



ศรีอยุธยา แคปปิตอล  
SRI AYUDHYA CAPITAL

# ANNUAL REPORT 2017

Increasing Digital Capabilities





# CONTENTS

2	Message from the Chairman	93	Anti-Corruption
3	Message from the President & CEO	95	Internal Control and Risk Management
4	Financial Highlights	99	Related-Parties Transactions
5	Vision and Mission	100	Report of the Nomination & Remuneration Committee
6	Company Business	101	Report of the Audit Committee
8	General Information	103	Opinion on Related Transactions
10	Board of Directors	104	Report on the Board of Directors’ Responsibility towards the Financial Statements
27	Nature of Business	105	Report of the Independent Certified Public Accountants
32	Important Events	110	Financials
34	Risk Factors	110	Statements of Financial Position
38	Major Shareholders	112	Statements of Profit or Loss and Other Comprehensive Income
39	Shares Held by Members of the Board of Directors	114	Statements of Changes in Equity
40	Organizational Structure	116	Statements of Cash Flows
40	Management Structure	117	Notes to the Consolidated and Separate Financial Statements
52	Report on Good Corporate Governance Practices	170	Financial Statements
66	Sub-Committees	171	Analysis of Financial Ratio
83	Sustainable Business Development	172	Financial Records
84	Fair Business and Good Corporate Governance	173	Dividend Policy
84	Anti-corruption	174	Operating Results
85	Respecting Human Rights	183	SET Form 56-2 Information Guide in Annual Report 2017
85	Fair Labor Practices		
85	Responsibility Towards Consumers		
86	Community and Social Development		
92	Innovation and Promulgation of Innovation Derived from CSR Operations		

# MESSAGE FROM THE CHAIRMAN



## To Shareholders,

Although Sri Ayudhya Capital's performance was not exceptional in 2017, the performance does reflect the determination of executives and employees who are not discouraged by competitive environment for the non-life insurance industry which promises to be increasingly fierce. The Board of Directors is aware of the pressures and changes that have taken place within the industry, and expect these pressures to continue to increase as indicated by periodic signals in this business. Therefore, the strategy to lay a firm foundation for the Company as we move forward is of the utmost importance in order to achieve the success that stakeholders expect to see.

Throughout 2017, the Board was committed to seeking opportunities for business expansion via acquisition of other insurance companies in order to get accelerated growth which is never easy. But because of the Company's long-standing relationship with the Allianz Group in Germany in both non-life and life insurance sides, the Board of Directors therefore, took the opportunity to negotiate joining forces to become stronger in the non-life insurance business in Thailand. By doing so, we will be in the position to access business innovation that will allow us to offer new and faster services to benefit customers while increase marketing effectiveness with lower costs. The Company would be able to improve its position in the insurance industry, from the current position 19th place, consistent with the Company's potential after the merger.

In February 2017, the Board appointed a group of Directors with experience in this area to explore merger and acquisition with Allianz Group that took almost a year. On November 21, 2017, the project progressed to the point that the Board could sufficiently consider and approve the proposed acquisition. The Extraordinary General Meeting of Shareholders No. 1/2018 followed on January 19, 2018 for shareholders to consider the approval of the acquisition, as widely followed.

At the Extraordinary General Meeting of Shareholders No. 1/2018, 67% of shareholders and / or proxy holders who attended the meeting, and voted to support the acquisition plan proposed by the Board of Directors. However, the law governing the acquisition stipulated that the votes shall be supported by not less than three quarters or 75% of the shareholders attending the meeting and having the right to vote. As a result, the proposed acquisition was not successful. When analyzed, the major cause of the failure to pass the resolution was that the number of shareholders attending the Meeting was too low similar to the Ordinary Shareholders' Meeting where the passing vote required is a minimum of 50%. As it turned out, the difference of votes was positive for the

shareholders whose opinion did not agree with the business expansion plan of the Company to acquire Allianz Group's subsidiary. For the acquisition required additional investment in business innovations such as digital marketing, and that the proposed value of the Allianz Group's insurance subsidiary was too high. This may be due to some misunderstanding on the figures and Due Diligence.

As such, the Board of Directors must reconsider the future of the business, and once again contemplate, whether it should be amenable to the shareholders who opposed the acquisition, or ask for the opinion of additional majority of shareholders in favor of the acquisition, so as to obtain the right vision and opinion of our shareholders, who need to be more involved in deciding this important agenda for our future prosperity.

In this regard, the Board will take the time to get a more complete and informed opinion from the shareholders derived from having reviewed the details in all aspects; and the opinion shall be well-intentioned and without any prejudice for the good of the Company. For this reason, the Board of Directors arrived at the resolution to allocate profit by omitting dividend payment for the second half of year 2017, and instead, will offer to issue rights offering of warrants free of charge to shareholders. Both actions will strengthen support for the future of the Company.

The issuance of free warrants to the shareholders instead of paying dividend for the second half of the year is to reserve the Company's profits to provide for flexibility in the business strategy. At the same time it paves the way for the Company to increase capital to secure its future. Additionally, this is a way for the Company to prepare cautiously, given its limitations and inability to expand the business, while competing in the increasingly competitive industry. This will provide for the security and strength when faced with an external crisis or merciless competition.

On behalf of the Board of Directors, I would like to thank our shareholders, the management, staff, customers, business partners, and stakeholders. The Board of Directors extends our heartfelt appreciation for the encouragement, trust and confidence, and for your continuous support.

A handwritten signature in black ink, appearing to read 'Veraphan Teepsuwan'. The signature is stylized and cursive.

Veraphan Teepsuwan  
Chairman

# MESSAGE FROM THE PRESIDENT & CEO



## To Shareholders,

Last year, the Office of the National Economic and Social Development Board reported that Thailand's Gross Domestic Product (GDP) in 2017 grew 3.9 % versus 3.3% in 2016. However, for the insurance industry, the lead by the Office of Insurance Commission to digitize the industry has presented new challenges. Technological changes, behavioral changes of new generation insureds, and intensified competition resulted in insurance companies rushing to make changes to keep up with the competition.

Furthermore, the shift to digital economy not only brings about many new opportunities for the insurance industry, it also enables all aspects of services, management, product, and access to customers to be more effectively developed.

The report on the insurance business from the Insurance Premium Rating Bureau for 2017 showed all direct premiums at Baht 219,606.67 million, representing a growth rate of 3.52% from the year 2016. Direct premiums for the fire insurance was Baht 9,838.72 million, a decrease of 2.69% from the previous year, marine and transportation insurance was Baht 5,301.39 million, an increase of 2.53% from the previous year, miscellaneous insurance was Baht 76,956.41 million, an increase of 3.96% from the previous year and motor insurance premiums was Baht 127,510.14 million baht, an increase of 3.80% from the previous year.

Regarding the Company's operating results in 2017, the insurance operating unit showed that it was able to retain the market position in the 6th place for fire insurance, and marine and transportation insurance while motor insurance and miscellaneous insurance faced fierce competition. Allianz Ayudhya Assurance PCL achieved its target and delivered a profit contribution of Baht 331.7 million. At the same time, it paid a dividend on the Company's shareholding of Baht 374.3 million. In all, the Company produced a net profit of Baht 462.9 million, with earnings per share at Baht 1.85 with a return on equity of 6.28%.

As for the outlook for the next operating year, the Company will continue to maintain a conservative investment policy.

This policy goes for life and non-life insurance investments as well. The Company will continue to support Sri Ayudhya General Insurance PCL to operate with quality, efficiency, and stability, and keep our investment in Allianz Ayudhya Assurance PCL which has continued to perform successfully in recent years.

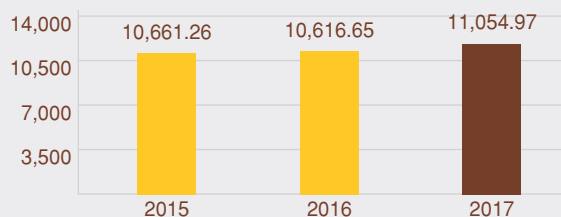
On this occasion, I would like to express my gratitude to the Board of Directors, the management, and all staff members for their dedication and hard work to achieve the Company's goals. I would like to thank our customers and business partners for their support throughout the year. Most importantly, I would like to thank the shareholders for your trust and confidence in our vision. We are committed to striving to be a solid and sustainable leader in the business, and we hope to gain your support always.

Arnon Opaspimoltum  
President & CEO

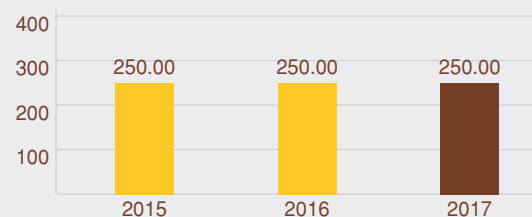
# FINANCIAL HIGHLIGHTS

(Unit : Million Baht)

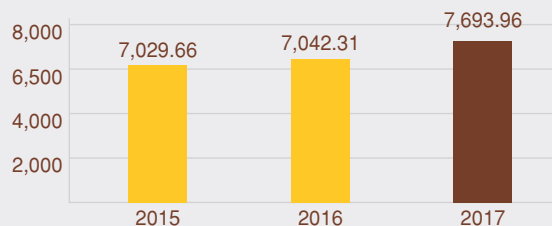
## TOTAL ASSETS



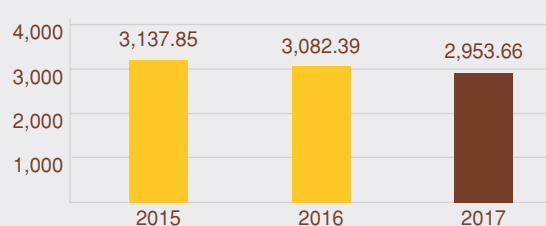
## ISSUE AND PAID-UP SHARE CAPITAL



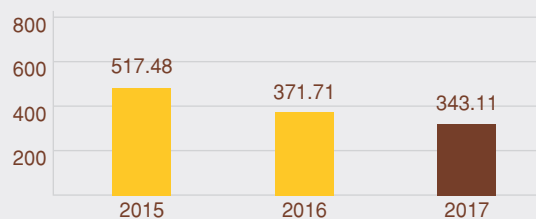
## TOTAL SHAREHOLDERS' EQUITY



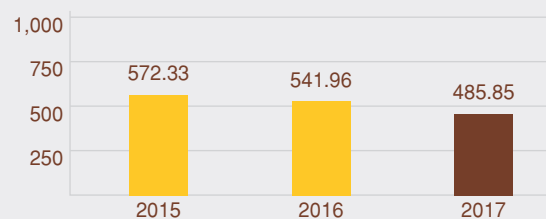
## GROSS PREMIUM WRITTEN



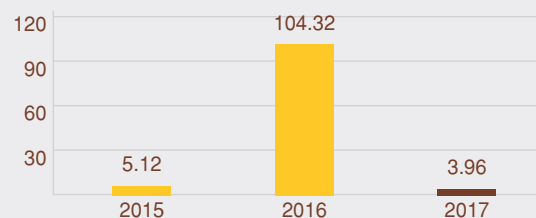
## UNDERWRITING PROFIT BEFORE OPERATING EXPENSES



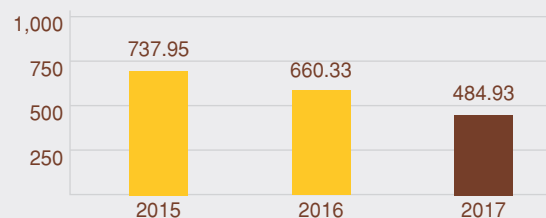
## PROFIT ON INVESTMENT



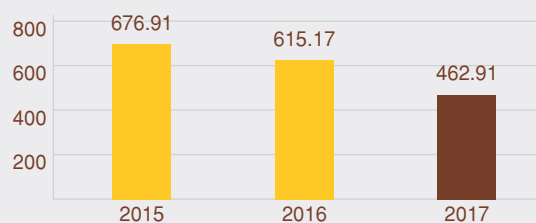
## OTHER INCOME



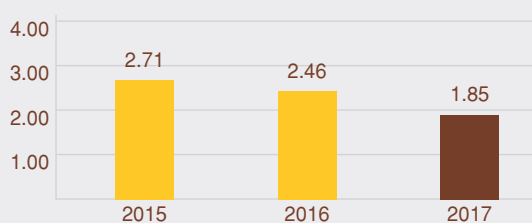
## PROFIT BEFORE INCOME TAX



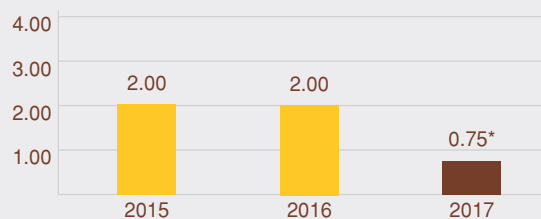
## NET PROFIT



## EARNINGS PER SHARE (BAHT)



## DIVIDEND PER SHARE (BAHT)



\* Interim dividend for the operating result from January 1, 2017 to June 30, 2017

# VISION AND MISSION



## OUR BUSINESS

We are an investment holding company that focuses on selecting and accumulating a portfolio of investments primarily in the insurance industry, both life and non-life, and others to create value-added returns for shareholders.



## VISION

To become one of Thailand's leading investment holding companies with primary focus in the insurance sector, leveraging on AYUD's experience, expertise, and network to achieve sustainable growth.



## MISSION

- ◆ Employ skilled, entrepreneurial people
- ◆ Provide exceptional service
- ◆ Ensure sustainable growth
- ◆ Deliver continuous growth in profits
- ◆ Remain committed to change and continuous improvement



## VALUE

- ◆ Responsibility
- ◆ Transparency
- ◆ Respect
- ◆ Fairness
- ◆ Integrity
- ◆ Trust



## STRATEGY

Build value for our group of companies by delivering attractive returns to shareholders through:

- ◆ Approaching the market with a long term view on investment, returns and dividend growth
- ◆ Acquiring holdings in companies with strong brands and/or companies with valuable assets that match with the Company's criteria on investment/risk assessments

# COMPANY BUSINESS



Presently, Sri Ayudhya Capital PCL is an investment holding company focused primarily on investing in insurance sector, with minor investments in other businesses. The Company has a registered capital of Baht 500 million and holds a 'public company' status. It is registered in the Stock Exchange of Thailand as AYUD.

The head office is situated at 898 Ploenchit Tower, 7th floor, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330. Telephone: +662-657-2970. Fax: +662-657-2971. Website: [www.ayud.co.th](http://www.ayud.co.th). E-mail: [info@ayud.co.th](mailto:info@ayud.co.th)

The Company has been serving customers for 67 years, principled on conducting business with prudence, in order to build financial stability while serving customers with efficiency, honesty and fairness.

## HISTORY AND KEY DEVELOPMENT

Sri Ayudhya Capital Public Company Limited, previously named The Ayudhya Insurance Public Company Limited, was a leading non-life insurance company. It was first established on October 7, 1950 with a registered capital of Baht 2 million to conduct non-life insurance businesses including fire, marine & transportation, miscellaneous and motor.

### Major Changes from 2011

In 2011, the Company and its subsidiary, Sri Ayudhya General Insurance PCL, entered into a transfer of business agreement to transfer all insurance policies, including assets and liabilities relating to non-life insurance operation to the subsidiary. The responsibilities and obligations under existing insurance policies made between the Company and customers and/or other parties will be held by the subsidiary.

The Company then returned its insurance license to the Office of Insurance Commission (OIC) and changed its company status to 'investment holding company' with the purpose of investing in other businesses as specified in the Company's acquisition plan, effective December 20, 2011. The Company continues to keep its status a registered company in the Stock Exchange of Thailand.

### Subsidiary Company

Sri Ayudhya General Insurance Public Company Limited (subsidiary), (formerly BT Insurance Company Limited) was established in Thailand on September 21, 1982, and received the license to conduct all types of non-life insurance businesses on September 24, 1982.

On March 31, 2011, the subsidiary registered to change the company name from "BT Insurance Company Limited" to "Sri Ayudhya General Insurance Company Limited" with the Department of Business Development, Ministry of Commerce, and increased its registered capital from Baht 300 million to Baht 1,200 million. The difference of Baht 900 million in capital was registered.





On October 3, 2011, the subsidiary registered to change its company status to a public company with the Department of Business Development, Ministry of Commerce and received the approval from the Office of Insurance Commission (OIC). On April 12, 2012, at the 2nd extraordinary shareholders' meeting of the subsidiary, shareholders approved the increase of the capital of Baht 1,200 million (120 million ordinary shares at Baht 10.00 per share) to Baht 2,400 million (240 million ordinary shares at Baht 10.00 per share) by issuing 120 new shares and offered to existing shareholders at Baht 10.00 per share, totaling Baht 1,200 million. The subsidiary called for share subscription payment totaling 60 million amounting to Baht 600 million which then paid for the increase in capital with the Department of Business Development, Ministry of Commerce on May 4, 2012.

Presently, Sri Ayudhya General Insurance Public Company Limited (SAGI) is situated at 898 Ploenchit Tower, 18th floor, Zone A, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330.

### Associate Company

Allianz Ayudhya Assurance Public Company Limited (AZAY), an associate company, has its core business in life insurance and currently, the Company holds 20.17% of the total issued shares in AZAY.

In 2002, the Company purchased 17,162,978 ordinary shares, or 5.82% of total issued shares of Allianz Ayudhya Assurance Public Company Limited (AZAY), then known as Ayudhya Allianz C. P. Life Public Company Limited (AACP). On January 18, 2012, the Company acquired 17,265,108 shares, for Baht 517.95 million, making a total of 34,428,086 shares, or 11.67%. On May 9, 2012, the Company acquired 25,072,194 shares, for Baht 752.17 million. The total investment made in AZAY amounted to 59,500,280 shares, or 20.17%, making this investment to fall under the classification as an "associate company".

Allianz Ayudhya Assurance Public Company Limited (AZAY) is founded in Thailand on April 11, 1951 and was granted a life insurance license on April 20, 1951. Presently, the associate company is situated at 898 Ploenchit Tower, 1st floor Zone B, 2nd floor Zone B (Mezzanine), 5th floor Zone B2, 6th floor, 14th floor, and 17th floor, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330.

