987	75,768,097
Deferred interest expenses	(3,239,899)	(3,843,119)	(7,083,018)
Present value of future minimum lease payments	<u>21,316,211</u>	<u>47,368,868</u>	<u>68,685,079</u>

## 21. Share capital

As at 31 December 2017 and 2016, the Company's registered, issue and paid-up share capital consisted of 106,470,000 ordinary shares with a par value of Baht 10 each.

## 22. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve at least 5% of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered capital. The statutory reserve is not available for dividend distribution.

## 23. Segment information/major customers

### 23.1 Segment information reporting

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the Chief Operating Decision Maker in order to make decisions about the allocation of resources to the segment and assess its performance. The Chief Operating Decision Maker has been identified as Chairman.

For management purposes, the Company is organised into business units based on its products, which consisted of Fire, Marine and transportation, Motor, and Miscellaneous.

The Chief Operating Decision Maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss, total assets and total liabilities and on a basis consistent with that used to measure operating profit or loss, total assets and total liabilities in the financial statements.

(Unit: Baht)

	Financial statements in which equity method is applied				Total
	For the year ended 31 December 2017				
	Fire	Marine and transportation	Motor	Miscellaneous	
<b>Underwriting revenues</b>					
Gross premium written	1,553,267,752	427,815,934	6,101,855,585	7,857,967,309	15,940,906,580
Less: Premium ceded to reinsurers	(474,984,893)	(224,070,768)	(175,098,813)	(4,108,222,080)	(4,982,376,554)
Net premium written	1,078,282,859	203,745,166	5,926,756,772	3,749,745,229	10,958,530,026
Add (less): Unearned premium reserves (increased) decreased from prior year	14,895,406	(3,380,303)	256,797,511	(185,526,657)	82,785,957
Earned premium	1,093,178,265	200,364,863	6,183,554,283	3,564,218,572	11,041,315,983
Commission and brokerage fee income	219,126,485	78,421,101	45,531,267	720,619,312	1,063,698,165
<b>Total underwriting income</b>	<b>1,312,304,750</b>	<b>278,785,964</b>	<b>6,229,085,550</b>	<b>4,284,837,884</b>	<b>12,105,014,148</b>
<b>Underwriting expenses</b>					
Net claims	161,464,740	30,615,865	3,975,314,148	1,530,476,472	5,697,871,225
Commission and brokerage expenses	355,952,450	45,514,354	887,104,425	811,644,697	2,100,215,926
Other underwriting expenses	250,115,184	62,977,070	760,391,374	846,850,156	1,920,333,784
<b>Total underwriting expenses</b>	<b>767,532,374</b>	<b>139,107,289</b>	<b>5,622,809,947</b>	<b>3,188,971,325</b>	<b>9,718,420,935</b>
<b>Profit from underwriting</b>	<b>544,772,376</b>	<b>139,678,675</b>	<b>606,275,603</b>	<b>1,095,866,559</b>	<b>2,386,593,213</b>
Shares of profits from investments in associates					12,017,730
Investment revenue					1,139,395,395
Gains on investments					124,136,764
Other income					180,074,950
Operating expenses					(986,582,063)
Investment expenses					(89,715,156)
Finance costs					(3,618,163)
<b>Profit before income tax expenses</b>					<b>2,762,302,670</b>
Less: Income tax expenses					(359,205,203)
<b>Profit for the year</b>					<b>2,403,097,467</b>

(Unit: Baht)

Financial statements in which equity method is applied					
For the year ended 31 December 2016					
	Fire	Marine and transportation	Motor	Miscellaneous	Total
<b>Underwriting revenues</b>					
Gross premium written	1,604,619,589	379,618,051	6,607,604,820	7,439,481,274	16,031,323,734
Less: Premium ceded to reinsurers	(526,348,902)	(184,498,505)	(206,944,073)	(4,017,709,651)	(4,935,501,131)
Net premium written	1,078,270,687	195,119,546	6,400,660,747	3,421,771,623	11,095,822,603
Add (less): Unearned premium reserves (increased) decreased from prior year	(9,961,912)	2,280,693	84,143,396	(110,702,774)	(34,240,597)
Earned premium	1,068,308,775	197,400,239	6,484,804,143	3,311,068,849	11,061,582,006
Commission and brokerage fee income	201,204,916	76,386,377	54,437,384	691,412,425	1,023,441,102
<b>Total underwriting income</b>	<b>1,269,513,691</b>	<b>273,786,616</b>	<b>6,539,241,527</b>	<b>4,002,481,274</b>	<b>12,085,023,108</b>
<b>Underwriting expenses</b>					
Net claims	60,564,260	33,221,771	4,137,772,552	1,331,740,913	5,563,299,496
Commission and brokerage expenses	400,695,494	43,311,864	964,753,243	753,235,495	2,161,996,096
Other underwriting expenses	260,114,702	70,090,437	678,678,301	797,667,536	1,806,550,976
<b>Total underwriting expenses</b>	<b>721,374,456</b>	<b>146,624,072</b>	<b>5,781,204,096</b>	<b>2,882,643,944</b>	<b>9,531,846,568</b>
<b>Profit from underwriting</b>	<b>548,139,235</b>	<b>127,162,544</b>	<b>758,037,431</b>	<b>1,119,837,330</b>	<b>2,553,176,540</b>
Shares of profits from investments in associates					8,718,783
Investment revenue					1,125,896,120
Gains on investments					69,833,861
Other income					168,304,485
Operating expenses					(1,012,931,583)
Investment expenses					(87,335,936)
Finance costs					(3,767,782)
<b>Profit before income tax expenses</b>					<b>2,821,894,488</b>
Less: Income tax expenses					(396,106,829)
<b>Profit for the year</b>					<b>2,425,787,659</b>