### Structure of Shareholding in Subsidiary and Associate Company

As a holding company, the Company's main investment in the subsidiary is in the non-life insurance sector, and the associate company in the life insurance sector. Details of the shareholding are as follows:

Name of Company	Type of Business	Shareholding	% of Holding
<b>Subsidiary:</b>			
Sri Ayudhya General Insurance PCL	Non-life insurance	99.99%	More than 25% of the Holding Company
<b>Associate Company:</b>			
Allianz Ayudhya Assurance PCL	Life Insurance	20.17%	Less than 25% of the Holding Company

### Shareholding and Voting Rights



# GENERAL INFORMATION

<b>Office</b>	<b>Bangkok</b>	:	898 Ploenchit Tower 7 <sup>th</sup> Fl., Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330, Thailand.
	<b>Tel.</b>	:	+66-2657-2970
	<b>Fax</b>	:	+66-2657-2971
	<b>Email</b>	:	info@ayud.co.th
	<b>Website</b>	:	www.ayud.co.th

<b>Registration and Shareholding Structure</b>	<b>Type of registration</b>	:	Public Company Limited
	<b>Registration number</b>	:	0107537001391
	<b>Type of business</b>	:	Investment holding company with investment focus in the insurance business

◆ <b>Authorized Share Capital</b>	<b>Ordinary shares</b>	:	500 million ordinary shares at Baht 1.00 per share
	<b>Total</b>	:	Baht 500 million

◆ <b>Issued and paid-up Share of Capital</b>	<b>Ordinary shares</b>	:	250 million ordinary shares at Baht 1.00 per share
	<b>Total</b>	:	Baht 250 million

◆ <b>Subsidiary</b>	<b>Sri Ayudhya General Insurance Public Company Limited</b>
	898 Ploenchit Tower 18 <sup>th</sup> Fl., Zone A, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330, Thailand.
	<b>Tel.</b> : +66-2657-2555
	<b>Fax</b> : +66-2657-2500
	<b>Website</b> : www.sagi.co.th

◆ <b>Associate Company</b>	<b>Allianz Ayudhya Assurance Public Company Limited</b>
	898 Ploenchit Tower, 1 <sup>st</sup> Fl., Zone B, 2 <sup>nd</sup> Fl., Zone B-Mezzanine, 5 <sup>th</sup> Fl., Zone B-2, 6 <sup>th</sup> , 14 <sup>th</sup> and 17 <sup>th</sup> Fl., Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330 Thailand
	<b>Tel.</b> : +66-2305-7000
	<b>Fax</b> : +66-2305-7011
	<b>Website</b> : www.azay.co.th

◆ <b>Reference</b>	<b>Registrar</b>
	Thailand Securities Depository Co., Ltd., 93, 14 Fl., Ratchadaphisek Road, Dindaeng, Dindaeng, Bangkok 10400 Thailand
	<b>Tel.</b> : +66-2009-9000
	<b>Fax</b> : +66-2009-9991

◆ <b>Debenture holder's representative</b>	-None-
--	--------

◆ Auditor

**Dr. Suphamit Techamontrikul,**

◆ Certified Public Accountant Registration No. 3356 and/or

**Mr. Permsak Wongpatcharapakorn,**

◆ Certified Public Accountant Registration No. 3427 and/or

**Mr. Chavala Tienprasertkij,**

◆ Certified Public Accountant Registration No. 4301

---

**Deloitte Touche Tohmatsu Jaiyos  
Audit Co., Ltd.**

AIA Sathorn Tower, 23rd-27th Floors, 11/1 South Sathorn Road,  
Yannawa, Sathorn, Bangkok 10120 Thailand

**Tel.** : +66-2676-5700

**Fax** : +66-2676-5757

---

**Financial Institutions**

◆ **Bank of Ayudhya Public Company Limited**

**Head Office**

1222 Rama III Road, Bangpongpang Yannawa,  
Bangkok 10120 Thailand

**Tel.** : +66-2296-2000

**Ploenchit Branch (Temporary Office)**

900 Ploenchit Road, Lumpini, Pathumwan,  
Bangkok, 10330 Thailand

**Tel.** : +66-2208-2000

◆ **The Government Housing Bank**

**Head Office**

63 Rama 9 Road, Huai Khwang, Bangkok 10310 Thailand

**Tel.** : +66-2645-9000

# BOARD OF DIRECTORS



**Mr. Veraphan Teepsuwan**

Chairman



**Mr. Arnon Opaspimoltum\***

President & CEO



**Mr. Rowan D'Arcy\***

President & CEO



**Mr. Vichit Kornvityakoon**

Independent Director,  
Member of Audit Committee,  
and Chairman of Corporate  
Governance Committee



**Mr. Metha Suvanasarn**

Independent Director and  
Member of Audit Committee,  
and Chairman of Nomination &  
Remuneration Committee



**Mr. Surachai Prukbamroong**

Independent Director, and  
Chairman of Audit Committee

\* Mr. Arnon Opaspimoltum was appointed on July 1, 2017 replacing Mr. Rowan D'Arcy who retired on April 30, 2017.



**Mr. Chusak Salee**

---

Director



**Mr. Virojn Srethapramotaya**

---

Director



**Dr. Laksna Thongthai**

---

Director



**Miss Nopporn Tirawattanagool**

---

Director, and Member of  
Nomination & Remuneration  
Committee



**Mr. Suwat Suksongkroh**

---

Independent Director



**Mr. Bryan James Smith**

---

Director, and  
Nomination & Remuneration  
Committee Member

# BOARD OF DIRECTORS INFORMATION

## Mr. Veraphan Teepsuwan

Chairman

(Appointed February 28, 2002)

Age 76 years

% Shareholding: None

Family Relationship with Directors and Executives: None



### Education and Training

- ◆ MBA, Northeastern University, USA
- ◆ Bachelor of Economics, Boston University, USA
- ◆ Certificate of Training and Seminar, Thai Institute of Directors Association (IOD): Role of the Chairman Program (RCP), Year 2008

### Work Experience in the Last 5 Years

Period	Position	Name of Organization
◆ 2002-Present	Chairman	Sri Ayudhya Capital PCL

### Other Listed Companies

◆ January 3, 2007-Present	Chairman	Bank of Ayudhya PCL
◆ November 2006-March 31, 2017	Chairman	Siam City Cement PCL
◆ 2003-Present	Vice Chairman	Eastern Star Real Estate PCL

### Other Companies/Organizations

◆ April 1983-March 2014	Director	Bangkok Broadcasting & TV Co., Ltd.
◆ 1995-January 2011	Chairman	Allianz Ayudhya Assurance PCL



**Mr. Arnon Opaspimoltum**

President & CEO (Authorized Signatory)

(Appointed July 1, 2017)

Age 59 years

% Shareholding: None

Family Relationship with Directors and Executive: None

**Education and Training**

- ◆ M.B.A. Thammasat University
- ◆ B.Eng. Chulalongkorn University

- ◆ ANZIIF (SNR ASSOC) CIP The Australian and New Zealand Institute of Insurance and Finance
- ◆ Certificate - Thailand Insurance Leadership Program - OIC Advanced Insurance Institute (OICAI)
- ◆ Certificate - Advanced Senior Executive Program (ASEP) - Sasin
- ◆ Certificate - Senior Executive Program (SEP) - Sasin
- ◆ Certificate - Fit for Executive Decisions Course ; Swiss Re
- ◆ Certificate - Bowring Insurance Broker
- ◆ Certificate - Non-Proportional Reinsurance ; Aon Benfield Reinsurance Broker
- ◆ Certificate - Advanced Engineering Insurance ; Cologne Re
- ◆ Certificate - Engineering Insurance ; Munich Re
- ◆ Certificate - National Insurance Academy, India
- ◆ Certificate - Industrial Safety & Health ; JICA
- ◆ Certificate of Training Course for safety Committee Members, National Productivity Board, Singapore
- ◆ Certificate of Training and Seminar, Thai Institute of Directors Association (IOD): Director Certification Program (DCP) Class 248/2017

**Work Experience in the Last 5 Years**

Period	Position	Name of Organization
◆ July 1, 2017-Present	President & CEO (Authorized Signatory)	Sri Ayudhya Capital PCL

**Other Listed Companies**

-None-

**Other Companies/Organizations**

◆ July 1, 2017-Present	President & CEO (Authorized Signatory)	Sri Ayudhya General Insurance PCL
◆ May 16, 2012-June 30, 2017	Deputy Managing Director	Viriyah Insurance PCL

### Mr. Rowan D'Arcy

President & CEO (Authorized Signatory)

(Completed office term on April 30, 2017)

(Appointed December 1, 2007)

Age 63 years

% Shareholding: None

Family Relationship with Directors and Executives: None



---

#### Education and Training

- ◆ University of Witwatersrand, Johannesburg, South Africa
- ◆ Ashridge Business School, UK
- ◆ Certificate of Training and Seminar, Thai Institute of Directors Association (IOD): Director Certificate Program (DCP 103/2008), Chartered Director Class (CDC) 10/2015

#### Work Experience in the Last 5 Years

Period	Position	Name of Organization
◆ December 1-31, 2007	Director	The Ayudhya Insurance PCL
◆ January 1, 2008-April 30, 2017	President & CEO (Authorized Signatory)	Sri Ayudhya Capital PCL

#### Other Listed Companies

-None-

#### Other Companies/Organizations

◆ November, 2010-April 30, 2017	President & CEO (Authorized Signatory)	Sri Ayudhya General Insurance PCL
---------------------------------	---	-----------------------------------





**Mr. Chusak Salee**

Director (Authorized Signatory)

(Appointed November 1, 1997)

**Age 64 years**

**% Shareholding:** 0.015% (37,000 shares)

**Family Relationship with Directors and Executive:** None

**Education and Training**

- ◆ Master of Business Administration, Sul Ross State University, USA
- ◆ Bachelor of Science, Agricultural Economics, Kasetsart University

- ◆ Director Certification Program, Institute of Directors Association (IOD), AACP 25/2017

**Work Experience in the Last 5 Years**

Period	Position	Name of Organization
◆ November 1997-April 2016	Managing Director (Authorized Signatory)	} Sri Ayudhya Capital PCL
◆ November 1997-Present	Director (Authorized Signatory)	

**Other Listed Companies**

-None-

**Other Companies/Organizations**

◆ November 2010-April 2016	Managing Director (Authorized Signatory)	} Sri Ayudhya General Insurance PCL
◆ November 2010-Present	Director (Authorized Signatory)	
◆ December 8, 2015-January 16, 2018	Independent Director and Member of Audit Committee	Government Savings Bank
◆ March 21, 2016-Present	Director Risk Management Committee	} National Credit Bureau Co., Ltd.

**Dr. Laksna Thongthai**

Director (Authorized Signatory)

(Appointed March 21, 1994)

Age 63 years

% Shareholding: None

Family Relationship with Directors and Executives: None



---

**Education and Training**

- ◆ Ph.D. in Industrial and Systems Engineering, University of Southern California, Los Angeles, USA
- ◆ M.S. in Systems Engineering, UCLA, Los Angeles, USA
- ◆ B.S. in Industrial Engineering, Chulalongkorn University
- ◆ Director Certification Program, Thai Institute of Director Association (IOD), Boards that Make a difference (BMD) 1/2016
- ◆ Diploma Examination Assigned from Graduate Member to become Fellow Member from Thai Institute of Directors Association (IOD), Year 2000
- ◆ Reinsurance and Insurance Management Training Courses from France, Germany, and England

**Work Experience in the Last 5 Years**

Period	Position	Name of Organization
◆ March 1994-December 2014	Director, and Assistant Managing Director (Authorized Signatory)	} Sri Ayudhya Capital PCL
◆ March 1994-Present	Director (Authorized Signatory)	

**Other Listed Companies**

-None-

**Other Companies/Organizations**

◆ 1990-Present	Director	Thongthai Water Pipe & Chemical Co., Ltd.
◆ 2001-Present	Director	Nirvana Co., Ltd.
◆ 2011-Present	Director (Authorized Signatory)	Triple Prime Team Holdings Co., Ltd.



### Mr. Surachai Prukbamroong

Independent Director, and Chairman of Audit Committee  
(Appointed October 12, 1999)

Age 79 years

% Shareholding: None

Family Relationship with Directors and Executives: None

---

#### Education and Training

- ◆ Bachelor of Accountancy and Bachelor of Commerce, Thammasat University
- ◆ Certificate of Bank Examiner, Bank of Examination School, Federal Deposit Insurance Corporation, USA
- ◆ Certificate - Pacific Rim Bankers Program, University of Washington, USA
- ◆ Certificate - Senior Management, University of California, Berkeley, USA
- ◆ Certificate of Banking, The Bank of Tokyo, Japan
- ◆ Senior Executive Program, Sasin Graduate Institute of Business Administration of Chulalongkorn University
- ◆ Certificate - Financial Executive, The Thai Institute of Banking and Finance
- ◆ Certificate - Executive Information System, IBM Certificate of Executive Information System, IBM Education Center
- ◆ Director Certification Program, Thai Institute of Directors Association (IOD): Role of Chairman Program (RCP) (Chairman 2000), Directors Accreditation Program (DAP), Board Performance Evaluation (BPE), Corporate Governance Report of Thai Listed Companies (CGR), DCP Refresher Course, Director Forum - Thai Institute of Directors Association (IOD)

#### Work Experience in the Last 5 Years

Period	Position	Name of Organization
◆ 1999-Present	Independent Director, and Chairman of Audit Committee	Sri Ayudhya Capital PCL
<b>Other Listed Companies</b>		
◆ 1999-April 2012	Independent Director, and Chairman of Audit Committee	Bank of Ayudhya PCL
<b>Other Companies/Organizations</b>		
◆ November 2010-Present	Independent Director, and Chairman of Audit Committee	Sri Ayudhya General Insurance PCL

### Mr. Vichit Kornvityakoon

Independent Director, Member of Audit Committee, and  
Chairman of Corporate Governance Committee  
(Appointed January 28, 2013)

Age 67 years

% Shareholding: None

Family Relationship with Directors and Executives: None



#### Education and Training

- ◆ Master of Business Administration Program, Thammasat University
- ◆ Bachelor of Accountant, Chulalongkorn University
- ◆ Bachelor of Laws, Thammasat University
- ◆ Certificate of Training and Seminar, Thai Institute of Directors Association (IOD): Director Certification Program (DCP 172/2013), Advanced Audit Committee Program (AACP 14/2014), Anti-Corruption for Executive Program (ACEP14/2015), Role of the Nomination & Governance (RNG) 7/2015, Risk Management Program for Corporate Leaders (RCL) 2/2015, Boards that Make a Difference (BMD) 1/2016, Board Matters & Trends (BMT 2/2017), Ethical Leadership Program (ELP 7/2017)

#### Work Experience in the Last 5 Years

Period	Position	Name of Organization
◆ January 28, 2013-Present	Independent Director, Member of Audit Committee, and Chairman of Corporate Governance Committee	Sri Ayudhya Capital PCL

#### Other Listed Companies

-None-

#### Other Companies/Organizations

◆ 2013-Present	Independent Director, Member of Audit Committee, and Chairman of Corporate Governance Committee	Sri Ayudhya General Insurance PCL
◆ 2013-July 2017	Member of IT and Systems Development Supervisory Sub-Committee	Deposit Protection Agency
◆ 2012-Present	Member of Executive Credit Committee	Sukhumvit Asset Management Co., Ltd.
◆ 2016-Present	Member of Professional Ethics Committee	Federation of Accounting Professions Under the Royal Patronage of His Majesty the King
◆ July 2014-April 2015	Director / Executive Director	Small and Medium Enterprise Development Bank of Thailand
◆ April 2015-December 2015	Executive Director	Small and Medium Enterprise Development Bank of Thailand



**Mr. Virojn Srethapramotaya**

Director (Authorized Signatory)

(Appointed February 27, 1998)

Age 66 years

% Shareholding: None

Family Relationship with Directors and Executives: None

**Education and Training**

- ◆ MBA, Jacksonville State University, USA
- ◆ Bachelor of Accountancy, Chulalongkorn University

- ◆ Loan Structuring and Documentation Course at Citibank Training Center at New York, USA in 1988
- ◆ Certificate of Financial Executive Class 1, The Thai Institute of Banking and Finance Association, The Thai Bankers' Association, in 1990
- ◆ Advanced Management Program for International Bankers, The Wharton School, University of Pennsylvania, USA in 1997
- ◆ Asean Summit for Southeast Asean Leaders at GE Training Center - Crotonville, Connecticut, USA in 2007
- ◆ Certificate of Training and Seminar, Thai Institute of Directors Association (IOD): Director Accreditation Program (DAP 4/2003), Director Certification Program (DCP 34/2003), Directors Diploma Examination-Fellow Member 2003, Refresher Course DCP (DCP Re 4/2007), Role of the Chairman Program (RCP 18/2008), Successful Formulation & Execution of Strategy (SFE 8/2010), Financial Institutions Governance Program (FGP 1/2010), Chartered Director Class (CDC 6/2012), Audit Committee Program (ACP 40/2012), Advanced Audit Committee Program (AACCP) (MIA, MFM, MFR, MIR 2012-2013), Corporate Governance for Capital Market Intermediaries (CGI 0/2014)

**Work Experience in the Last 5 Years**

Period	Position	Name of Organization
◆ February, 1998-Present	Director (Authorized Signatory)	Sri Ayudhya Capital PCL

**Other Listed Companies**

◆ January 2014-March 2015	Advisor to the Board of Directors	} Bank of Ayudhya PCL
◆ February 2010-December 2013	Director (Authorized Signatory)	
◆ March 2016-Present	Independent Director and Member of Audit Committee	Furukawa Metal (Thailand) PCL
◆ April 2017-Present	Independent Director	Shangri-La Hotel PCL

**Other Companies/Organizations**

◆ January 2011-Present	Chairman (Authorized Signatory)	} Sri Ayudhya General Insurance PCL
◆ December 2010-January 2011	Director	
◆ February 2012-Present	Director and Audit Committee Member	Allianz Ayudhya Assurance PCL
◆ April 2014-Present	Chairman of the Audit Committee and Governance and Independent Director	Globlex Securities Co., Ltd.