The following table presented the Company's operating segment assets and liabilities as at 31 December 2017 and 2016.

(Unit: Baht)

	Financial statements in which the equity method is applied						
	Fire	Marine and transportation	Motor	Miscellaneous	Total segments	Unallocated	Total
<b>Assets</b>							
As at 31 December 2017	<u>644,824,302</u>	<u>245,621,730</u>	<u>759,939,181</u>	<u>6,330,752,962</u>	<u>7,981,138,175</u>	<u>52,121,642,186</u>	<u>60,102,780,361</u>
As at 31 December 2016	<u>718,720,658</u>	<u>218,168,993</u>	<u>933,041,189</u>	<u>5,406,723,083</u>	<u>7,276,653,923</u>	<u>50,055,949,195</u>	<u>57,332,603,118</u>
<b>Liabilities</b>							
As at 31 December 2017	<u>3,349,900,257</u>	<u>354,963,279</u>	<u>5,024,733,940</u>	<u>8,819,112,529</u>	<u>17,548,710,005</u>	<u>7,498,628,411</u>	<u>24,957,338,416</u>
As at 31 December 2016	<u>3,441,907,531</u>	<u>339,951,702</u>	<u>5,574,198,189</u>	<u>7,578,961,298</u>	<u>16,935,018,720</u>	<u>7,143,855,522</u>	<u>24,078,874,242</u>

## 23.2 Geographic information

The Company operates in Thailand only. As a result, all of the revenues and assets as reflected in these financial statements pertain exclusively to this geographical reportable segment.

## 23.3 Major customers

In 2017 and 2016, the Company had no major customer contributing revenue of 10 percent or more of the Company's total revenues.

## 24. Operating expenses

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2017	2016
Personnel expenses	429,829,528	412,905,262
Premises and equipment expenses	370,627,270	384,468,094
Taxes and duties	1,940,409	711,490
Bad debts and doubtful accounts (reversal)	(129,316,020)	(2,084,330)
Other operating expenses	<u>313,500,876</u>	<u>216,931,067</u>
Total operating expenses	<u>986,582,063</u>	<u>1,012,931,583</u>

## 25. Expenses by nature

	(Unit: Baht)	
	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2017	2016
Net claims	5,314,786,349	5,192,863,459
Commissions and brokerage expenses	2,100,215,926	2,161,996,096
Other underwriting expenses	535,187,194	502,555,158
Personnel expenses	1,151,241,211	1,081,018,771
Premises and equipment expenses	781,692,658	782,830,823
Other operating expenses	910,620,834	909,403,311
Investment expenses	973,982	1,446,469
Finance costs	3,618,163	3,767,782
Total	<u>10,798,336,317</u>	<u>10,635,881,869</u>

## 26. Provident fund

The Company and its employees jointly established a provident fund under the Provident Fund Act B.E. 2530. The fund is contributed to by both the employees and the Company on a monthly basis, at rates ranging from 5% to 10% of the employees' basic salaries, based on the length of employment. The fund is managed by a fund manager which has been approved by the Ministry of Finance. During the years ended 31 December 2017 and 2016, the Company recognised the contributed Baht 56.9 million and Bath 54.6 million, respectively, to the fund.

## 27. Earnings per share

Basic earnings per share is calculated by dividing profits for the years (excluding other comprehensive income or loss) by the weighted average number of ordinary shares in issue during the years.