**Mr. Metha Suvanasarn**

Independent Director and Member of Audit Committee  
(Appointed September 1, 2005)

Chairman of Nomination & Remuneration Committee  
(Since January 19, 2007)

Age 77 years

% Shareholding: None

Family Relationship with Directors and Executives: None



---

**Education and Training**

- ◆ B.A. Accountancy, Thammasat University
- ◆ Certificate of Training and Seminar, Thai Institute of Directors Association (IOD): Director Certification Program (DCP12/2001), DCP Refresher Course 2/2006, Role of the Compensation Committee (RCC9/2009), Director Certification Program Update (DCPU 1/2014), Chartered Director Class (CDC) 9/2015, Anti-Corruption the Practical Guide (ACPG 38/2017)
- ◆ Certified in the Governance of the Enterprise IT (CGEIT), USA
- ◆ CRISC Certified in Risk and Information System Controls, USA
- ◆ CRMA Certification in Risk Management Assurance, USA
- ◆ Certified Internal Audit (CIA), USA
- ◆ Certified Public Accountant (CPA), Thailand
- ◆ Computer Audit Certificate, Federal Deposit Insurance Corporation (FDIC), USA
- ◆ Management Certificate, University of California at Berkeley, USA
- ◆ Advanced Management Certificate, Harvard University Graduate School of Business Administration, USA
- ◆ New Era Governance Certificate, Harvard Business School, USA

**Work Experience in the Last 5 Years**

Period	Position	Name of Organization
◆ 2005-Present	Independent Director and Member of Audit Committee	} Sri Ayudhya Capital PCL
◆ 2007-Present	Chairman of Nomination & Remuneration Committee	

**Other Listed Companies**

-None-

#### Other Companies/Organizations

◆ 2015-Present	Audit Committee	Prostheses Foundation of Her Royal Highness the Princess Mother
◆ 2015-2016	Chairman of Audit Committee	Faculty of Economics, Chiang Mai University
◆ November 2010-Present	Independent Director and Member of Audit Committee, and Chairman of Nomination & Remuneration Committee	Sri Ayudhya General Insurance PCL
◆ 2017-Present	Vice President, IT Governance	Audit Chairman of ISACA (Information Systems Audit and Control Association), Bangkok Chapter
◆ 2013-2016	Vice President	Vice Chairman of Thailand Information Security Association (TISA)
◆ 2017-Present	Association President	Cybertron Co., Ltd.
◆ 2013-2016	Vice President	IT Examination Specialist of Bank of Thailand
◆ 2015-Present	Chairman	Thai Chamber of Commerce and Board of Trade of Thailand
◆ Present	Specialist	Director, Information Security, National Electronics and Computer Technology Center (NECTEC)
◆ 2012-2014	Risk Management Committee	Standard Development of Electronics Transaction, Ministry of Information and Communication Technology
◆ 2011-2014	Director	Tummy-Tech Co., Ltd.
◆ 2012- 2014	Sub-Committee	
◆ 2000-Present	Chairman	

## Miss Nopporn Tirawattanagool

Director

(Appointed April 22, 2013)

Nomination & Remuneration Committee Member

(Appointed May 14, 2013)

Age 63 years

% Shareholding: None

Family Relationship with Directors and Executives: None



### Education and Training

- ◆ Master of Accounting, Faculty of Commerce and Accountant, Thammasat University
- ◆ Bachelor of Business Administration (in Accounting), Thammasat University
- ◆ Training on International Financial Reporting Standard 9 (IFRS9) PwC Thailand, Year 2016
- ◆ CG Forum 2/2016 “Honest, Cautions, Protective for the Director”, Year 2016
- ◆ Seminar on “CyberSecurity Awareness Training for Senior Executive”, Year 2016
- ◆ Strategic IT Governance (for non-IT), Year 2017
- ◆ Certificate of Training and Seminar, Thai Institute of Directors Association (IOD): Director Accreditation Program (DAP) Year 2003, Role of the Compensation Committee (RCC) Year 2009, Audit Committee Program (ACP) Year 2010, Director Certification Program (DCP) Year 2010, Financial Institutions Governance Program (FGP) Year 2011, Anti-Corruption for Executive Program (ACEP) Year 2013, Risk Management Program for Corporate Leaders (RCL) Year 2015, National Director Conference 2017 “Steering Governance in a Changing World“ Year 2017

### Work Experience in the Last 5 Years

Period	Position	Name of Organization
◆ April 22, 2013-Present	Director	} Sri Ayudhya Capital PCL
◆ May 14, 2013-Present	Member of Nomination & Remuneration Committee	

### Other Listed Companies

◆ January 1, 2015-Present	Risk and Compliance Committee Member	} Bank of Ayudhya PCL
◆ January 2, 2014-Present	Director (Authorized Signatory)	
◆ April 28, 2010-Present	Nomination and Remuneration Committee Member	
◆ April 8, 2010-January 1, 2014	Director	} Grand Canal Land PCL
◆ April 20, 2016-Present	Director	
◆ May 6, 2015-April 19, 2016	Director (Authorized Signatory)	} Srivichaijevivat PCL
◆ October 17, 2014-Present	Director	
◆ July 22, 2014-Present	Director of Nomination and Compensation Committee	} Siam City Cement PCL
◆ July 22, 2014-Present	Director of Governance, Risk and Compliance Committee	
◆ April 2012-Present	Director	



#### Other Companies/Organizations

◆ April 19, 2017-Present	Director (Authorized Signatory)	BBTV asset Management Co., Ltd.
◆ May 8, 2015-Present	Director (Authorized Signatory)	CKS Co., Ltd.
◆ May 8, 2015-Present	Director (Authorized Signatory)	Super Assets Co., Ltd.
◆ May 8, 2015-Present	Director (Authorized Signatory)	C.K.R. Co., Ltd.
◆ May 8, 2015-Present	Director (Authorized Signatory)	The Bangkok Lighters Co., Ltd.
◆ May 8, 2015-Present	Director (Authorized Signatory)	The Thai Tapioca Flour Produce Co., Ltd.
◆ May 8, 2015-Present	Director (Authorized Signatory)	Cyber Venture Co., Ltd.
◆ April 9, 2015-Present	Director (Authorized Signatory)	Khao Kheow Country Club Co., Ltd.
◆ April 9, 2015-Present	Director (Authorized Signatory)	Siam Purimongkol Co., Ltd.
◆ December 1, 2014-Present	Director (Authorized Signatory)	Grand Fortune Co., Ltd.
◆ April 21, 2014-Present	Director	Bangkok Broadcasting & TV Co., Ltd.
◆ April 21, 2014-Present	Director (Authorized Signatory)	BBTV Satelvision Co., Ltd.
◆ April 21, 2014-Present	Director (Authorized Signatory)	GL Asset Co., Ltd.
◆ April 21, 2014-Present	Director (Authorized Signatory)	Mahakij Holdings Co., Ltd.
◆ April 21, 2014-Present	Director (Authorized Signatory)	BBTV Production Co., Ltd.
◆ January 10, 2014-Present	Director (Authorized Signatory)	BBTV Alliance Ltd.
◆ January 10, 2014-Present	Director (Authorized Signatory)	BBTV Bond Street Building Ltd.
◆ August 2012-Present	Director (Authorized Signatory)	ITBC Business Consultant Group Co., Ltd.
◆ April 2011-Present	Director (Authorized Signatory)	Exclusive Senior Care International Co., Ltd.
◆ September 2010-Present	Director (Authorized Signatory)	BBTV International Holdings Co., Ltd.
◆ September 2010-Present	Director (Authorized Signatory)	Sunrise Equity Co., Ltd.
◆ September 2010-Present	Director (Authorized Signatory)	BBTV Equity Co., Ltd.

**Mr. Suwat Suksongkroh**

Independent Director  
(Appointed March 21, 1994)

Age 71 years

% Shareholding: 0.013% (32,500 shares)

Family Relationship with Directors and Executives: None



**Education and Training**

- ◆ Bachelor of Law, Thammasat University
- ◆ Thai Barrister at Law
- ◆ Certificate of Training and Seminar, Thai Institute of Directors Association (IOD): Directors Certification Program (DCP 12/2001), Company Secretary Program (CSP 1/2002), DCP Refresher Course (DCP 2/2006)

**Work Experience in the Last 5 Years**

Period	Position	Name of Organization
◆ August 2008-Present	Independent Director	Sri Ayudhya Capital PCL

**Other Listed Companies**

◆ March 21, 1994-August 2008	Director and Secretary to the Board of Directors	The Ayudhya Insurance PCL
◆ 2004-March 2011	Director	Ayudhya Securities PCL

**Other Companies/Organizations**

◆ January 2011-Present	Independent Director	} Sri Ayudhya General Insurance PCL
◆ November 4, 2014-Present	Nomination & Remuneration Committee Member	



**Mr. Bryan James Smith**

Director, and Nomination & Remuneration Committee Member  
(Appointed November 4, 2014)

(Authorized Signatory)

**Age 59 years**

**% Shareholding: None**

**Family Relationship with Directors and Executives: None**

**Education and Training**

- ◆ Master of Business Administration, Australian Graduate School of Management, The University of New South Wales, Sydney, Australia
- ◆ Bachelor of Commerce / Bachelor of Laws, The University of New South Wales, Sydney, Australia
- ◆ Certificate of Training and Seminar, Thai Institute of Directors Association (IOD): Director Certification Program (DCP) Class 207/2015, Diploma Examination Program - Fellow Member 2015

**Work Experience in the Last 5 Years**

Period	Position	Name of Organization
◆ November 4, 2014-Present	Director, and Nomination & Remuneration Committee Member (Authorized Signatory)	Sri Ayudhya Capital PCL

**Other Listed Companies**

-None-

**Other Companies/Organizations**

◆ November 4, 2014-Present	Director, and Nomination & Remuneration Committee Member (Authorized Signatory)	Sri Ayudhya General Insurance PCL
◆ November 2011-Present	Director	} Allianz Ayudhya Assurance PCL
◆ November 2011-Present	President and CEO	
◆ April 2009-November 2011	Chief Officer-Direct Marketing, Bancassurance & Group	

## OTHER INFORMATION

### Ms. Jiratcha Ruplek

Company Secretary (Appointed August 15, 2008)

Senior Vice President, Company Secretary (Appointed June 19, 2013)

Age 49 Years

% Shareholding : None

Family Relationship with Directors and Executive : None



#### Education and Training

- ◆ Bachelor of Laws, Ramkhamhaeng University
- ◆ Certificate of Training and Seminar, Thai Institute of Directors Association (IOD): Company Secretary Program (CSP 28/2008), Effective Minute Taking (EMT 12/2008), Board Reporting Program (BRP 12/2013), Company Reporting Program (CRP 7/2013), Corporate Governance for Executive - CGE 7/2016, CGR Workshop 1/2017

#### Work Experience in the Last 5 Years

Period	Position	Name of Organization
◆ March 1993-April 1995	Law Officer	Sri Ayudhya Capital PCL
◆ May 1995-June 2013	Lawyer (Department Manager)	
◆ September 2001-August 2008	Assistant Secretary to the Board of Directors	
◆ August 2008-Present	Company Secretary and Secretary to the Board of Directors	
◆ June 2013-Present	Senior Vice President, Company Secretary	

#### Other Listed Companies

-None-

#### Other Companies/Organizations

◆ February 2011-Present	Company Secretary and Secretary to the Board of Directors	Sri Ayudhya General Insurance PCL
-------------------------	---	-----------------------------------

### Mrs. Paporn Piyayodilokchai

Senior Vice President, Internal Audit Department

Head of Internal Audit

Age 50 years



#### Education

- ◆ Bachelor of Science (Accounting), Bangkok University
- ◆ Bachelor of Business Administration (Business Computer), Siam University
- ◆ Bachelor of Laws, Sukhothai Thammathirat Open University
- ◆ Bachelor of Public Health (Occupational Health and Safety), Sukhothai Thammathirat Open University
- ◆ Master of Accountancy (Financial Accounting), Chulalongkorn University
- ◆ Master of Laws (Private and Business Law), Dhurakit Pundit University
- ◆ Master of Science (Computer and Communication Technology), Dhurakij Pundit University
- ◆ Certified Public Accountant (CPA), Thailand
- ◆ Attorney and Notarial Services Attorney
- ◆ Certified Professional Internal Auditors of Thailand, The Institute of Internal Auditors of Thailand

#### Training

- ◆ Auditing Information System, Operational Auditing, Tools and Techniques for The Audit Manager: The Institute of Internal Auditors of Thailand
- ◆ Fraud Risk Management, Working Paper for Measures to Anti-Corruption in Organization, Internal Audit Certificate Program (IACP): Federation of Accounting Professions Under the Royal Patronage of His Majesty the King.
- ◆ IT Audit For Non-IT Auditor Masterclass 2013, IT Audit Workshop for Non-IT Auditor : NSTDA Academy
- ◆ Certificate in Insurance (Associate Level), Certificate in Non-Life Insurance Claim : Thailand Insurance Institute
- ◆ Standard course on Anti-Money Laundering and Combating the Financing of Terrorism for persons who have the duty to report under section 13 and section 16 : Anti-Money Laundering Office (AMLO)
- ◆ Anti-Money Laundering Law Enforcement : Chula Unisearch, Chulalongkorn University

#### Other Companies

- ◆ Senior Vice President, Internal Audit Department, Sri Ayudhya General Insurance PCL

#### Work Experience in the Last 5 Years

- ◆ Senior Vice President, Internal Audit Department, Sri Ayudhya General Insurance PCL
- ◆ Senior Vice President, Internal Audit Department, Sri Ayudhya Capital PCL
- ◆ Manager, Internal Audit Department, Sri Ayudhya Capital PCL

## NATURE OF BUSINESS

Sri Ayudhya Capital Public Company Limited is an investment holding company with primary business in Sri Ayudhya General Insurance Public Company Limited, a subsidiary company operating in non-life insurance business. The Company also invests in Allianz Ayudhya Assurance Public Company Limited, an associate company, and earns income from investments.

Sri Ayudhya General Insurance Public Company Limited (referred to as "Subsidiary") is a legal entity established in Thailand on September 21, 1982, primarily operating in non-life insurance business, which obtained a license to engage in all kinds of non-life insurance business on September 24, 1982.

### COMPANY REVENUE STRUCTURE BASED ON CONSOLIDATED FINANCIAL STATEMENTS

The main income of the Company as per the consolidated financial statements can be divided into two parts: underwriting income from the subsidiary and the investment income. Details of the income as of December 31, 2017, 2016, and 2015 are shown as follows:

(Unit in Baht)

	2017		2016		2015	
	Amount	%	Amount	%	Amount	%
Underwriting Income*						
Fire	466,921,566	23.1	454,714,970	20.5	482,640,310	21.4
Marine and transportation	157,146,824	7.8	172,949,269	7.8	179,239,144	7.9
Miscellaneous	607,803,338	30.0	791,935,432	35.8	847,547,848	37.5
Motor	791,360,645	39.1	796,204,961	35.9	751,529,183	33.2
<b>Total</b>	<b>2,023,232,373</b>	<b>100.0</b>	<b>2,215,804,632</b>	<b>100.0</b>	<b>2,260,956,485</b>	<b>100.0</b>

\* Underwriting income comprised of net earned premiums and commission and brokerages.

(Unit in Baht)

	2017		2016		2015	
	Amount	%	Amount	%	Amount	%
Net Earned Income						
Fire	421,199,388	25.5	425,169,252	22.5	421,893,295	22.5
Marine and transportation	97,745,076	5.9	107,729,040	5.7	110,789,398	5.9
Miscellaneous	480,590,736	29.0	681,164,983	36.0	725,275,303	38.8
Motor	655,663,269	39.6	678,422,105	35.8	614,717,773	32.8
<b>Total</b>	<b>1,655,198,469</b>	<b>100.0</b>	<b>1,892,485,380</b>	<b>100.0</b>	<b>1,872,675,769</b>	<b>100.0</b>

(Unit in Baht)

	2017		2016		2015	
	Amount	%	Amount	%	Amount	%
1 Underwriting income	2,023,232,373	80.5	2,215,804,632	77.4	2,260,956,485	79.7
2 Investment income	485,851,773	19.4	541,962,648	18.9	572,328,785	20.1
3 Other income	3,957,631	0.1	104,321,506	3.7	5,123,063	0.2
<b>Total income</b>	<b>2,513,041,777</b>	<b>100.0</b>	<b>2,862,088,786</b>	<b>100.0</b>	<b>2,838,408,333</b>	<b>100.0</b>

In 2017, the proportion of the Company's income changed as the underwriting income in 2016 rose to 80.5% versus 77.4% in 2016.

The proportion of investment income in 2017 increased from 18.9% in 2016 to 19.4% resulting from increased profit made from investment in securities in the amount of Baht 6.29 million or 12.91% while income from net investments made during 2017 was down by Baht 5.61 million or 5.35% as interest rates remained low. In 2017, the Company also earned a share of profit from the investment in Allianz Ayudhya Assurance Public Company Limited in the amount of Baht 331.68 million, a decrease of Baht 56.79 million or 14.62% from the previous year.

The proportion of other income during 2017 decreased from 3.7% in 2016 to 0.1% as in 2017 the Company profited from other income in the amount of 3.96 million, versus Baht 104.32 million last year, a decrease of Baht 100.36 million or 96.21% resulting from a reversed record regarding a lawsuit on an insurance contract of Baht 97.87 million for a claim settlement on September 24, 1997. On March 15, 2016, the Supreme Court dismissed the case and the Company was able to reverse the record into other income in 2016.

## NATURE OF PRODUCT OR SERVICE

The subsidiary operates a non-life insurance business covering personal and business lines, these are:

- 1. Fire Insurance:** The nationwide coverage includes structure, buildings, properties, commercial buildings, industrial plants including assets, inventory, machines and equipment, and raw materials. The area of coverage is nationwide with protection available for damage caused by fire, lightning, explosion, and wind storm, leasehold insurance and business interruption insurance.
- 2. Marine and transportation Insurance:** The insurance ranges coverage on goods transported by ship at sea and/or by river both internationally and within Thailand with coverage provided for goods transported over land by truck or train, as well as by air and parcel post. Coverage for marine hull is also available. In addition to providing coverage for loss or damage that may occur during transportation, protection is available for damage against marine hull, engine and equipment.
- 3. Miscellaneous Insurance:** This category covers insurance that provides coverage on property, liability, engineering, and personal protection such as personal accident, group accident, travel both domestic and international, cancer, micro insurance, burglary, money, machinery and erection, construction, workman compensation, electronics and computers, public liability, all risks, credit card, plate glass, and contractors' plant and machinery.
- 4. Motor Insurance:** This includes coverage for loss or damage caused to the automobile or its parts, injuries or death as well as the liability relating to injuries or death, or damage or loss caused to third parties. Coverage options are available from compulsory, protection of the victims of automobile accidents, or voluntary.