## 28. Dividends paid

Dividends declared during the years ended 31 December 2017 and 2016 were as follow:

	Approved by	Total dividend (Million Baht)	Dividend per share (Baht)
The third interim dividend for 2017	Meeting No. 4/17 of Board of Directors on 10 November 2017	319.4	3.00
The second interim dividend for 2017	Meeting No. 3/17 of Board of Directors on 11 August 2017	319.4	3.00
The first interim dividend for 2017	Meeting No. 2/17 of Board of Directors on 12 May 2017	319.4	3.00
Final dividend for 2016	Annual General Meeting No. 24 of the Shareholders on 28 April 2017	532.3	5.00
Total dividends for the period 2017		<u>1,490.5</u>	<u>14.00</u>
	Approved by	Total dividend (Million Baht)	Dividend per share (Baht)
The third interim dividend for 2016	Meeting No. 4/16 of Board of Directors on 11 November 2016	319.4	3.00
The second interim dividend for 2016	Meeting No. 3/16 of Board of Directors on 15 August 2016	319.4	3.00
The first interim dividend for 2016	Meeting No. 2/16 of Board of Directors on 13 May 2016	319.4	3.00
Final dividend for 2015	Annual General Meeting No. 23 of the Shareholders on 22 April 2016	399.3	3.75
Total dividend for the year 2016		<u>1,357.5</u>	<u>12.75</u>

## 29. Related party transactions

### 29.1 Nature of relationship

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

The relationship between the Company and its related parties are summarised below:

Name of related parties	Type of business	Relationship with the Company
Asia Insurance (Cambodia) Plc.	Non-life insurance	Associate
Asian Insurance International (Holding) Limited	Holding company	Associate
Bangkok Insurance (Lao) Co., Ltd.	Non-life insurance	Associate
Bangkok Bank Pcl.	Banking	Related by way of having common directors and shareholding
Bangkok Aviation Fuel Services Pcl.	Energy and Utilities	Related by way of having common directors and shareholding
Asia Plus Group Holdings Pcl.	Securities	Related by way of having common directors and shareholding
Fuel Pipeline Transportation Co., Ltd.	Energy and Utilities	Related by way of having common directors and shareholding
Thai Indo Kordsa Co., Ltd.	Manufacture of Textiles	Related by way of having common directors and shareholding
Asia Insurance (Investments) Limited	Holding company	Related by way of having common directors and shareholding
Bangkok Life Assurance Pcl.	Life insurance	Related by way of having common directors and shareholding
Thai Orix Leasing Co., Ltd.	Finance	Related by way of having common directors and shareholding
Thai Reinsurance Pcl. <sup>(2)</sup>	Insurance	Related by way of shareholding
Thaire Life Assurance Pcl. <sup>(1)</sup>	Life insurance	Related by way of shareholding
AIOI Bangkok Insurance Pcl.	Non-life insurance	Related by way of shareholding
Charoong Thai Wire and Cable Pcl. <sup>(2)</sup>	Electrical products	Related by way of shareholding
Furukawa Metal (Thailand) Pcl. <sup>(2)</sup>	Electrical products	Related by way of shareholding
Bumrungrad Hospital Pcl.	Health care services	Related by way of shareholding
Bangkok Glass Co., Ltd. <sup>(2)</sup>	Packaging	Related by way of shareholding
Sorachai Vivatn Co., Ltd.	Property development	Related by way of shareholding
EMCS Thai Co., Ltd. <sup>(3)</sup>	Professional services	Related by way of shareholding
Bangpa-in golf Co., Ltd. <sup>(2)</sup>	Entertainment and Leisure	Related by way of shareholding
Thai Metal Processing Co., Ltd. <sup>(2)</sup>	Electronic parts	Related by way of shareholding
Asia Sermkij Co., Ltd. <sup>(2)</sup>	Finance	Related by way of shareholding
Bualuang Securities Pcl.	Securities	Subsidiary of the major shareholder of the Company

<sup>(1)</sup> This entity had been considered a related party until 10 March 2016, which was the date they started to have percentage of cross-shareholding of less than 10% of the issued and paid-up share capital.

<sup>(2)</sup> This entity had been considered a related party until 16 June 2017, which was the date when there was no more common director and percentage of cross-shareholding was also less than 10% of the issued and paid-up share capital.

<sup>(3)</sup> This company had been ceased to be the Company's related party since 7 August 2017, the date on which the Company sold all its entire investment in such company.