In addition, the subsidiary handles reinsurance work, and accepts reinsurance from local and international companies in order to increase its capability in spreading and managing overall risks with efficiency. Two types of reinsurance include facultative reinsurance and treaty reinsurance.



Aside from the primary business activity, additional investments are made to increase income, for example loans, government bonds, stocks, short-term investments, savings, and investments in various businesses. For all of these investment activities, the Company adheres to the principle of investing in companies with financial stability and high yields with a long-term view. Additionally, the Subsidiary's investment is subject to the terms and conditions of the Notification of the Insurance Commission regarding Investment in Other Businesses of Non-life Insurance Companies, B.E. 2556 (2013), and under the supervision of the Office of Insurance Commission.

## CRITICAL FACTORS AFFECTING OPPORTUNITIES OR LIMITATIONS IN BUSINESS OPERATIONS

For the Company and Subsidiary: None. The subsidiary was granted an insurance license to engage in all types of non-life insurance business.

## MARKET AND COMPETITION

### a) The Market and Subsidiary: Sri Ayudhya General Insurance PCL

In 2017 direct premiums of non-life insurance industry amounted to Baht 219,606.67 million, an increase of 3.52% from 2016, comprised direct premiums for fire insurance at Baht 9,838.72 million, down by 2.69%, marine and shipping insurance at Baht 5,301.39 million, up 2.53%, miscellaneous insurance at Baht 76,956.41 million, up 3.96%, and motor insurance at Baht 127,510.14 million, up 3.80%. (Source of Data: The Insurance Premium Rating Bureau: IPRB).

(Unit in Baht '000)

Type of Insurance	Direct Premiums of Non-Life Insurance Business		
	2017	2016	% Increase (decrease)
Fire	9,838,722	10,110,857	(2.69)
Marine and transportation	5,301,394	5,170,557	2.53
Miscellaneous	76,956,410	74,022,254	3.96
Motor	127,510,140	122,845,653	3.80
<b>Total</b>	<b>219,606,666</b>	<b>212,149,321</b>	<b>3.52</b>

The Company competes by using the following strategies:

1. Build quality employees by developing their capabilities in using technology to improve response, accuracy, and speed of service.
2. Develop operational processes to ensure quality, and on time service delivery for customers.
3. Unceasingly upgrade technology: Introduce new technology to increase employees' capabilities, manage the work with speed and accuracy, and increase the efficiency of the computer system. All of which is aimed at supporting expansion of work, the speed of service for underwriting as well as for claims in order to impress customers.
4. Develop new products and services to fit with customers' lifestyle.
5. Promote quality agents and brokers through training. Link data online for faster, and more accurate services.
6. Retain and build bancassurance distribution channel by developing new products and services to meet with customers' needs.
7. Plan working with other online businesses as this channel develops and grows making the opportunity to expand insurance work possible.

## Customer Groups

Customers may be divided into two groups: personal and corporate.

For **personal line of business**, the Company focuses on groups of customers who already understand the importance of having insurance. They are experienced with insurance products having purchased insurance such as property, motor, personal accident, and travel insurance for themselves and families. Bank loan customers are required to have insurance in accordance to loan agreement made to prevent possible loss.

For **corporate line of business**, the Company responds to their needs by assessing the risks involved and proposing appropriate insurance products to mitigate risks. Targeted types of business include hotels, factories, finance companies, and retail stores. The majority of these businesses acquires insurance to cover third party liabilities, business interruptions, machinery used in construction, and machinery loss/damage. The Company focuses efforts in mid-sized and SME businesses.

**Remark:** In the past three years, the Company has not relied on any major client whose business exceeds 30% of total income.

## Distribution Channels

The Company's distribution channels are comprised of the following:

1. Brokers and agents
2. Financial institutions and affiliated companies
3. Direct sales

Distribution breakdowns in the past three years:

	2017	2016	2015
1. Brokers and agents	40.74%	39.80%	43.08%
2. Financial institutions and affiliated companies	50.59%	53.63%	49.10%
3. Direct sales	8.67%	6.56%	7.82%

## Criteria for Licensing Agents and Brokers

To qualify as an agent/broker for the Company, the person must possess qualifications in accordance with the Non-Life Insurance Act, B. E. 2535 (1992) amended by the Non-Life Insurance Act (No. 2) B.E. 2551 (2008), promulgated on February 6, 2551 (2008) and must pass examinations required. Those whose examination results pass the required level of non-life insurance knowledge then can submit for a non-life insurance agent/broker application to the Registrar in the form prescribed.

## b) Industry Competition

2017 market share of the subsidiary as provided by Statistics Division, Examination Planning and Development, Office of Insurance Commission is shown as follows:



(Unit in Baht 000)

Type of Insurance	Direct Premiums of the Subsidiary	Direct Premiums of 60 Insurance	Market Share (%)	Ranking
Fire	611,410	9,838,722	6.21	6
Marine and transportation	311,673	5,301,394	5.88	6
Miscellaneous	975,097	76,956,410	1.27	19
Motor	1,028,166	127,510,140	0.81	28
<b>Total</b>	<b>2,926,346</b>	<b>219,606,666</b>	<b>1.33</b>	<b>21</b>

As of December 31, 2017, there are 60 operating insurance companies within the country, split into 51 Thai insurance companies, five defined as branches of foreign insurance companies and four group health insurance companies.

The subsidiary has the advantage over competition on strong financial strength and number of years in business enabling it to operate efficiently over the years. The CAR ratio is at 1,023.74 as of December 31, 2017. Additionally, the collaboration over the years with Bank of Ayudhya Public Company Limited and its network of companies generates mutual benefits. Other financial institutions work in partnership with the subsidiary in a similar manner. The subsidiary increases market share for fire, miscellaneous, marine and transportation, and motor insurance by making continuous improvements on operational procedures and service efficiency. As customers become more interested in the quality of service along with the financial stability of insurance companies, the subsidiary, more than ever, focuses its efforts in these areas. At the end of 2017, the Subsidiary has 14 provincial branches and four sub-branches dedicated to servicing claims, spanning the northern, central, eastern, north eastern and southern regions. All branches are online to provide convenience and speedy service.

#### (c) Provision of Products and Services

##### Source of Funds

The source of funds for the subsidiary comes from underwriting income which is then invested for better returns. In addition, the other source of funds comes from shareholders which is managed to gain better returns from investments as well.

##### Loans

The subsidiary has a policy on loans and risk management in place with details as follows:

Loans and risk management from loans for the subsidiary shall be in compliance with the Notification of the Ministry of Commerce on Investment of Insurance Companies in Other Businesses which specifies the proportion and conditions on loans.

##### The Ability to Maintain Loss Ratio

The subsidiary has set a loss ratio on overall insurance classes of approximately 50%.

##### Liquidity

The Subsidiary has a policy to manage its cash flow for daily operations by retaining cash and short-term bank deposits sufficient to cover the daily operational expenses, in order to enable efficient financial management.

#### (d) Work-in-process

None.

## IMPORTANT EVENTS





In remembrance of His Majesty King Bhumibol Adulyadej, the Board of Directors and members of senior management of Sri Ayudhya Capital PCL and Sri Ayudhya General Insurance PCL paid respect and farewell by offering merits at the Dusit Palace, Grand Palace.

Sri Ayudhya Capital PCL or AYUD staff volunteers jointly presented 9,999 sandalwood flowers made from the heart in preparation for the Royal Cremation Ceremony to bid farewell to His Majesty King Bhumibol Adulyadej at the Occupation Promotion Unit, Social Development Office, Bangkok.



Sri Ayudhya Capital PCL or AYUD declared the Company's operating results at the Annual General Meeting of Shareholders No. 68, 2017 with the shareholders' resolution approved to pay dividend for the Company's operating results for last half of 2016 in the amount of Baht 1.00 per share for shareholders with the record date as of March 15, 2017. The dividend was paid on May 8, 2017 and when combined with the interim dividend Baht 1.00 per share paid on September 13, 2016 for the operating results during first half of 2016, the total dividend for the year 2016 amounted to Baht 2.00 per share.

# RISK FACTORS

Sri Ayudhya Capital PCL is a holding company with the primary focus on investing in other companies. Its main income derives from the subsidiary operating in the non-life insurance sector. Risk factors that will impact the future performance of the Company and its subsidiary in 2017 may be summarized as follows:

## STRATEGIC RISK

The strategic risk covers policy setting, strategy, operational plan, and implementation plan that may be carried out ineffectively or may not aligned with internal factors and external environment including the changes in social, technological, and expectations of the public. These factors could have impact on income, reserves, or sustainability of the Company.

## Risk Management Guidelines

The Company and its subsidiary apply the enterprise risk management framework to help manage and mitigate risks. The involvement from employees at every level in the process from the Board of Directors to senior management and employees helps to reduce the impact from changes in the operation to an acceptable level with consideration given to size and sophistication of the business enabling the Company to achieve its short-long term objectives. Related activities are as follows:

### ◆ Product Design and Development, and Premiums Determination

In developing any new non-life insurance product and/or improvements of existing products, appropriate approvals must be sought from the Product Design and Development Committee. The Committee comprises President & CEO and representatives from business units relating to the development. The Committee gives considerations to the range of coverage as well as applying actuarial science methods to calculate insurance rates. This is to ensure that the products are competitive and sufficient in covering for claims. Monitoring procedures and evaluations for each product are regularly conducted in order to make appropriate improvements in coverage and/or pricing.

### ◆ Sales and Distribution Channel Management

The Company focuses on renewals from existing policies and builds new sources of sales through agents/brokers and financial institutions. To reduce the concentration on the existing source of sales, the Company has in place a performance-based remuneration program to support new growth and expansion that is in line with the policy. The Company's Insurance Training Center is used to develop agents, partners and employees. The distribution channel unit is responsible for monitoring sales growth and regularly reports back on issues and external challenges for problem solving effectiveness.

### ◆ Managing Risk-Based Capital

The subsidiary maintains a reserve of risk-based capital ratio as stipulated by the government that is higher than the standard required by the Office of Insurance Commission (OIC). The risk appetite based on risk-based capital adequacy ratio is retained at 175%. Any operational process that may impact this ratio must be analysed and brought to the Risk Management Committee or senior management for consideration and approval before action can be taken.

## INSURANCE RISK

Insurance risk refers to the fluctuation of the frequency, extent of damage, and number of events that is out of the standard assumption used in establishing rate of insurance, calculations for reserve, and underwriting considerations.

### Insurance Risk Guidelines

The Company has in writing the underwriting policy and manual to thoroughly examine the level of risk acceptability, evaluation of insurance rates, risk spreads, and other relevant considerations to ensure that there is no concentrated risk by way of geography or by type of risks. If the risks exceeds the defined level, the Company extends the risks to reinsurers by proportional reinsurance, and/or non-proportional reinsurance; consequently, the reinsurer overtakes the responsibility for claim payments on broad damage as per agreed terms.

## MARKET RISK

This refers to the change in interest rates, currency exchange rates, and stock and securities investments as well as consumables.

### Managing the Market Risk

#### ◆ Investment Value Fluctuation Risk

This risk involves the investments made in the market and the factors contributing to the fluctuation in interest rates and the stock market index resulting from the political situation and economy of the country and of the world.

The subsidiary manages the investment risks by setting in writing the Investment Management Guideline: IMG. Within the guideline, the framework and course of investment objectives is determined. All types and levels of investments are evaluated and supervised based on target rate of returns and liquidity corresponding with the potential impact on RBC.

The Company closely monitors and report investment results to the senior management and the Corporate Investment Committee. Additionally, the subsidiary undergoes stress tests conducted by the management, using various scenarios to be certain that the investment risk factors do not have any impact on the capital adequacy ratio of the Company.

The Company believes that this investment guideline helps to promote the ability of the Company to generate suitable returns on investment in the stock market for mid-and long term prospects. Moreover, the Company takes into consideration appropriate returns balanced with acceptable risks, placing the importance on security of investment. Investments are made with the utmost care prudence for the highest benefit to shareholders.

## LIQUIDITY RISK

Liquidity risk occurs due to the inability to repay debts or obligations when due, the in ability to convert a security or asset into cash, or the inability to mobilize funds in time, or funds with higher-than-acceptable costs.

## Managing Liquidity Risk

Investment funds, short-long term, are overseen with consideration given to management effectiveness in handling the liquidity. Investments are made in the government's and private sector's debt securities with low duration, and in the SET 100 stocks enabling the Company to manage the cash flow adequately and effectively. In cases where the Company needs to pay claims in large sums, the Company plans for the cash flow in advance, adequately reserving funds to pay for claims as well as for daily running of the business. The investment policy in managing funds is continuously reviewed to achieve high yields with low risks, and with consideration given to liquidity of each asset.

## OPERATIONAL RISK

Operational risk means any risk arising from operational errors which could cause disruption in business to the point where it results in financial loss and/or damage to its reputation.

## Managing Operational Risks

The Risk Management Committee is authorized to oversee the operation and to ensure that the operation and procedures are in compliance with policies, rules, regulations, and resolutions of shareholders' meeting. The Company determines the policy in managing operational risks with emphasis on internal, financial as well as operational controls as well as compliance to good corporate governance practices. The Internal Audit Department is in charge of reviewing and monitoring the internal control systems as set forth.

### ◆ Report and Evaluation of Risk and Control Self-Assessment (RCSA)

Guidelines are set to mitigate operational risks by applying risk and control self-assessment methodologies. RCSA is the process of identifying, recording and assessing potential risks and related controls are effectively self managed and compilation of reports on risk management are sent to the Risk Management Committee for review on quarterly basis. If, after review, it is found that the risks are higher than the accepted level, the risk owner and the management jointly plan for measures to mitigate these risks, and report the result to the Risk Management Committee. If faced with an operational risk that is considered to be at the organizational level, a working committee will be appointed to manage the risks raised, and take corrective actions for successful implementation.

### ◆ IT System Disruption Risk

The Company is committed to develop communication and information technology system to increase effectiveness in providing continuous support and services to the management. To protect the confidentiality of the customer data, the Company establishes IT security policies and provides training to employees on role and responsibility to emphasize its importance. Audits are conducted annually by independent auditors.

### ◆ Risk of Corruption

The Company and subsidiary is committed to operate under anti-corruption policy to build confidence and to reduce damage, whether financial or reputation, from such risks. Employees are expected to adhere to Code of Ethics and Conduct that is published with penalties specified. Training is also provided covering this subject and related matters.

### ◆ Business Continuity Plan

The Business Continuity Plan (BCP) is developed to back up and recover important information, operation, and service within the target duration of 6 hours after a disruption or disaster. To ensure that the Company and its subsidiary's operations will not be disrupted to the point that it can cause damage to the business performance, the backup plan is tested regularly, at least once a year. Top three priorities are:

1. Telephone/communications system to service customers and to report incidents
2. Operational system to service motor and PA claims
3. Insurance underwriting system

## CREDIT RISK

Credit risk is a risk of financial loss that arises from counterparties' failure to pay debts as obligated or due to credit down-rating of counterparties.

### Managing the Credit Risk

The Company and subsidiary mainly focuses its investments in the government's debt securities. In addition, investments in debt securities are made only with private companies having strong financial background based on their credit rating. As for the subsidiary, only overseas reinsurers with credit rating not below A is considered. For local reinsurers, only the ones with CAR ratio of not less than 250% is considered.

#### ◆ Risk from Overdue Premium Collection

For the subsidiary, one of the distribution channels for the non-life insurance business is through agents and brokers. Insurance policies are issued and forwarded to agents and brokers, and premiums are collected later under specified terms, risking uncollectible premiums. If agents and brokers face cash flow or financial problems, it is considered as a risk that is significant. In managing premiums collection, the subsidiary has in place a clear and strict procedure to follow. A monthly meeting with the management is held to monitor overdue accounts by adhering to announcements and regulations of the Office of Insurance Commission (OIC) specifying premiums payment period. If outstanding premiums cannot be collected in due time and/or exceeds the terms given, the collection department then takes over the debt-collection process. The subsidiary has a higher-than-standard rating on the appraised outstanding premiums as set by the OIC which is at 80% minimum.

# MAJOR SHAREHOLDERS

Top ten major shareholders as at August 29, 2017

No	Name of Shareholders	No. of Shares	Percentage
1	DEUTSCHE BANK AG, FRANKFURT A/C CLIENTS ACCOUNT-DCS	42,104,000	16.842
2	Bangkok Broadcasting & Television Company Limited	28,802,500	11.521
3	Triple Prime Team Holdings Company Limited	25,238,750	10.096
4	BBTV Equity Company Limited	21,946,000	8.778
5	Bank of Ayudhya Public Company Limited	21,250,800	8.500
6	Thongthai (1956) Company Limited	9,610,000	3.844
7	Ms. Sudthida Ratanarak	7,454,870	2.982
8	CITIBANK NOMINEES SINGAPORE PTE LTD-UBS AG LND BRANCH A/C CLIENT NRBS	7,380,500	2.952
9	Great Fortune Equity Company Limited	7,045,250	2.818
10	Krungthai Panich Insurance Public Company Limited	3,938,400	1.575



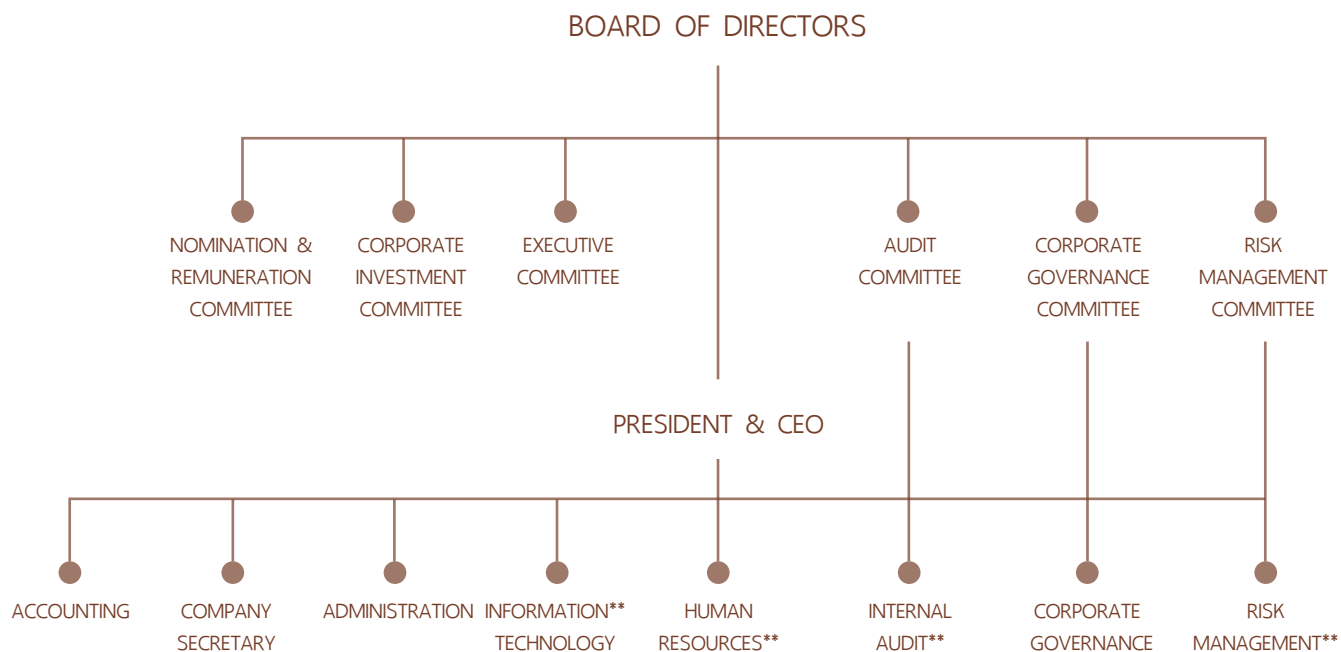
# SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS

As at December 31, 2017

No	Board of Directors	Designation	31 December 2017		31 December 2016	
			Shares	Proportion (%)	Shares	Proportion (%)
1	Mr. Veraphan Teepsuwan	Chairman	-	-	-	-
2	Mr. Surachai Prukbamroong	Director	-	-	-	-
3	Mr. Metha Suvanasarn	Director	-	-	-	-
4	Mr. Vichit Kornvityakoon	Director	-	-	-	-
5	Mr. Suwat Suksongkroh	Director	32,500	0.013	32,500	0.013
6	Ms. Nopporn Tirawattanagool	Director	-	-	-	-
7	Mr. Virojn Srethapramotaya	Director	-	-	-	-
8	Mr. Bryan James Smith	Director	-	-	-	-
9	Mr. Rowan D'Arcy	Director	-	-	-	-
10	Mr. Chusak Salee	Director	*31,000	0.012	*43,000	0.017
11	Dr. Laksna Thongthai	Director	-	-	-	-
12	Mr. Arnon Opaspimoltum	Director	-	-	-	-

Remarks: \* Including spouse

# ORGANIZATIONAL STRUCTURE



\*\* Outsourced to Sri Ayudhya General Insurance PCL (SAGI)

## MANAGEMENT STRUCTURE

The Company's Management structure is comprised of the Board of Directors and six sub-committees that are appointed by the Board of Directors. These sub-committees are:





Details of each of the above committees are provided in the Report on Corporate Governance Section.

## 1. BOARD OF DIRECTORS

In accordance with the Articles of Association, the Company shall have a Board of Directors comprised of at least five members to conduct the business of the Company, not less than half of whom shall reside within the country. As of December 31, 2017, the Board of Directors consists of 11 members, with six non-executive directors, four independent directors, and one executive director.

Board members are qualified to assure adherence to the relevant rules and regulations set forth by the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET). The term for each board member is three years.

### Company Directors

As of December 31, 2017 the following are members of the Board of Directors as registered with the Ministry of Commerce

No.	Name	Designation	Attendance	Year Appointed
1	Mr. Veraphan Teepsuwan	Non-Executive Director	7/7	2002
2	Mr. Virojn Srethapramotaya	Non-Executive Director	7/7	1998
3	Ms. Nopporn Tirawattanagool	Non-Executive Director	7/7	2013
4	Mr. Bryan James Smith	Non-Executive Director	7/7	2014
5	Dr. Laksna Thongthai	Non-Executive Director	6/7	1994
6	Mr. Chusak Salee	Non-Executive Director	6/7	1997
7	Mr. Surachai Prukbamroong	Independent Director	7/7	1999
8	Mr. Metha Suvanasarn	Independent Director	7/7	2005
9	Mr. Vichit Kornvityakoon	Independent Director	7/7	2013
10	Mr. Suwat Suksongkroh	Independent Director	7/7	1994
11	Mr. Arnon Opaspimoltum*	Executive Director	3/3	2017
	Ms. Jiratcha Ruplek	Secretary to the Board	-	2008

Remark: \* Mr. Arnon Opaspimoltum was appointed on July 1, 2017.

## COMPANY SIGNATORIES

The Articles of Association stipulate that the Board has the authority to assign a director, or a number of directors, to sign or act on behalf of the Company, with criteria stipulated by the Board as per company registration details. The certified registration specifies five authorized directors, namely Mr. Arnon Opaspimoltum, Mr. Chusak Salee, Dr. Laksna Thongthai, Mr. Virojn Srethapramotaya, and Mr. Bryan James Smith with any two of the five directors may sign with the Company seal.

## Charter of the Board of Directors

### 1. Achieving the Vision

The Board of Directors (the “Board”) of Sri Ayudhya Capital Public Company Limited (the “Company”) recognizes the importance of good corporate governance in promoting and strengthening the trust of its shareholders, stakeholders and the public, and believes that good corporate governance will enhance shareholder value.

In pursuing the Vision of the Company: “To become one of Thailand’s leading investment holding companies with primary focus in the insurance sector, leveraging on AYUD’s experience, expertise, and network to achieve sustainable growth”, the Board will conduct itself in accordance with the law and the highest ethical standards in the best interests of its shareholders.

### 2. Functions and Responsibilities

The functions and responsibilities of the Board are as stipulated by law and the resolutions of shareholders’ meetings, including:

- 2.1 Directing the policies, strategies and financial objectives of the Company and monitoring the implementation of these policies, strategies and financial objectives, with the aim to maximizing economic value and shareholder wealth;
- 2.2 Creating structures and procedures designed to ensure compliance with regulatory requirements, the Articles of Association, resolutions of shareholders’ meetings and ethical standards in good faith and with care;
- 2.3 Creating structures and procedures designed to ensure that there are appropriate systems of risk management, internal compliance and control;
- 2.4 Monitoring and assessing management performance in achieving strategies and budgets approved by the Board (at least semi-annually);
- 2.5 Setting criteria for, and evaluating, the performance of the President & CEO, and other senior management, (at least annually);
- 2.6 Overseeing and reviewing the succession planning processes for the positions of President and senior management personnel, who are fully responsible for the management of the Company, under regular and continuing guidance of the Board of Directors;
- 2.7 Observing and ensuring that the management team and employees are communicated fully on expected compliance with the Company’s Code of Conduct.

### 3. Authority

The Board exercises its authority as stipulated by laws and the resolutions of shareholders’ meetings, including:

- 3.1 Appointing and determining the remuneration and conditions of service of the President & CEO;
- 3.2 Appointing the Managing Director;
- 3.3 Approving:
  - 3.3.1 The strategic plan (reviewed regularly throughout the year);
  - 3.3.2 The annual business plan;
  - 3.3.3 The annual budget;
  - 3.3.4 The quarterly, semi-annual and annual financial reports;
  - 3.3.5 The remuneration of members of Board Committees (not exceeding the overall amount approved by shareholders);
  - 3.3.6 The remuneration and conditions of service for the President, following annual review;
  - 3.3.7 Changes to organizational structure at the group level and other significant organizational changes;
  - 3.3.8 The acquisition, establishment, disposal or cessation of any significant asset or business of the Company;
  - 3.3.9 Any changes to the authority delegated by the Board; and
- 3.4 All matters not otherwise delegated to the Executive Committee, the President or management.

#### 4. Composition

At least four members or one third of the Board (whichever is higher) shall be Independent Directors, and not more than one-third of the Board shall be Executive Directors.

#### 5. Criteria for Board Membership

In proposing directors, the Board will take into consideration experience in at least one area of significance to the Board (e.g., banking, business, marketing, human resources, finance, law, management or management consulting); the ability to contribute to deliberations of the Board; the ability to exercise sound business judgment; the ability to think strategically; demonstrated leadership experience; and a high level of professional skill and integrity; as well as other appropriate personal qualities.

## 2. THE EXECUTIVE COMMITTEE

The executive committee is comprised senior management personnel appointed by the Chairman of the Board of Directors to conduct day-to-day business, achieve business goals and objectives as set.

As of December 31, 2017, the Executive Committee is comprised of the following:

No.	Name	Designation	Attendance
1	Mr. Arnon Opaspimoltum*	Chairman	6/6
2	Ms. Orathai Rongthongaram	Member	12/12
3	Mrs. Apiradee Kanjanarat	Member	12/12
4	Mr. Issra Choovisit	Member	12/12

Remark: \* Mr. Arnon Opaspimoltum was appointed on July 1, 2017.

### Scope and Authority of the Executive Committee

#### 1. Composition and Qualifications of the Executive Committee Members

The Board of Directors appoints Executive Committee members comprising at least three members: President & CEO, directors, and/or the Company's executives with appropriate qualifications, and not being a person prohibited by the Public Limited Company Act, governing laws of the Securities and Exchange Commission of Thailand, the Stock Exchange of Thailand and other related laws. The President & CEO shall be the Chairman of the Executive Committee.

The secretary to President & CEO or an appointed person by the Chairman of the Executive Committee shall be assigned to act as the secretary.

#### 2. Term

Each term lasts for one year, ending on December 31. The Nomination & Remuneration Committee shall select directors and/or the Company's executives with appropriate qualifications to propose to the Board of Directors at the Board Meeting for consideration and appointment at least one month before the term ends.

### 3. Duties and Responsibilities

- 3.1. To manage the overall operation of the Company to be in line with the Company's by-laws as well as comply with conditions, rules and regulations as set forth by the existing laws, i.e. civil and commercial laws, Public Limited Company Act, governing laws of the Securities and Exchange Commission of Thailand, the Stock Exchange of Thailand, other related laws, and future laws and regulations.
- 3.2. To manage the Company's business operation to be in line with the Company's objectives and policies, regulations, or instructions as set by the Board of Directors. The Executive Committee shall pre-assess any type of work for the Board's consideration except the work under direct responsibility, and/or under the authority of other sub-committees in which case the responsible sub-committees shall perform this duty directly.
- 3.3. To consider and determine the vision, business strategy, policies, financial target and plan (short-mid-long term) as well as the annual budget for the Company and subsidiary for approval by the Board.
- 3.4. To review and monitor the implementation of policies and management effectively in all aspects as assigned by the Board.

### 4. Authority

- 4.1. To determine the investment policy and the management of these risks.
- 4.2. To determine the management structure, organization chart for consideration by the Nomination & Remuneration Committee.
- 4.3. To determine human resources management, i.e. the Company's regulations, employment benefits, and provident funds. Any change that might cause significant impact to the operation must be approved by the Board.
- 4.4. To consider revisions to the annual plan.
- 4.5. To appoint executives, from the Assistant Managing Director to Senior Vice President levels.
- 4.6. To determine and propose to the Nomination & Remuneration Committee for consideration the salary, wage, living cost adjustment, annual bonus, and raise adjustment for management level employees, from the Assistant Managing Director to Senior Vice President levels.
- 4.7. To determine the level of approval authority on the Company's documents.
- 4.8. To control and manage the expenses of the Company to be within the approved budget by the Board and set chart of accounts in advance.
- 4.9. To have the authority to approve purchase of assets necessary to operate the business outside of the annual budget approved by the Board in the amount not exceeding Baht 1.5 million per transaction and not exceeding Baht 5 million in total per annum.
- 4.10. To have the authority to approve expenses outside of the budget and annual plan approved by the Board in the amount not exceeding 5% of the budget of each category and for other expenses not indicated in the budget and annual plan approved by the Board in the amount of Baht 500,000.00 per category, and not exceeding Baht 2 million in total per annum.
- 4.11. Anything outside and/or beyond the authority designated to the Executive Committee but is considered as an emergency, and that immediate action must be taken to prevent the Company from potential damage or from receiving appropriate benefits, a unanimous resolution shall be used to proceed as appropriate. Such a proceeding shall be reported as soon as practicable at the next Board meeting.
- 4.12. The Executive Committee shall appoint a working committee and/or an individual to assess work and/or any work that is deemed beneficial to the performance of the Committee or delegate work assigned to the Committee within the scope of responsibilities of the Committee.

## 5. Meeting and Resolution

The Executive Committee shall meet monthly to consider matters within the authority designated by the Board and assess matters to bring to the Board for approval. The agenda and supporting documents shall be sent to the Committee members not less than seven days before the date of the meeting.

Not less than half of the Committee members constitutes a quorum.

In the event that the Chairman of the Executive Committee is not present or unavailable to perform duties, the Committee members shall choose a member to act as Chairman of the meeting.

Decisions of the Board shall be made by majority vote. Members of the Committee have one vote each. The Chairman of the Committee shall abstain from voting on any agenda unless of equal votes, the Chairman shall cast the deciding vote. Members of the Committee with conflict of interest shall not vote on that particular agenda.

## 6. Reporting

6.1. The Executive Committee shall report to the Board the following

- Quarterly report on the performance of the Company.
- Report on any important event that may have significant impact on the performance of the Company.
- Other reports as deemed appropriate by the Executive Committee.

6.2 Prepare a report summarizing activities in the past year for shareholders in the annual report.

## COMPANY SECRETARY

At the Board of Directors Meeting No.4/2008, a resolution was passed to appoint Ms. Jiratcha Ruplek to the position of Secretary to the Board in compliance with SEC Act (No.4) B.E. 2551 in effect August 15, 2008. Responsibilities as Company Secretary are to oversee, coordinate, and facilitate the Company Meetings; and Shareholders Meetings, and to ensure that these meetings are held with adherence to relevant laws and regulations. The appointment of the Company Secretary is overseen by the Board with confidence that the person possesses appropriate qualifications, knowledge, skills and experience. The Company Secretary's qualifications and responsibilities are detailed in Good Corporate Governance Section, Responsibilities of the Board of Directors, no. 1.7.

## 3. REMUNERATION FOR DIRECTORS AND EXECUTIVE MANAGEMENT

### Cash Remuneration

The remuneration paid to the Company's Board of Directors, subsidiary and Executives were approved through the Nomination and Remuneration Committee based on both the nature and extent of each person's duties and responsibilities; and competitive with other companies in the same industry.

In 2017, Board Members received in total the sum of Baht 15,611,846 and in 2016, a total sum of Baht 17,746,940 was paid which included annual remuneration and bonus, with details as per the following comparison.



Comparison of Board Remuneration 2017 and 2016

No.	Name	2017			2016		
		Salary	Bonus	Total	Salary	Bonus	Total
1	Mr. Veraphan Teepsuwan	400,000	43,400*	443,400	480,000	628,470	1,108,470
2	Mr. Surachai Prukbamroong	684,000	1,205,049	1,889,049	684,000	1,397,493	2,081,493
3	Mr. Metha Suvanasarn	684,000	1,148,564	1,832,564	684,000	1,332,056	2,016,056
4	Mr. Vichit Kornvityakoon	684,000	1,148,564	1,832,564	684,000	1,332,056	2,016,056
5	Ms. Nopporn Tirawattanagool	420,000	602,000	1,022,000	420,000	602,000	1,022,000
6	Mr. Virojn Srethapramotaya	840,000	1,065,028	1,905,028	840,000	1,262,160	2,102,160
7	Mr. Suwat Suksongkroh	570,000	970,127	1,540,127	570,000	1,131,243	1,701,243
8	Mr. Bryan James Smith	630,000	998,327	1,628,327	630,000	1,159,443	1,789,443
9	Mr. Rowan D'Arcy	210,000	239,859	449,859	630,000	835,939	1,465,939
10	Mr. Chusak Salee	540,000	920,339	1,460,339	540,000	970,280	1,510,280
11	Dr. Laksna Thongthai	360,000	573,800	933,800	360,000	573,800	933,800
12	Mr. Arnon Opaspimoltum	315,000	359,789	674,789	-	-	-
Total		6,337,000	9,274,846	15,611,846	6,522,000	11,224,940	17,746,940

Remark: \* The Chairman gave up this bonus to reward employees with excellent performance.

**Remuneration for the Management Team**

In 2017, the total remuneration for Management Team of the Company as defined by the Securities and Exchange Commission was Baht 27.57 million which comprised salaries, bonus, and other benefits. The total remuneration of the 12 members of the Management Team of the subsidiary in 2017 was Baht 39.13 million.

**Other Remunerations for the Management Team**

Provident Fund

The Company and its subsidiary provide provident fund for employees by making the following contributions:

Years of Service	Contribution % of Salary
Less than 5 years	5%
5 years and more	7%

In 2017, the Company contributed Baht 0.63 million into the provident fund for the Management Executives, and Baht 1.61 million for Management Executives of the subsidiary.

- No Directors or Executives had a direct or indirect interest in any agreement entered into by the Company, i.e. ordinary shares/warrants.

#### 4. PERSONNEL

The total number of employees as of December 31, 2017 was 407. The Company has paid remuneration to employees in the form of salary, bonuses, the employer's portion of social security contributions, a provident fund and retirement compensation, totalling amount Baht 288.69 million.