## 29.2 Significant related party transactions

During the years ended 31 December 2017 and 2016, the Company had significant business transactions with its related parties. Such transactions, which have been concluded on commercial terms and bases agreed upon in the ordinary course business between the Company and those parties are as follows:

(Unit: Thousand Baht)

	For the years ended		Pricing policy
	31 December		
	2017	2016	
<b>Revenues</b>			
Premium written	498,816	485,297	Normal commercial terms for underwriting
Fee and commission income	106,160	163,239	Normal commercial terms for reinsurance depending on type of insurance and reinsurance contract
Interest income <sup>(1)</sup>	88,435	108,778	Similar rates as financial institutions and related companies offer to their general customers
Dividend income <sup>(1)</sup>	609,242 <sup>(4)</sup>	589,189	The declared amount
Rental income <sup>(2)</sup>	1,685	2,007	Same rates the Company offered to its general customers
<b>Expenses</b>			
Premium ceded to reinsurers	356,970	528,490	Normal commercial terms for reinsurance depending on types of insurance and reinsurance contracts
Net claims (reversal)	(189,907)	(227,518)	As actually incurred
Commissions and brokerages	34,362	38,399	Normal commercial terms for underwriting
Management fee for private fund <sup>(3)</sup>	282	312	Similar rates the related party offered to its general customers
Fee for trading securities <sup>(3)</sup>	565	315	Similar rates which the related party offered to general customers

<sup>(1)</sup> Presented in "Net investment revenue" in statements of comprehensive income

<sup>(2)</sup> Presented in "Other income" in statements of comprehensive income

<sup>(3)</sup> Presented in "Operating expenses" in statements of comprehensive income

<sup>(4)</sup> Included dividend income from associates as already disclosed in Note 12.2 to the financial statements

### 29.3 Outstanding balances

As at 31 December 2017 and 2016, the Company had the following significant balances with its related companies.

	(Unit: Thousand Baht)	
	31 December	
	2017	2016
<b>Transactions with associates</b>		
General investments - equity securities	80,541	72,978
<b>Transactions with related companies</b>		
Deposits at financial institutions	5,301,523	6,038,766
Premium receivables	21,129	32,920
Accrued interest receivables - debentures (including in accrued investment income)	151	151
Reinsurance assets		
Amounts deposited on reinsurance	5,622	5,116
Amounts due from reinsurers	14,259	9,953
Available-for-sale investments		
Equity securities	30,166,833	29,645,183
Debentures	102,990	104,936
General investments - equity securities	471,658	692,474
Loans	-	258,978
Other assets		
Deposits and golf club membership fees	37,565	37,919
Due to reinsurers		
Amounts withheld on reinsurance	106,248	114,884
Amounts due to reinsurers	32,128	38,556
Insurance contract liabilities		
Loss reserves	-	7
Other Liabilities		
Liabilities under finance lease agreements	486	920
Accounts payable on purchases of securities	1,672	209

## 29.4 Directors' and key management's benefits

During the years ended 31 December 2017 and 2016, the Company had employee benefit expenses incurred on their directors and key management as below.

(Unit: Million Baht)

	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2017	2016
Short-term benefits	93.5	89.0
Post-employment benefits	(0.4)	6.5
<b>Total</b>	<b>93.1</b>	<b>95.5</b>

## 30. Assets subject to restriction and commitment

As at 31 December 2017 and 2016, the Company had the following assets placed with the Registrar as securities and insurance reserves in accordance with the Non-life Insurance Act and as placed with the bank as collateral.

(Unit: Million Baht)

	Financial statements in which the equity method is applied and Separate financial statements			
	31 December			
	2017		2016	
	Cost	Fair value	Cost	Fair value
<b>Placed as securities</b>				
Government bonds	14.0	14.1	14.0	14.6
<b>Placed as insurance reserves</b>				
Ordinary shares	35.2	169.8	35.2	152.6
Government bonds	766.0	778.6	856.0	863.0
Debentures	250.0	259.3	150.0	156.1
	<b>1,051.2</b>	<b>1,207.7</b>	<b>1,041.2</b>	<b>1,171.7</b>
<b>Placed to secure bank overdraft facilities</b>				
Deposited at financial institutions	30.0	30.0	30.0	30.0
<b>Placed to secure performance bonds</b>				
Government and state enterprise bonds	49.3	50.6	204.1	204.1
<b>Placed to secure bank guarantees</b>				
Deposited at financial institutions	20.0	20.0	20.0	20.0

## 31. Contribution to the General Insurance Fund

(Unit: Baht)

	Financial statements in which the equity method is applied and Separate financial statements	
	For the years ended 31 December	
	2017	2016
Accumulated contribution at the beginning of the years	236,600,804	197,902,328
Contribution during the years	38,416,274	38,698,476
Accumulated contribution at the end of the years	275,017,078	236,600,804

## 32. Commitments and contingent liabilities

### 32.1 Operating lease commitments

The Company entered into several lease agreements in respect of the lease of land and office building space. The terms of the agreements are 33 years for land and more than 3 years for office building space.