Type of Company	Number of Employees	% of Sick Days	Total Remuneration (Baht Million)
Parent company	7	0.43	30.09
Subsidiary	400	0.90	258.60
Total	407	1.00	288.69

##### Human Resources Policy

Today, in managing any leading organization, it is undeniable that Human Resources (HR) plays a very important role in driving the growth and development of the organization. The role of HR has evolved to include business planning and effectively acts as a business partner. HR is the source of developing employees to provide leverage for the Company to build sustainable growth.

The Company believes employees are the most important asset and are at the heart of driving growth and success. HR management policy covers not only the Company but extends to cover the management of the subsidiary company as well.

##### Staff Competency and Digitalization in 2017

Since 2016, the Company has been increasing digital capabilities across the entire operation, from creating new products to services in order to fulfill the needs of customers. HR Department supported this initiative by introducing Human Resources Information System to help manage staff e-learning, employee self-services, and employee benefits.

In implementing the Human Resources Information System, training programs in digital competencies and behavioral change are required. As a result, HR Department organized training programs and workshops to drive the Company's vision and objectives as follows:

##### Vision

We will introduce new modern human resources principles that provide inspiration to employees so that they work enthusiastically and with happiness to ensure that the organization can grow continuously and sustainably.

##### Mission

We will develop employees to further build an organization of excellence by using human resources tools appropriately applied to employees in line with the business direction of the organization.

##### Compliance with Human Rights Principles

The Company adheres to fair employment practices by considering qualifications and suitability without regard to race, skin color, religion, gender, sexual orientation, age and/or disability. The Company provides a working environment that is free of harassment and threat. In case of any improper activity, employees may report incidents to their direct supervisors and/or HR immediately.

The Company treats its employees according to international human rights principles and provides guidelines to put into practice. All employees understand respect for dignity, privacy, and the rights of each individual they interact with at work and must not cause or induce violations or obstructions of human rights. Employees who are aware of any violation must inform their supervisors immediately so that an investigation can be carried out accordingly.

## Employee Development

In 2017, the Company renewed the three-year plan (2017-2019) and HR restructured employees' scope of work to be more aligned with continuous changes in business development and technology. This had a positive impact on customer services and business partners, and increased the Company's competitiveness. In addition, employee skills were assessed to ensure that they have the knowledge required to perform their work. Remuneration is based on individual and team performance to ensure the best possible efficiency. In this regard, initiatives that have been implemented and/or completed within this year are as follows:

- ◆ Succession planning process is conducted so that the business runs smoothly without interruption. Each position is risk-analyzed and charted with a succession plan. Staff identified to succeed is then given a development as well as career plan with a specific timeline.
- ◆ New staff are given online tests to gauge their understanding of fraud and anti-corruption policies so that they realize their roles and responsibilities as staff, and become good role models in fighting fraud.
- ◆ All staff are required to take a self-assessment test on conduct to be in line with the Company's Code of Ethics and Conduct.
- ◆ In 2017, these trainings were held according to the training roadmap: Eight core competencies courses, and nine general competencies courses. These competencies are in line with the Company's long term strategic direction.
- ◆ A workshop titled Salesmen's Advisory Role to Business Partners was held for branch managers and branch marketing staff.
- ◆ Knowledge management system is created to lay foundation for organizing and managing the knowledge and information within the Company whether by individuals or documents to be more accessible and more effectively used.
- ◆ Key Competencies were defined into job families and organized into three groups: 1. Underwrite Functional Competency; 2. Product Development Functional Competency; 3. Information Technology Functional Competency.
- ◆ A work safety training course for new supervisory and management staff levels was held for the subsidiary at the head office. The Work Safety Committee held meetings in accordance to the regulations on safety in the workplace resulting in the development of work safety manuals and placements of emergency equipment in the work place.
- ◆ HR roadshows were held at branches to provide knowledge on HR role and functions. Furthermore, rules and regulations, benefits, and training plans were provided. Succession planning for branch managers and branch staff was also completed.
- ◆ HR's 'Business Partner' module was introduced at all business units to engage HR in all areas of business, i.e. setting objectives, strategy, risks, solutions, etc. so as to provide counsel on all types of business activities. This is to help create better view of each business unit. HR's participation can help improve or develop work processes by providing consultation and support rather than being critical of the processes.

## Workforce Development

In 2017, 359 employees of the Company and our subsidiaries participated in 27 internal training courses and 95 external training courses. Expenses totalled Baht 4.06 million.

Number of Employees in 2017	Number of Trained Employees in 2017	% of Trained Employees	Internal Training	External Training
407	359	88.20	27	95

### **Fostering Relationship between Employees and the Company**

The Company emphasizes on building a continuous relationship with employees. Many activities were organized for employees to choose and participate throughout the year. The Company believes happy employees perform more effectively and results in better relationships with colleagues, the Company and the society, which in turn helps the Company to be successful.

The Company communicates openly and sincerely with its employees. Regular communications are sent via intranet, announcing Company and employee movements as well as providing knowledge, informing them of voluntary employee activities, and allowing them a channel to express their opinion and interact with the Company at any time. In addition, the Company organizes meetings for all employees two times a year, as stated above, to clarify Company policies and guidelines. The meetings also give employees an opportunity to ask questions and propose ideas.

Moreover, sub-committees are formed for employees to engage in addressing internal matters in a proper and suitable manner, benefitting employees and the Company as a whole. Sub-committees include Risk Management Committee, Work Performance Supervision Committee, Employee Welfare Committee, QSHE Committee And Provident Fund Committee.

The Company respects employees' opinion and allows department representatives to participate in meetings to organize activities and the provision of benefits, including the planning of New Year's party, and other festivities.

### **Activities Organized in 2017**

To foster and strengthen closer relationship with employees, many types of activities were created for participation, i.e. birthdates were posted via the intranet so employees can exchange well wishes; for retiring employees, special gifts to express the Company's appreciation were given by senior executives.

#### **January:**

- ◆ Krungsri Asset Management were invited to provide head office staff with provident fund investment information on the part of 'employee choice'.

#### **March:**

- ◆ The first Manager Conference was held to inform the Management Team of the Company's policies, strategic direction, and business performance. Ideas were exchanged to further develop the Company.

#### **April:**

- ◆ Songkran Festival: Rod Nam Dam Hua event is held to preserve the Thai tradition of paying respect and be blessed by elders.

#### **May:**

- ◆ A sandalwood flower making specialist was invited to teach the staff on the art of making these flowers.

#### **July:**

- ◆ The first Staff Meeting was held at the head office to inform the staff on the Company's policies and business performance for the first half of the year.
- ◆ The Board of Directors and the senior management of the Company jointly paid respect and made merit for the late King Bhumibol.

**August:**

- ◆ Staff and family members were vaccinated against a new strain of influenza spreading in 2017.
- ◆ Annual health checkups were provided for staff based on age brackets to track and monitor the condition of their health.
- ◆ A health promotion scheme was launched to support good health based on the result of health checkups. Ten prizes valued at Baht 500.00/prize were given to healthy staff.
- ◆ For Mother's Day, the Company encouraged staff to share 'The Best Thing Done for Mom' on Yammer. Five best stories were selected and awarded Baht 1,000 each to promote family relationship and institution.

**October:**

- ◆ The Company celebrated the 67th anniversary of the Company's founding by giving merit complete with a cake-cutting celebration.

**November:**

- ◆ The second Manager Conference was held to inform the management team of the Company's policies, strategic direction, and business performance. Ideas were exchanged for further development.
- ◆ The second Staff Meeting was held at the head office to inform the staff on the Company's policies and business performance for the last half of the year. Krungsri Asset Management team was invited for the second time to provide head office staff with provident fund investment information on the part of 'Employee Choice'.
- ◆ The Company participated in the 8th 7-man football match competing for Her Royal Highness Princess Soamsawali Football Cup to promote unity, spirit, and health for all staff.



**December:**

- ◆ The Company joined hard with Allianz Ayudhya Assurance PCL to organize 'Do Good for the King' and donated Baht 10,000 to Chai Pattana Foundation.

# REPORT ON GOOD CORPORATE GOVERNANCE PRACTICES



## POLICY ON CORPORATE GOVERNANCE

The Board of Directors has placed utmost importance on the creation of a good system of corporate governance. It is envisioned that business operations be carried out efficiently, with stability and sustainable growth while adding value to the economy. The Company strives toward business prosperity and pays due regard to the interests of stakeholders. The Company bases its operation on the principles of a sufficiency economy, through reason, loyalty, honesty and fairness to all stakeholders with respect to human rights while adhering to the principles of good corporate governance as stipulated by the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC).

In 2017, the Company strictly followed the good corporate governance policy covering these areas:

## RIGHTS OF SHAREHOLDERS

The Company places emphasis on the rights of shareholders. Guidelines have been laid down for the preservation of rights and equality of all shareholders as prescribed by the articles and the Company's Code of Ethics and Conduct as well as not depriving the right of shareholders to review information disclosed as regulated, the right to attend shareholders' meeting - without adding or changing meeting agenda or significant information before giving prior notice, the right to question the Board during the meeting, and without depriving the right to attend the meeting late. Such rights consist of the right to trade or transfer shares, to have the benefit of profits or dividends, to receive adequate news and information on the business, to attend shareholders' meetings and express opinions and cast votes on such matters as electing and removing directors, determining directors' remuneration, and approving the appointment of auditors, transactions that affect the Company and other fundamental rights such as asking or expressing opinion during the shareholders' meeting. These rights are detailed as follows:

- 1. The right to disclosure of information:** The Company has provided for the extensive disclosure of information and performance, as well as related party transactions, and essential information for shareholders to make decisions, in addition to resolutions of the Board of Directors on dividend payments and information about ordinary shareholders' meetings approximately two months in advance. The information is disseminated in both Thai and English as well as through the SCP system of the Stock Exchange of Thailand and the Company's website: [www.ayud.co.th](http://www.ayud.co.th) under 'Investor Relations' section.

The notices of ordinary shareholders' meetings and supporting documents, in Thai and English, are made available on the Company's website 30 days in advance of the ordinary shareholders' meeting date, and before shareholders receive actual meeting documents to allow for adequate time to review the materials.

- 1.1. The right to attend shareholders meeting:** Shareholders have the right to attend the ordinary shareholders' meeting held annually within 120 days of the closing date of the Company's fiscal year at December 31. The meeting is set with adherence to the laws and regulations as applicable, with the use of AGM Checklist and good governance practices. The date, time and venue are scheduled appropriately for the convenience of shareholders, with the meeting date and time set on a business day between 08.00 and 16.00 hours. The meeting venue is in Bangkok or a metropolitan area with convenient transportation; and the Company uses a barcode system and employs officials for convenience of registration, as well as the provision of duty stamps in the case of proxies.



**1.2. Agenda for Appointing/Nominating Director Candidates:**

This covers preliminary information of proposed candidates such as title, name, age, type of director, education, and experience with any potential conflict of interests disclosed. Criteria of appointment of new director and/or re-election of existing directors shall be reviewed by the Nomination & Remuneration Committee with a clear recommendation for shareholders to make a decision.

**1.3. Agenda for considering directors' remuneration:**

This covers the amount and type of remuneration as defined by role or responsibilities of directors. The policy, criteria and methodology in calculating for compensation and other benefits shall pass through the Nomination & Remuneration Committee with a clear recommendation for shareholders to make a decision.

**1.4. Agenda to appoint the auditor and auditing fees:**

This covers the name of auditors, and auditing firms, the independence of the auditors, number of employment by the auditing firms (in case of reappointment) or rationale for changing auditors (in case of appointing new auditors), and the justification for the auditing fee — all of which must be reviewed by the Audit Committee with a clear recommendation for shareholders to make a decision.

**1.5. Agenda to pay dividend:**

This covers the dividend policy, the amount of payment versus the policy, the rationale for not paying dividend as per policy, and a clear recommendation for shareholders to make a decision.



- 1.6. **Other agendas for consideration (if any):** For example — increase/decrease of capital, change of regulations which must accompany by details such as objectives, rationale, or necessity, impact on the Company or shareholders and a clear recommendation for shareholders to make a decision.
- 1.7. To vote by proxy, the Board of Directors encourages shareholders to use proxies for vote casting and for expressing opinion. At least one independent director whom shareholders can appoint as proxy is listed within the notices of ordinary shareholders' meeting.

**The rights of shareholders were exercised with full support from the Board of Directors as evidenced by the Shareholders' Meeting No. 68 held on April 24, 2017, 2.00 PM at The Grand Ballroom 3, The Okura Prestige Bangkok, 57 Wireless Road, Lumpini, Pathumwan, Bangkok 10330 with the following proceedings:**

1. The Company entrusted the Securities Depository (Thailand) Company Limited, the Company's share registrar, to send notices of ordinary shareholders' meeting and supporting documents including the annual report in CD format, containing adequate and complete information, together with the facts and opinions of the Board of Directors for every item on the agenda. The Company also provided proxy forms, downloadable via [www.ayud.co.th](http://www.ayud.co.th) in accordance with the regulations of the Ministry of Commerce. Shareholders who were unable to attend the meeting in person was able to grant proxies to others, or independent directors specified by the Company to attend the meeting on his/her behalf, and cast votes on resolutions. A map of the meeting venue was also provided. These documents allowed shareholders to consider their votes on any item on the agenda within seven days, or at least 14 days in advance. Furthermore, an announcement was made of the notices in a daily newspaper for three consecutive days - at least three days before the meeting date. As the result, shareholders attended the meeting; and the registration of attendance was carried out smoothly at least two hours prior to the meeting. An appropriate reception was also provided.
2. Minority shareholders were provided with the opportunity of proposing agenda to nominate candidates with appropriate qualifications for the Board of Directors as well as submitting their inquiries to the Company prior to the meeting. At the Shareholders' Meeting No. 68, the Company provided for this additional agenda calling for nomination of candidates for the Board of Directors with specific qualifications as announced via [www.ayud.co.th](http://www.ayud.co.th) and the SCP system of the Stock Exchange of Thailand.
3. The Company provided for shareholders who attended the meeting after its commencement, to be entitled to cast votes on the agenda under consideration and not yet decided, and be counted as part of the quorum on the agenda under consideration unless shareholders had a difference of opinion.
4. At the meeting of shareholders, prior to proceeding to the agenda, the Chairman announced the following:
  - 4.1. The number and proportions of shareholders present at the meeting and the number of proxies granted.
  - 4.2. Introduced Board members, senior management and auditors in attendance.
  - 4.3. Provided an explanation on voting and vote-counting procedures. Voting counting for each agenda item was disclosed.
  - 4.4. The Chairman allocated adequate time for the meeting and allowed shareholders equal opportunity to propose, and inquire fully. All questions were answered clearly and direct to the point throughout the meeting. The minutes of the meeting were recorded with resolutions and votes of all stakeholders summarized with transparency and fairness.
  - 4.5. For the agenda on electing Board members, qualifications of the candidates to replace Board members whose tenure were up, were summarized and recorded. Board members were elected individually, with all voting records, agree/disagree/abstain votes, collected.
  - 4.6. The structure of shareholding and ten major shareholders of the Company as at the latest closing date of the Company's Registrar were disclosed. This information is also available for viewing on the Company's website. The Company operates with the aim of creating sustainable growth and provides appropriate rate of returns for shareholders.



- 4.7. The Board of Directors placed utmost importance on attending the annual shareholders' meeting and fully attended the meeting to provide information to shareholders and answered all inquiries directed by shareholders.
- 4.8. In 2017, the Company set the Shareholders' Meeting No. 68 on April 24, 2017 with all supporting documents sent 14 days in advance to provide shareholders with adequate information on all items of the agenda for voting. Altogether, 11 Directors attended the meeting including the Chairman of the Board, Chairman of the Audit Committee, President & CEO, Managing Director, Sub-Committee Members, and the Company's independent auditors. The barcode system was used to register attendance and votes. All shareholders records were kept in the Company's database and may be audited at a later date. The entire Meeting was also video-recorded and may be viewed via [www.ayud.co.th](http://www.ayud.co.th).

For 2018, The Board of Directors has set the date for the next Shareholders' Meeting No. 69 on April 20, 2018, 14.00 hours, at The Grand Ballroom, The Okura Prestige Bangkok, 57 Wireless Road, Lumpini, Pathumwan, Bangkok 10330. The notice calling the meeting and relevant documents were disseminated through the Company's website, [www.ayud.co.th](http://www.ayud.co.th) where shareholders could obtain the information a month in advance. Again, the barcode system for registration of attendance and votes will be used as well as the video-recording of the entire meeting.

## **EQUITABLE TREATMENT OF SHAREHOLDERS**

The Company believes in equitable treatment of shareholders, whether Thais or foreigners. The Company sends notice calling the meeting and support documents, and proxy forms in Thai and English. Shareholders are enabled to participate in the deliberations and cast their votes in accordance with the Company agenda. The right to vote at the meeting is in accordance with the number of shares held, with one share equalling one vote.

The Company will not add any agenda items to the shareholder meeting without prior notice and will convey the information at the meeting pursuant to the notice so that shareholders can consider items before making a decision. In cases where a shareholder cannot attend the meeting, the Company provides him/her with a proxy form attached to the notice calling the meeting so such shareholder can authorize another person or the Chairman of the Audit Committee or an independent director to exercise rights on their behalf.

In protecting the rights of minority shareholders, the Company provides the opportunity for minority shareholders to propose meeting agenda, nominate director candidates with appropriate qualifications for directorship as well as submit their inquiries in advance. Prior to sending out the annual general meeting of shareholders meeting notice, the Company shall set the clear procedures on how these rights are to be exercised, i.e. the time period for exercising these rights, qualifications of shareholders with rights to propose agenda/nominate director candidates, with documents, and details for review, channels to propose agenda, procedures for consideration, and channels to provide result of the consideration with rationale by the Board of Directors — all to appear on the Company website: [www.ayud.co.th](http://www.ayud.co.th).