As at 31 December 2017 and 2016, future minimum lease payments required under those non-cancellable operating lease contracts were as follows.

(Unit: Million Baht)

Payable	31 December	
	2017	2016
Within 1 year	24	25
Over 1 year and not over 5 years	102	98
Over 5 years	118	145

### 32.2 Capital Commitments

As at 31 December 2017 and 2016, there were outstanding capital commitments contracted for decoration, construction building, and computer software development amounting to Baht 12.7 million and Baht 42.2 million, respectively.



### 32.3 Litigation

As at 31 December 2017 and 2016, the Company had litigation claims totaling approximately Baht 2,351.0 million and Baht 2,146.9 million, respectively, as an insurer. The outcomes of the cases have not yet been finalised whereby the maximum responsibility of such claims limits at the lower of the sum insured or the sum sued totaling Baht 1,317.9 million and Baht 1,482.8 million, respectively. However, the Company has considered and estimated for losses that may arise from those cases amounting to approximately Baht 428.2 million and Baht 429.4 million, respectively, which were already recognised in “Insurance contract liabilities” in the statements of financial position as at those dates.

## 33. Risks of non-life insurance company

### 33.1 Insurance risk

The Company gives a high priority to insurance risk since accepting insurance is the Company’s core business. Therefore, the Company set a policy to underwrite insurance prudently and in line with the real insurance risk, a policy to manage claim promptly and on a fairness basis, and a policy to have insurance ceded in line with other types of risk such as credit risk, taking into accounts creditability of reinsurer, which shall have credit rating not less than the Company’s determined policy and concentration risk, taking into accounts the proportion of product mix and the reinsurance concentration not to be exceeding the settling limit.

Concentration of insurance contracts liabilities segregated by insurance type were shown below.

(Unit: Baht)

	31 December 2017					
	Gross premium reserves	Outward premium reserves	Net	Gross loss reserves	Outward loss reserves	Net
Fire	786,521,576	(230,378,743)	556,142,833	622,579,970	(262,133,657)	360,446,313
Marine and transportation	124,385,709	(62,556,704)	61,829,005	173,570,932	(107,211,603)	66,359,329
Motor	3,135,290,603	(85,901,871)	3,049,388,732	1,847,925,961	(40,847,938)	1,807,078,023
Miscellaneous	3,293,963,255	(1,769,591,843)	1,524,371,412	3,778,105,597	(2,928,773,566)	849,332,031
Total	<u>7,340,161,143</u>	<u>(2,148,429,161)</u>	<u>5,191,731,982</u>	<u>6,422,182,460</u>	<u>(3,338,966,764)</u>	<u>3,083,215,696</u>

(Unit: Baht)

31 December 2016

	Outward		Net	Gross loss reserves	Outward loss reserves	Net
	Gross premium reserves	premium reserves				
Fire	842,299,462	(271,261,223)	571,038,239	739,575,680	(268,334,534)	471,241,146
Marine and transportation	111,887,306	(53,438,604)	58,448,702	182,154,884	(101,081,445)	81,073,439
Motor	3,408,340,573	(102,154,330)	3,306,186,243	2,102,714,426	(50,481,579)	2,052,232,847
Miscellaneous	3,036,613,340	(1,697,768,585)	1,338,844,755	3,057,085,847	(2,341,824,126)	715,261,721
Total	7,399,140,681	(2,124,622,742)	5,274,517,939	6,081,530,837	(2,761,721,684)	3,319,809,153

Sensitivity analysis is performed to analyse the risk that insurance liabilities will increase or decrease as a result of changes in the assumptions used in calculating for both gross and net loss reserves, profit before income taxes, and owner's equity. The risk may occur because the frequency and severity of damage, or loss adjustment expenses may not be as expected.

(Unit: Million Baht)

31 December 2017

Assumption change	Increase (decrease) in provision for gross claim liabilities	Increase (decrease) in provision for net claim liabilities	Increase (decrease) in profit before taxes	Increase (decrease) in owner's equity
Average claim expenses -10 %	(845.4)	(572.4)	572.4	457.9
Average number of claim +10 %	845.4	572.4	(572.4)	(457.9)
Average number of claim -10 %	(845.4)	(572.4)	572.4	457.9

(Unit: Million Baht)

31 December 2016

Assumption change	Increase (decrease) in provision for gross claim liabilities	Increase (decrease) in provision for net claim liabilities	Increase (decrease) in profit before taxes	Increase (decrease) in owner's equity
Average claim expenses -10 %	(715.7)	(541.5)	541.5	433.2
Average number of claim +10 %	715.7	541.5	(541.5)	(433.2)
Average number of claim -10 %	(715.7)	(541.5)	541.5	433.2

## 33.2 Risk management

### (a) Credit risk

Concentrations of the credit risk with respect to premium receivables and amounts due from reinsurance are considered low due to the large number of customers comprising the customer base and their dispersion across different industries and geographic regions in Thailand.

The Company has considered the financial status and credit rating of all reinsurance companies and purchased reinsurance policies from many trustworthy companies that are capable of reinsurance, which helps distribute the risk. In addition, it has cautiously scrutinized the reinsurance conditions through its department that is well versed in the reinsurance business, including having its legal department consider legal issues, in order to minimize such risk and also possesses an efficient process of closely following up its outstanding premiums from the insured, agent and broker, apart from requiring the agent and broker to submit collateral within the specified credit limit allowed by the Company.

Concentrations of the credit risk with respect to secured loans are considered low due to the large number of customers comprising the customer base and their dispersion across different industries and geographic regions in Thailand. In addition the values of the securities placed as collateral are adequate for the Company to receive complete payment of debt and the ratio of loans to collateral values is in accordance with the notification of the OIC. The Company will consider its debtors' financial status and ability to pay debt based on a sound credit analysis standard. Meanwhile, loan to value will be determined so that it is not beyond the legal limit, apart from following up a cash flow in which a payment is made in each month, and debtors' consistency of debt payment.

The maximum exposure to credit risk is limited to the book value of assets after deduction of allowance for doubtful accounts as stated in the statements of financial position.

### (b) Interest rate risk

The Company's exposure to interest rate risk relates primarily to its deposits at financial institutions, investments in securities and loans.

The Company's exposure to interest rate risk relates to loans is low because most of loans bear floating interest rate. Whenever market rate is significantly higher than the rate in loans' agreement, the Company can adjust the interest without deniable by borrower according to the defined criteria in loan agreement between the Company and borrower for loans which bear fixed interest rate.

The Company has closely followed up the determination of the policy interest rates of the Bank of Thailand, direction of a change in the United States' Federal Reserve's interest rates, and return rates in the debt securities market in order to define the investment duration in accordance with the fluctuation of interest rates. In addition, the Company also has a policy of occupying debt instruments until they are due so as to minimize the risks incurred by instrument price volatility, apart from managing its bank deposits so that they have due amounts every month and in an approximate amount, which helps reduce a reinvestment risk.

As at 31 December 2017 and 2016, significant assets and liabilities classified by type of interest rate were summarised in the table below;

(Unit: Baht)

	31 December 2017						
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Effective interest rate
	Maturity date or repricing date						
	Within 1 year	1-5 years	Over 5 years				(% per annum)
<b>Financial assets</b>							
Cash and cash equivalents	270,000,000	-	-	127,004,620	2,579,000	399,583,620	0.38 - 1.35
Investments in securities							
Government and state enterprise securities	899,427,207	865,915,565	199,537,280	-	-	1,964,880,052	1.34 - 4.50
Private enterprise debt securities	365,665,888	972,252,441	-	-	-	1,337,918,329	2.21 - 4.71
Equity securities	-	-	-	-	36,465,250,254	36,465,250,254	-
Deposits at financial institutions	8,051,575,864	-	-	-	-	8,051,575,864	1.25 - 2.00
Loans	-	-	53,891,402	1,305,416,770	-	1,359,308,172	4.00 - 7.00
<b>Assets under insurance contracts</b>							
Premium receivables	-	-	-	-	2,401,046,091	2,401,046,091	-
Reinsurance assets - loss reserves	-	-	-	-	3,338,966,764	3,338,966,764	-
Reinsurance receivables	-	-	-	-	239,202,038	239,202,038	-
<b>Liabilities under insurance contracts</b>							
Insurance contract liabilities - loss reserves	-	-	-	-	6,422,182,460	6,422,182,460	-
Due to reinsurers	-	-	-	-	2,051,516,569	2,051,516,569	-

(Unit: Baht)