Votes are cast openly, and ballot papers are provided for every item on the agenda. Shareholders have the opportunity to vote as they see fit. Ballots are collected in cases of disapprovals or abstentions for each item. The results are then aggregated and processed with the total number of votes in attendance at the meeting. Before announcing the final votes at the resolution of the meeting, the Company summarizes the results and displays them on a screen for all shareholders to acknowledge simultaneously at the meeting. In addition, for transparency, the ballots are kept at the head office in Bangkok, and are open to inspection after the conclusion of the meeting. Minutes of the meeting are recorded accurately and comprehensively and signed by the Chairman who presides over the meeting. Such minutes are sent to the Stock Exchange of Thailand within 14 days of the date of the Annual General Shareholders Meeting. Publication is also made on the Company's website in both Thai and English to provide a channel for shareholders to acknowledge and examine information without having to wait for the next meeting. The documents are sent to the Ministry of Commerce within the deadline prescribed by law. All private

data is internally controlled as stipulated in writing in the Company's handbook on Code of Ethics and Conduct. Directors, executives, and other employees involved with internal data, are forbidden to trade the Company's securities within one month prior to the disclosure of the Company's financial statements to the public. If a trade occurs, it must be reported to the Company and the Securities and Exchange Commission within three business days of the date of the trade. The updated information of securities held by Directors, executives and external auditors will be reported to executives at the board meeting.

The Company discloses information on shareholding structure and shares held by the Board in the annual report. Company by-laws allow the right to vote at the meeting on the election of directors in accordance with the number of shares held, with one share equalling one vote. A resolution of the Board of Directors must be passed by majority vote. In casting votes at a general meeting, if number of votes are even, the Chairman of the meeting retains the right to one additional vote as the decisive vote.

Prevention of the misuse of insider information: The Company sets a policy for the directors of the Company to disclose shareholding and comply with the announcements of Securities & Exchange Commission (SEC), Section 59 of the Securities & Exchange Act B.E. 2535 (1992) requiring directors of the Company, including their spouses and minor children, to report any change in their securities holding within three business days from the date of such change, and send copies of these reports to the Company Secretary to submit to the Board of Directors. The Board is also aware of the penalties for violations of the regulations. Complete information on the shareholding of the Company's directors is also disclosed in the Company's annual report.

In addition, the Company prohibits directors, executives, staff, related persons including minor children, and related parties having the access to the Company's information from using inside information or non-public information that may have impact on the change in securities value from trading one month before disclosing the financials to the public; and in the event of buying, selling, and/or transfer (to-and-from) of the Company's securities, persons involved must report the transaction to the Securities & Exchange Commission (SEC) within three business days from the date of such change, and send copies of these reports to the Company Secretary to submit to the Board of Directors. New directors of the Company are required to declare securities holding to the SEC as well. For the past year, the Company declares no insider trading by directors, executives, and staff.

The Company oversees the use of the insider information via Code of Ethics and Conduct which declares the policy, expected behavior, and regulations as well as monitoring of compliance by all.

## **ROLE OF STAKEHOLDERS**

The Company is determined to conduct its business with equitable treatment to all stakeholders and recognizes the rights of various groups of stakeholders as described below. The Code of Ethics and Conduct further stipulates moral and legal obligations by the management and staff to be protected with fairness for all concerned. The legal and other relevant regulations on the rights of the aforementioned stakeholders are rigorously followed in order to bring about sustainable growth in business as well as social benefits and value.

The Company sets and discloses the policies as well as measures to deal with each group by observing their rights in accordance with the laws or as per agreement with the Company and will not act in any way to violate their rights.

Shareholders: The Company is focused on growing the business through building long term value of the Company for better returns. Dividend payments are based on the result of the business as well as the economic position as prescribed by the Company's dividend policy.

**Customers:** The Company delivers services to customers with integrity and fairness. The Company provides communication channels for customers whether for inquiries or for complaints, via office phone number 02-657-2970, investment inquiries may be directed to the Company Secretary at (622) 657-2970 and e-mail: info@ayud.co.th.

**Employees:** The Company considers human resource as the core asset essential in driving the Company toward its business targets. Human resource policies, together with the Code of Ethics and Conduct guideline specifically provide guidance on fair treatment, in terms of opportunity, remuneration, appointments and transfers, as well as the importance of supporting the development of the potential and competence of employees at all levels. The working knowledge and skills of employees are enhanced through continuous training and potential is developed toward leadership. Employees are also encouraged to participate in determining the direction of operations so as to reach a unified vision. The working culture and environment are consistently maintained in a manner that is safe for the life, health and property of employees. Regarding health, hygiene and safety of the workplace, measures have been implemented along with sufficient and appropriate vocational health and environmental measures to avoid loss of life from accidents and prevent injuries and illnesses as a result of work. Welfare benefits such as annual health check-ups, a provident fund and an old-age retirement pension are provided. Appropriate remuneration is provided based on individual achievement as well as the Company's results. And, in order to ensure that all employees adhere to good corporate governance, the Company has set a policy for this important foundation in The Code of Ethics and Conduct which clearly stipulates the expected behavior and penalties for non-compliance.

Furthermore, employees are given opportunity to participate in various internal management matters via sub-committees i.e. risk management, corporate governance, welfare and provident funds, for mutual benefits.

**Partners:** The Company treats all partners with fairness and integrity; and partnerships are based on mutual benefits and avoidance of possible conflicts. Trade contracts and agreements are respected. Additionally, the Company has a clear written policy specified in the Code of Ethics and Conduct on dealing with entertainment and gifts, participating in activities and/or events; and the manner in which supplier/customer relationship should be handled. The policy is described in detail to ensure a clear understanding among the management and employees on rules, regulations, and expected behavior requiring strict compliance.

**Competitors:** The Company adheres to sound and fair competitive practices and avoids any dishonest practice to destroy competition. Competition is viewed as an impetus to drive the development of innovative products and improve customer service. The Company has a strict policy to comply with the laws and regulations pertaining to competition and reference the laws as a guideline in setting measures on compliance.

**Creditors:** The Company recognizes the importance of upholding responsibilities toward all creditors, and adhering strictly to the agreed terms; and fosters an environment of mutual respect and trust and is determined not to violate their rights. In addition, the Company shall consider and manage liquidity of the Company so as to be prepared to pay debts immediately and timely in accordance to the agreed terms as well as for emergencies even in cases of encountering liquidity setback.

**Social, Community, and Environment:** The policy on CSR framework is developed for use as a guideline in developing programs for implementation. Employees receive training to build their awareness in the areas of environment and resource preservation. CSR in-process and after-process guidelines are applied to programs to support the society in which we operate in order to help improve lives and living conditions. This policy goes hand-in-hand with the way we operate our business.

**Government:** The Company operates under lawful practices, maintains a transparent working relationship and cooperates with government agencies on requests for information. Policies are set up with strict directives on working with the government.

## ANTI-CORRUPTION PRACTICES

Subsequent to receiving a three-year membership certification from Thailand's Private Sector Collective Action Coalition or CAC on January 22, 2016, as a part of ongoing practice, the Company regularly reviews, considers, and improves anti-corruption measures to keep current appropriate guidelines and strict adherence.

In addition, the Company assessed corruption risks in all procedures and has made improvements to the policy and strategy in managing and preventing and/or reducing such risks with measures on how to prevent, reduce, monitor suspicious activities in the Company and subsidiary to ensure and protect the Company from possible damage that may result.

The Company sets compliance measures to regulate, prevent, and monitor risks from corruption under anti-corruption guidelines on internal controls and records. The Internal Audit Department is responsible for auditing all departments including review of internal systems and procedures, accounting procedures, record-keeping, financial transaction records, and related documents, as well as compliance measures on anti-corruption and prepare reports to the Audit Committee, the management and the audited department. Summary of findings for all departments are submitted on quarterly basis to the Audit Committee. In case the Internal Audit Department finds any irregularity on internal controls or any business activity that violates any law or regulations on anti-corruption, it must be reported immediately to the senior management, the Audit Committee and the Board of Directors. In addition, any employee or individual may report any issue pertaining to internal controls or any business activity that violates laws or regulations on anti-corruption to the senior management, the Audit Committee and the Board of Directors via complaint channels as prescribed herein. The management regularly reports their findings on the anti-corruption compliance to the Audit Committee. When the management receives a report on a possible fraud/corruption case, an investigation proceeds. Once findings are concluded, the result of the investigation shall immediately be reported to the Audit Committee.

The Audit Committee are assigned by the Board of Directors to oversee policies, review measures, related internal controls, and report on the compliance of the anti-corruption. Reports on sufficient and effective measures taken on anti-corruption from senior management, corruption cases, audits from Internal Audit Department, and external reports from independent sources on anti-corruption measures are regularly submitted with recommendations to the Board of Directors and the management. Additionally, the Audit Committee assesses the risks involved and provides recommendations to the Board, and the management to mitigate these risks.

The Company sets out to provide information and training programs on anti-corruption, prevention and suppression of money laundering via internet as follows:

- ◆ AML/CFT compliance preparation and readiness
- ◆ Policy and guidelines on anti-corruption and anti-money laundering and Counter-Terrorism Financing (AML/CFT) for new employees
- ◆ Anti-Money Laundering Act, and Anti-Terrorist Financing Act

In addition, the Company has published the Code of Ethics and Conduct handbooks for distribution to all employees of the Company and subsidiary with receipt of acknowledgement. Within the handbook, the policies are defined, examples are given, and penalties specified for non-compliance. The Company places the importance on compliance of these policies and thus have assigned sub-committees to oversee, review, and monitor activities within the Company and subsidiary to ensure adherence to related laws and regulations. All employees are responsible to comply with the policies and measures as set forth.

Additional measures on anti-corruptions are included in the Code of Ethics and Conduct handbook, these are:

- ◆ Fraud Prevention Guidelines: As a part of good corporate governance practice, the Company communicates to employees the importance of proper conduct to ensure the Company's stability, and acceptance from all stakeholders.
- ◆ Whistle Blower Policy: The management and employees are responsible to report any suspicious activity or non-compliance to laws, regulations, ethics, and Company's regulations which may be sensitive to the Company's reputation. Any employee with the knowledge of such activities may report them to Chairman of the Audit Committee via Mrs. Paporn Pinyayodilokchai, Senior Vice President, Internal Audit Department at Sri Ayudhya Capital PCL, 7th floor, Ploenchit Tower, 898 Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330

Anyone with information on suspicious business activities may report directly to the Chairman of Audit Committee, via Internal Audit Department, Sri Ayudhya Capital PCL, 7th floor, Ploenchit Tower, 898 Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330. The policy specifies procedures to handle complaints which may involve an offence. The Chairman of the Audit Committee shall investigate each complaint and make a recommendation to the President & CEO to take disciplinary actions as appropriate. An investigative committee may be formed to review the case based on the criteria specified by the Company. The anti-corruption policy also stipulates that employees giving information and/or evidence of fraud shall receive protection. This protection extends to any employee who also refuses to accept a bribe which might lead to the Company losing a business opportunity as the result.

In addition, the Company has established other policies as related to anti-corruption such as corporate governance, fair employment practices, working with the government, working with non-profit organizations and social contributions, competition, insider trading, conflict of interest, privacy, supplier relationship, copyrights, sanctioned countries and specially designated nationals, environment, public health and safety, potential fraud reporting — all of which are detailed in print for employees and disclosed on the websites of the Company and subsidiary.

During 2017 the Company conducted anti-corruption training programs incorporating the information online for the subsidiary and branch employees to study and tests were administered. In addition, new employees were trained on the policy so that proper conduct and compliance can be expected. The Company promotes the understanding via activities that cultivate and reinforce honesty.

In communicating with stakeholders, the Company provides additional channels of contact so that recommendations, comments, rights violations, or complaints may be heard. These may be directed to the Board of Directors, via Company Secretary Ms. Jiratcha Ruplek, Sri Ayudhya Capital PCL, 7th floor, Ploenchit Tower, 898 Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330 and/or at tel 02-657-2970 and/or via email: [jiratcha@ayud.co.th](mailto:jiratcha@ayud.co.th).

\* Number of employees included replacements.

## DISCLOSURE AND TRANSPARENCY

The Board of Directors is responsible for financial statements and financials on electronic means as specified in the annual report. The financial statements have been prepared in conformity with the generally accepted Thai accounting standards and practices, and the appropriate accounting policy is used regularly. Also, significant disclosure has been revealed in a section of Notes to the Financial Statements herein. The Board of Directors appointed an Audit Committee comprised of Non-Executive Directors and Independent Directors to be responsible for the quality of financial statements and the internal control system.

The Company gives importance to internal control including financials, operational procedures, and compliance. The Internal Audit Department is responsible for maintaining that systems and standard procedures are followed as detailed in the Internal Control Section.

The Board of Directors is satisfied that internal controls are sufficient to provide confidence in the reliability of the financial statements as of December 31, 2017.

The Company has set clear policies on risk management assessing major risk factors such as strategic/operational risks, investment risks, liquidity risks, financial risks, fraud and corruption risks, laws and regulations risks, credit term risks, and dependency on volume customer risks - details of which are explained in the Risk Factors Section.

The Board of Directors attends to the disclosure of the Company financial and general information correctly and transparently with emphasis on the policies mandated by the Securities and Exchange Commission and the Stock Exchange of Thailand.

The Company upholds a policy that stipulates for directors and executives to acknowledge in the writing the notification of the Securities Exchange Commission (SEC) requiring directors and executives of the Company to report any change in their securities holding to the Office of the Securities Exchange Commission within 3 days from the date of such change and penalties for failure to comply. This is in compliance with Section 59 of the Securities Exchange Commission Act 1992. In addition, a copy of such report must be provided to the Company Secretary to consolidate and summarize to the Board of Directors; and disclose in the annual report.

### **Report on the Change in Securities Holding of Directors and Executives of the Company**

The Company discloses the change in securities holding, both direct and indirect, of directors and executives of the Company as defined by the Securities Exchange Commission (SEC) including the amount of securities holding by related persons under Section 59 and 258 of the Securities Exchange Commission Act. Details of securities holding as of December 31, 2017 compared with 2016 are as follows:

No.	Directors and Executives	Position	Number of Shares Held as of December 31, 2017	% of Holding	Number of Shares Held as of December 31, 2016	% of Holding	Change +/- in 2017
1.	Mr. Veraphan Teepsuwan	Chairman	-	-	-	-	-
	Spouse and children under legal age		-	-	-	-	-
2.	Mr. Surachai Prukbamroong	Chairman of the Audit Committee	-	-	-	-	-
	Spouse and children under legal age		-	-	-	-	-
3.	Mr. Metha Suvanasarn	Member of Audit Committee, Chairman of Nomination and Remuneration Committee	-	-	-	-	-
	Spouse and children under legal age		-	-	-	-	-
4.	Mr. Vichit Kornvityakoon	Member of Audit Committee, Chairman of Corporate Governance Committee	-	-	-	-	-
	Spouse and children under legal age		-	-	-	-	-
5.	Mr. Suwat Suksongkroh	Independent Director	32,500	0.013	32,500	0.013	-
	Spouse and children under legal age		-	-	-	-	-
6.	Ms. Nopporn Tirawattanagool	Director, member of Nomination and Remuneration Committee	-	-	-	-	-
	Spouse and children under legal age		-	-	-	-	-
7.	Mr. Virojn Srethapramotaya	Director	-	-	-	-	-
	Spouse and children under legal age		-	-	-	-	-
8.	Mr. Bryan James Smith	Director, member of Nomination and Remuneration Committee	-	-	-	-	-
	Spouse and children under legal age		-	-	-	-	-
9.	Dr. Laksna Thongthai	Director	-	-	-	-	-
	Spouse and children under legal age		-	-	-	-	-
10.	Mr. Rowan D'Arcy	President & CEO	-	-	-	-	-
	Spouse and children under legal age		-	-	-	-	-
11.	Mr. Chusak Salee	Director	6,000	0.002	6,000	0.002	-
	Spouse and children under legal age		31,000	0.012	37,000	0.015	(6,000)
12.	Ms. Orathai Rongthongaram	Executive Vice President, Accounting Department	10,000	0.004	10,000	0.004	-
	Spouse and children under legal age		-	-	-	-	-
13.	Ms. Jiratcha Ruplek	Senior Vice President, Company Secretary	-	-	-	-	-
14.	* Ms. Anyamanee Jotikasthira	Senior Vice President, Administration	-	-	-	-	-
	Spouse and children under legal age		-	-	-	-	-

\*Appointed on March 28, 2016

Significant information for investors and the public may also be found on the Company website: [www.ayud.co.th](http://www.ayud.co.th), for investment - under Investor Relations section. Inquiries may be directed to the Company Secretary, Ms. Jiratcha Ruplek, at 02-657-2970 or [jjiratcha@ayud.co.th](mailto:jjiratcha@ayud.co.th).