31 December 2016

	Fixed interest rates						
	Maturity date or repricing date			Floating interest rate	Non-interest bearing	Total	Effective interest rate (% per annum)
	Within 1 year	1-5 years	Over 5 years				
<b>Financial assets</b>							
Cash and cash equivalents	260,000,000	-	-	149,633,206	2,851,115	412,484,321	0.05 - 1.00
Investments in securities							
Government and state enterprise securities	1,376,319,914	334,067,230	191,136,080	-	-	1,901,523,224	1.49 - 4.50
Private enterprise debt securities	149,310,252	914,561,835	51,940,755	-	-	1,115,812,842	2.52 - 4.71
Equity securities	-	-	-	-	34,808,865,250	34,808,865,250	-
Deposits at financial institutions	7,830,655,955	-	-	-	-	7,830,655,955	1.25 - 2.00
Loans	-	-	39,828,126	1,387,543,484	-	1,427,371,610	4.00 - 7.00
<b>Assets under insurance contracts</b>							
Premium receivables	-	-	-	-	2,301,967,498	2,301,967,498	-
Reinsurance assets - loss reserves	-	-	-	-	2,761,721,684	2,761,721,684	-
Reinsurance receivables	-	-	-	-	131,230,580	131,230,580	-
<b>Liabilities under insurance contracts</b>							
Insurance contract liabilities - loss reserves	-	-	-	-	6,081,530,837	6,081,530,837	-
Due to reinsurers	-	-	-	-	1,931,711,634	1,931,711,634	-

## (c) Foreign currency risk

The Company's exposure to foreign currency risk arises mainly from foreign currency denominated underwriting, reinsurance with foreign reinsurers and investments in foreign associates that are denominated in foreign currencies. The Company does not utilise forward foreign currency contracts to mitigate its exposure to foreign currency risk.

The Company may use financial instruments to prevent exchange rate risks, for instance, Cross Currency and Interest Rate Swap, Interest Rate Swap, and Foreign Exchange Forward, in order to minimize the risks in accordance with the market situation and in line with the regulator's requirements. Furthermore, the Company has also developed its information technology system so as to be used to evaluate the level of investment risk through various assessment methods and models, for example, Value at Risk, Sensitivity Analysis, and Stress Test to ensure that the Company still has financial standing flexible enough to counter the damage which may occur.

As at 31 December 2017 and 2016, the balances of assets and liabilities denominated in foreign currencies were summarised below.

Foreign currency	Assets		Liabilities		Average exchange rate	
	as at 31 December		as at 31 December		as at 31 December	
	2017	2016	2017	2016	2017	2016
	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Baht per 1 foreign currency unit)	
US dollar	416.4	331.5	382.6	324.6	32.641	35.784
HK dollar	6.4	14.7	-	-	4.174	4.613
Indonesian rupiahs	1.8	1.9	-	-	0.002	0.003
English euro	0.6	-	1.5	1.2	38.975	37.707
Japanese yen	0.2	0.2	-	-	0.289	0.307

(d) Equity position risk

Equity position risk is the risk that change in the market prices of equity securities will result in fluctuations in revenues and in the value of financial assets.

The Company will choose to invest in equity securities of which the issuers possess robust financial status and an ability to make a profit, with steady growth potential, as well as in the business deriving the benefits of the government policy. Additionally, the Company will mostly occupy equity instruments for its long-term investments, which will be able to reduce price volatility of equity instruments.

As at 31 December 2017 and 2016, the Company had risk from its investments in equity securities of which the price would change with reference to market conditions.

(e) Liquidity risk

Liquidity risk is the risk that the Company will be unable to liquidate its financial assets and/or procure sufficient funds to discharge its obligations in a timely manner, resulting in the occurrence of a financial loss.

The Company has allocated a portion of investment as a bank deposit with high liquidity, which is reserved for operating expenses, while the deposit is defined to be due in each period, in conformity with a demand for spending in accordance with a plan for the cash flow management, financial reception and payment based on an obligation established. As to the other portion, the Company has allotted investment in stocks required by the market, with high liquidity and an ability to be realized as cash conveniently, as well as at the value approximate to the fair value.

Counting from the financial position date, the periods to maturity of assets and liabilities held as at 31 December 2017 and 2016 were as follows:

(Unit: Baht)

	31 December 2017					
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	Total
<b>Financial assets</b>						
Cash and cash equivalents	129,583,620	270,000,000	-	-	-	399,583,620
Investments in securities	-	9,316,668,959	1,838,168,006	199,537,280	36,465,250,254	47,819,624,499
Loans	-	830,280,484	171,857,749	357,169,939	-	1,359,308,172
<b>Assets under insurance contracts</b>						
Premium receivables	-	2,401,046,091	-	-	-	2,401,046,091
Reinsurance assets - loss reserves	-	1,994,813,696	1,344,153,068	-	-	3,338,966,764
Reinsurance receivables	-	239,202,038	-	-	-	239,202,038
<b>Liabilities under insurance contracts</b>						
Insurance contract liabilities - loss reserves	-	3,836,832,899	2,585,349,561	-	-	6,422,182,460
Due to reinsurers	-	2,051,516,569	-	-	-	2,051,516,569

(Unit: Baht)

	31 December 2016					
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	Total
<b>Financial assets</b>						
Cash and cash equivalents	152,484,321	260,000,000	-	-	-	412,484,321
Investments in securities	-	9,356,286,121	1,248,629,065	243,076,835	34,808,865,250	45,656,857,271
Loans	-	641,043,913	324,494,795	461,832,902	-	1,427,371,610
<b>Assets under insurance contracts</b>						
Premium receivables	-	2,301,967,498	-	-	-	2,301,967,498
Reinsurance assets - loss reserves	-	1,157,589,351	838,728,063	765,404,270	-	2,761,721,684
Reinsurance receivables	-	131,230,580	-	-	-	131,230,580
<b>Liabilities under insurance contracts</b>						
Insurance contract liabilities - loss reserves	-	3,548,527,962	2,533,002,875	-	-	6,081,530,837
Due to reinsurers	-	1,931,711,634	-	-	-	1,931,711,634

### 33.3 Fair value of financial assets

As of 31 December 2017 and 2016, the Company had the following financial assets that were measured at fair value or cost but fair value are disclosed by using different levels of inputs as follows:

(Unit: Baht)

	31 December 2017				
	Carrying	Fair Value			
	Value	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>					
Investments in securities					
Government and state					
enterprise securities	1,964,880,052	-	1,964,880,052	-	1,964,880,052
Private enterprise debt					
securities	1,337,918,329	-	1,337,918,329	-	1,337,918,329
Equity securities	35,755,329,572	34,857,099,364	898,230,208	-	35,755,329,572
<b>Financial asset for which fair value are disclosed</b>					
Cash and cash equivalent	399,583,620	399,583,620	-	-	399,583,620
Investment in securities					
Held-to-maturity investments	8,051,575,864	8,051,575,864	-	-	8,051,575,864
Other investments - net	709,920,682	-	-	2,346,704,102	2,346,704,102
Loans	1,359,308,172	-	-	1,313,079,868	1,313,079,868
Investment properties - net	169,666,034	-	-	205,998,916	205,998,916

(Unit: Baht)

	31 December 2016				
	Carrying	Fair Value			
	Value	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>					
Investments in securities					
Government and state					
enterprise securities	1,901,523,224	-	1,901,523,224	-	1,901,523,224
Private enterprise debt					
securities	1,115,812,842	-	1,115,812,842	-	1,115,812,842
Equity securities	34,121,692,568	33,227,491,473	894,201,095	-	34,121,692,568
<b>Financial asset for which fair value are disclosed</b>					
Cash and cash equivalent	412,484,321	412,484,321	-	-	412,484,321
Investment in securities					
Held-to-maturity investments	7,830,655,955	7,830,655,955	-	-	7,830,655,955
Other investments - net	687,172,682	-	-	2,341,789,968	2,341,789,968
Loans	1,427,371,610	-	-	1,377,316,269	1,377,316,269
Investment properties - net	186,895,663	-	-	241,701,482	241,701,482



The fair value hierarchy of financial assets presents according to Note 4.19 to financial statements. During the years, there were no transfers within the fair value hierarchy.

The methods and assumptions used by the Company in estimating the fair value of financial instruments are as follows:

- (a) Financial assets which have short-term maturity, including cash and cash equivalents, are presented at fair value, which approximate their carrying values as stated in the statements of financial position.
- (b) Investments in equity securities are presented at fair value, which is derived from market price. In case of non-marketable equity securities, the fair value is determined using price per book value or discount cash flow techniques discounted by the Weighted Average Cost of Capital (WACC) appropriate to each security, except for investment units, which are not listed on the Stock Exchange of Thailand, their fair values are determined using the net asset value per unit announced by the fund managers.
- (c) Investments in debts securities are presented at market prices or determined using the yield curve as announced by the Thai Bond Market Association.
- (d) Long-term loans are presented at fair value, which is estimated by discounting expected future cash flow by the current market interest rate of the loans with similar terms and conditions.
- (e) Investment properties are presented at fair values, which are appraised by an independent valuer using the income approach. The key assumptions used in such appraisal are yield rate, inflation rate, long-term vacancy rate and long-term growth rate in rental fee.

#### **34. Capital management**

The primary objectives of the Company's capital management are to ensure that it preserves the ability to continue its business as a going concern and to maintain capital reserve in accordance with Notifications of the Office of Insurance Commission.

#### **35. Approval of interim financial statements**

These financial statements were authorised for issue by the Company's Executive Directors on 21 February 2018.