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS

### 1. STRUCTURE OF THE COMPANY'S BOARD OF DIRECTORS

The Board of Directors functions responsibly based on the Company's objectives and by-laws, with participation in setting the policies for directors of the Company, disclosing securities in holding, considering and approving vision, goal, business plan and budget as well as monitoring business performance to ensure effectiveness and alignment with plan in the best interests of the Company and its shareholders annually. The appointment of directors are made in accordance to the Company's regulations and resolutions of the shareholders meeting. Additionally, the Company sets the management structure with clear division of responsibility between the Board of Directors and the management with details as follows:

- 1.1. The Chairman of the Board is not the same person as the President & CEO and the managing director. The division of authority and power is clearly set in accordance with the corporate governance and Company management structure. As of December 31, 2017, the Company has 11 members on the Board of Directors: 1 executive director, 6 non-executive directors, and 4 independent directors, or 36.36% of the Board of Directors. The Company is confident that the executive directors, non-executive directors and independent directors will independently perform and approve policies in the best interests of the Company. Moreover, each of the directors was trained and passed courses held by the Institution of Directors (IOD).
- 1.2. The Company appoints the Nomination & Remuneration Committee which is responsible for recruiting qualified directors in accordance with the laws and related regulations, by-laws, and good corporate governance practices. Qualifications of directors include experience and competence in diversified fields that may benefit the Company, possess vision, ethics and transparency, good work record and able to express opinion independently. The Board considers candidates without discrimination on gender as defined in the policies on diversity of the Board. The role and responsibilities of appointed committee members and sub-committee members are clearly defined, with the President & CEO as the head of the executive team responsible to the Board of Directors for the business operations and performance in accordance with the Board of Directors charter.
- 1.3. Terms of Directors: The term of office of the Board of Directors is specified in the by-laws of the Company and adheres to the Public Limited Company Act 1992. When a term expires, the Board member may be re-elected by the shareholders meeting resolution and/or the resolution of the Board of Directors. The Company does not restrict the age of its Board of Directors as it believes that the expertise and experience in business overrides the age factor.
- 1.4. Definition & Qualifications of Independent Directors: In compliance with the minimum requirements of the Securities and Exchange Commission and the Stock Exchange of Thailand, an Independent Director is a director who can express his/her opinions freely with an aim to improving the management of the organization and leading it toward progress, transparency and good governance. The qualifications of an Independent Director are as follows:
  - 1.4.1. Holding shares not exceeding 0.5 percent of the total number of voting rights of the company, its parent company, subsidiary, affiliate, principal shareholder or controlling person of the company, including the shares held by related persons of the independent director.
  - 1.4.2. Neither being nor having been an executive director, employee, staff, or adviser who receives salary, or a controlling person of the company, its parent company, subsidiary, affiliate, same-level subsidiary, principal shareholder or controlling person of the company, unless the foregoing status has ended not less than two years prior to the date of company filing with the Securities and Exchange Commission and the Stock Exchange of Thailand; however, the prohibition excludes independent director who was government officer or adviser of the government agencies that are major shareholder or controlling person of the company.
  - 1.4.3. Not being a person related by blood or registration under laws, such as father, mother, spouse, sibling, and child, including spouse of the children to executives, major shareholders, controlling persons, or persons to be nominated as executive or controlling persons of the company or its subsidiary.
  - 1.4.4. Not having a business relationship with the Company, its parent company, subsidiary, affiliate, major



shareholder or controlling person of the Company, in the manner which may interfere with his independent judgment, and neither being nor having been a principal shareholder or controlling person with any business relationship with the Company, its parent company, subsidiary, affiliate, major shareholder or controlling person of the Company unless the foregoing relationship has ended not less than two years prior to the date of company filing with the Securities and Exchange Commission and the Stock Exchange of Thailand. The term business relationship aforementioned under paragraph one includes any normal business transaction, rental or lease of immovable property, transaction relating to assets or services or grant or receipt of financial assistance through receiving or extending loans, guarantee, providing assets as collateral, including any other similar actions, which result in the Company or his counterparty being subject to indebtedness payable to the other party in the amount of three percent or more of the net tangible assets of the Company or Baht 20 million or more, whichever is lower. The amount of such indebtedness shall be calculated according to the calculation method for value of connected transactions under the Notification of Capital Market Supervisory Board concerning rules on connected transactions mutatis mutandis. The combination of such indebtedness shall include indebtedness taking place during the course of one year prior to the date on which the business relationship with the person commences.

- 1.4.5. Neither being nor having been an auditor of the Company, its parent company, subsidiary, affiliate, major shareholder or controlling person of the Company, and not being a principal shareholder or controlling person, or partner of an audit firm which employs audits of the Company, its parent Company, subsidiary, affiliate, major shareholders or controlling person of the Company unless the foregoing relationship has ended not less than two years from the date of the Company on filing with the Securities and Exchange Commission and the Stock Exchange of Thailand.
  - 1.4.6. Neither being nor having been any professional adviser including legal adviser or financial adviser who receives an annual service fee exceeding Baht two million from the Company, its parent Company, subsidiary, affiliate, major shareholders or controlling person of the Company, and neither being nor having been a principal shareholder, controlling person or partner of the professional adviser unless the foregoing relationship has ended not less than two years from the date of the Company filing with the Securities and Exchange Commission and the Stock Exchange of Thailand.
  - 1.4.7. Not being a director who has been appointed as a representative of the Company's director. Major shareholder or shareholders who are related to the major shareholder.
  - 1.4.8. Not operating any business which has the same nature as and is in significant competition with the business of the Company or subsidiary, or not being a principal competition in any partnership, or not being an executive director, employee, staff, or adviser who receives salary; or holding shares not exceeding 0.5 percent of the total number of voting rights of any other company operating business which has the same nature as and is in significant competition with the business of the Company or subsidiary.
  - 1.4.9. Not having any characteristics which make him incapable of expressing independent opinions with regard to the Company's business affairs.
- 1.5. The companies in which directors hold positions are disclosed in Form 56-1 and in the annual report. At present, the Company is assured that there are no negative effects arising from directors holding other positions in other listed companies and that all directors have sufficient time allocated for the Company's matters with all attending meetings regularly to the benefit of the Company. The Company sets a limit on directors holding up to 5 positions in other listed companies.
- 1.6. Aggregation and Delegation of Authority: The Chairman of the Board is not the same person as the President & CEO or managing director, with no relation to anyone on the executive team. Although the Chairman of the Board is not an independent director, the person is a non-executive director and performs duties with independence; the same goes for all directors in the committees in that everyone functions with independence. The Board meets for annual assessment of the CEO referencing Target Letter Result which is disclosed in the annual report. The Company believes that the Chairman places the importance on good corporate governance practices, understands its principles and is in support of strict implementation.

1.7. Company Secretary: According to The Securities and Exchange Act of 2008 Section 89/15, a resolution was passed at Board of Directors Meeting No. 4/2008 held on 15 August 2008 to appoint Ms. Jiratcha Ruplek as Company Secretary. Appropriate training courses such as Company Secretary Program (CSP 28/2008), Effective Minute Taking (EMT 12/2008), Board Reporting Program (BRP 12/2013), Company Reporting Program (CRP 7/2013), Corporate Governance for Executive (CGE 7/2016), and CGR Workshop 1/2017 were undertaken. Qualifications are:

**Qualifications:**

- 1.7.1. Must have the understanding of role and responsibilities of Company Secretary including the role of Board of Directors, and knowledge of related laws and regulations. Develop knowledge continually to be effective in the role.
- 1.7.2. Must have the knowledge and understanding of the Company's business and operation including that of subsidiaries.
- 1.7.3. Must not exploit the Company's business opportunity for personal gain, and must be able to keep confidential information.
- 1.7.4. Ethical and considers all stakeholders, and must not do anything to damage the company's reputation and imagery.
- 1.7.5. Perform duties with responsibility and honesty; support the company work to achieve the objectives with corporate governance and code of ethics.

**Scope and responsibilities:**

- 1.7.6. To arrange the Annual Shareholders Meeting and Board of Directors Meeting and be in compliance with the rules and regulations of the Company.
- 1.7.7. To serve the Board of Directors in providing legal advice, taking care of the activities, and monitoring compliance with resolutions. To advise on rules, regulations and guidelines that should be acknowledged and complied with by the Board of Directors. To prepare minutes of the meeting, and follow up on Board resolutions.
- 1.7.8. To prepare minutes of the meeting, and follow up on Board resolutions in compliance with the rules and regulations of the Company.
- 1.7.9. To produce and keep safe the annual reports, letters to shareholders to attend shareholders meeting, and letters to Board of Directors, and resolutions.
- 1.7.10. Keep safe the stakeholders transaction reports by Directors and management, and make copies to Chairman and Audit Committee Chairman within 7 days from the date of the report.
- 1.7.11. Manage the disclosure of information and information technology as related to the regulating agencies and in accordance to their terms.
- 1.7.12. Communicate with shareholders to inform rights and updates.
- 1.7.13. Oversee the activities of the Board of Directors.
- 1.7.14. Any other work as regulated by the SEC.

## **2. ROLES, CHARTERS AND RESPONSIBILITIES OF COMMITTEES**

2.1. The Board of Directors is comprised of members with knowledge, expertise and experience in the core business of the Company. The Board sets the vision, mission, strategies, goals, annual operating plan and budget for the utmost efficiency of operations and to achieve Company targets. The Board monitors the performance of the executives to assure compliance with operating plans, and stipulates and separates roles, duties and responsibilities among its members, the executives, employees and relevant persons. The Board entrusts the Audit Committee to supervise the performance of the Internal Control Department and sets the internal control system to assure that it is sufficient. In addition, the Board monitors risk management and applies the principles of good corporate governance to add value to the business and shareholders. In order to achieve the leadership and vision of the Board in terms of knowledge, competence and capabilities, the Company encourages the Board to participate in seminars and training programs that are useful in the performance of its duties.

2.2. Corporate Governance: The Board of Directors appreciates the importance of corporate governance and best practices of listed company directors, and continually undertakes measures to enhance the efficiency, effectiveness and transparency of the organization's operating systems. The Company seeks to engender the trust and confidence of shareholders, investors and the general public, which in turn will promote the advancement and stability of the business and consequently confer benefits upon shareholders, interested persons and the society as a whole as well as enhance the prospects of the Company's employees. Hence, the Company has issued the revised Code of Ethics and Conduct handbooks to all directors, executives and employees which has been approved by the Board of Directors. Details of the handbook are disclosed fully on the Company website.

The Board of Directors has established the policy on corporate governance as follows:

- 2.2.1. Procedures should be implemented to ensure that the Company's management structure has a clear scope of the mandates, functions and responsibilities of each committee and executive.
  - 2.2.2. Procedures should be implemented to assure confidence that financial statements accurately reflect the Company's performance and appraisals, and that prescriptions and measures are imposed to prevent and maintain risks at appropriate levels.
  - 2.2.3. Procedures should be implemented to assure confidence that the Company's various processes are efficient and effective subject to checks and balances that ensure transparency and accountability.
  - 2.2.4. Procedures should be implemented to eliminate conflicts of interest, with the Company's interests the initial consideration. For this reason, a transparent operating system must be utilized.
  - 2.2.5. Procedures should be implemented to disclose accurate and complete data to the extent it does not prejudice the legitimate interests of the Company.
  - 2.2.6. The Company's objective is business excellence on the basis of customer satisfaction by having an open mind to suggestions and performing self-assessments to ensure continued exciting innovations.
  - 2.2.7. Employees are trained in ethics and morals along with the development of their career potential.
  - 2.2.8. The ownership status of the shareholder is appreciated and respected along with the rights of every interested person. Treatment of such persons is equitable.
  - 2.2.9. Business is undertaken with the awareness of accountability to shareholders, interested persons and society as a whole.
  - 2.2.10. Business is undertaken with an appreciation of environmental responsibility.
  - 2.2.11. Related party transactions must be conducted in compliance with good corporate governance practices as well as the laws, regulations and other applied restrictions. These transactions are reviewed and approved by the Board of Directors or through the shareholders meeting.
- 2.3. The Company issues the Code of Ethics and Conduct handbook for the Board of Directors, executives and employees to adhere to as a guideline in dealing with all stakeholders such as shareholders, customers, employees, creditors, society and the environment, and competitors for the purpose of attaining the utmost good faith, honesty and fairness in its operations. This handbook is also made available on the Company's intranet and website.
- 2.4. The Board of Directors has a clear guideline in managing conflicts of interest for the maximum benefit of the Company and shareholders. In entering into such a transaction, at the meeting, the Company must disclose the transaction, value, parties concerned, the reasons for such a transaction, in accordance with the regulations of the Stock Exchange of Thailand. Directors with conflicts of interest are not allowed to participate or vote on the particular agenda for impartiality and the information must be disclosed promptly for transparency.
- 2.5. The Board of Directors places the importance on the internal control of financial operations, business performance and corporate governance, including the computer system. Accordingly, an internal audit Department was established to monitor these controls and provide recommendations directly to the Audit Committee, as well as report annually to assure confidence that these controls follow the stipulated guidelines, are effective and independent, and fulfil the functions of monitoring and balancing. Both the Board of Directors and the Audit Committee concur that the Company has a proper and adequate internal control system, as shown in the Audit Committee Report included in the annual report and Form 56-1.

- 2.6. The Board of Directors recognizes the importance of managing risk factors in the organization and has designated the Executive Committee to establish a risk management committee to manage these factors by overseeing business activities including processes to reduce and minimize potential damages that could arise to an acceptable level; and to have in place sustainable measures to control, assess, and review systems and procedures as per the Company's objectives. Scope of risks covers the following:
- 2.6.1. Strategic risks;
  - 2.6.2. Financial risks, classified into market fluctuation risks, corruption and credit control risks;
  - 2.6.3. Operational risks: The management assesses risk and regularly reviews any significant risk mitigation to ensure that the Company can prevent and handle incidents in a timely manner. The Risk Management Committee continually raises the issue of risk awareness and provides reports to management and employees.
  - 2.6.4. The Company has a Business Continuity Plan and conducts annual virtual tests with staff members to minimize any disruption to its operations.
  - 2.6.5. The Risk Management Committee consists of executives of each department and division. The scope of its functions has been prescribed with a view to jointly implementing a more systematic and efficient risk management system. These operations commenced in 2008.

### **3. BOARD MEETINGS**

Board of Directors Meetings are normally scheduled not less than once every quarter. The agenda and minutes of the previous meeting, together with supporting documents, are submitted to Board of Directors seven days in advance to enable directors to undertake adequate considerations and studies of the information prior to attending the meeting. The exception is when there is an emergency relating to the protection of Company interests, in which case less than seven days' notice may be given. The duration of each meeting is approximately two hours. During the meeting, directors are allowed to express opinions openly and freely, and the Company chairman will consolidate the opinions and conclusions reached. Directors having an interest must leave the meeting during the consideration of such matter, which must subsequently contain half of the Board of Directors. All meetings are attended by the Board Secretary in order to record and take minutes, which will be approved by the meeting and verified by the Company Chairman and Board Secretary.

Board of Directors Meetings are scheduled five times annually. If there is an emergency, additional meetings may be called.

The Audit Committee, President, Managing Director, Accounting Department Manager and internal audit units schedule regular joint meetings with the Company auditor quarterly.

In a meeting of the Board of Directors, if there is query, or additional information is required from relevant persons, the President/Managing Director will invite the appropriate high-level executive officers to give explanations if applicable. Moreover, the Board of Directors has delegated to the President the task of scheduling meetings of the Executive Committee at least once a month. Additional meetings may, however, be called in cases of emergency.

The Board of Directors has also delegated to the President the task of scheduling meetings of the Corporate Investment Committee, accompanied by an investment adviser, quarterly. Additional meetings may be called in cases of emergency.

Minutes of Board meetings and meetings of sub-committees are recorded in writing and the originals filed at the Company's head office for the convenience of reference by the Board of Directors and relevant persons.

### **4. SUB-COMMITTEES**

The Board of Directors has appointed six sub-committees: Audit Committee, Nomination & Remuneration Committee, Executive Management Committee, Corporate Investment Committee, Corporate Governance Committee, and Risk Management Committee. Certain sub-committees are not comprised entirely of independent members, but of non-executive directors, executive directors and independent directors. All members are qualified persons who possess an understanding of the roles and charters of Company Directors and sub-committee members. Charters are discharged

responsibly, loyalty, honestly, fairly, prudently, diligently and independently. It is believed that all committee members understand and strictly adhere to these principles and the structures of each committee are accepted by shareholders.

#### Sub-committees Meeting Attendance during 2017-2016

Name of Sub-committee	Name	Attendance 2017	Attendance 2016
Audit Committee	1. Mr. Surachai Prukbamroong	7/7	7/7
	2. Mr. Metha Suvanasarn	7/7	7/7
	3. Mr. Vichit Kornvitayakoon	7/7	7/7
Nomination & Remuneration Committee	1. Mr. Metha Suvanasarn	5/5	6/6
	2. Ms. Nopporn Tirawattanagool	5/5	6/6
	3. Mr. Bryan James Smith	4/5	6/6
Executive Committee	1. Mr. Rowan D'Arcy*	4/4	12/12
	2. Mr. Arnon Opaspimoltum**	6/6	-
	3. Ms. Orathai Rongthongaram	12/12	5/5
	4. Mrs. Apiradee Kanjanarat	12/12	5/5
	5. Mr. Issra Choovisit	12/12	5/5
Corporate Investment Committee	1. Mr. Rowan D'Arcy*	3/3	5/5
	2. Mr. Arnon Opaspimoltum**	2/2	-
	3. Mr. Bryan James Smith	5/5	5/5
	4. Mr. Surajak Kotikula	5/5	4/5
	5. Ms. Orathai Rongthongaram	5/5	1/1
Corporate Governance Committee	1. Mr. Vichit Kornvitayakoon	4/4	4/4
	2. Ms. Orathai Rongthongaram	4/4	4/4
	3. Mrs. Apiradee Kanjanarat	4/4	4/4
	4. Mrs. Paporn Piyayodilokchai	4/4	4/4
	5. Ms. Jiratcha Ruplek	4/4	4/4
Risk Management Committee***	1. Mr. Rowan D'Arcy*	-	11/12
	2. Mr. Arnon Opaspimoltum**	1/1	-
	3. Ms. Orathai Rongthongaram	2/2	12/12
	4. Mr. Satja Jungnitnirandr	-	10/12
	5. Mr. Sakrapee Sungkhapun	-	8/12
	6. Mr. Virat Luangaram	-	10/12
	7. Mr. Pirat Wongsaisuwan	-	7/12
	8. Mrs. Paporn Piyayodilokchai	-	11/12
	9. Ms. Jiratcha Ruplek	-	11/12
	10. Mr. Supakij Sookpong	-	9/12
	11. Ms. Siriwan Wangwilai	-	9/12
	12. Ms. Krisna Phoonsiri	-	11/12
	13. Mrs. Apiradee Kanjanarat	2/2	11/12
	14. Mr. Rakchart Smitinandana	2/2	12/12
	15. Mrs. Marin Saengsint	-	10/12
	16. Mr. Tivakorn Kanjanakit	-	11/12
	17. Mr. Pramote Wattanateerakul	-	11/12
	18. Mr. Issra Choovisit	2/2	12/12

Remarks: <sup>1.</sup> \* Mr. Rowan D'Arcy retired on April 30, 2017.

<sup>2.</sup> \*\* Mr. Arnon Opaspimoltum was appointed as President & CEO on July 1, 2017 as per the resolution of the Board Meeting No. 3/2017 on April 24, 2017.

<sup>3.</sup> \*\*\* The Company appointed a new Risk Management Committee based on Announcement No. 1/2017 Subject: The Appointment of a New Risk Management Committee dated March 21, 2017.

## AUDIT COMMITTEE

The Company established an Audit Committee on October 12, 1999 comprising three independent directors, with a three-year term. At Board of Directors Meeting No. 6/2017 held on August 11, 2017, a resolution was passed to re-elect an Audit Committee member, Mr. Surachai Prukbamroong, whose tenure was up on October 12, 2017 for another term. The Audit Committee comprised the following members:

No.	Name	Designation	Status	Attendance
1	Mr. Surachai Prukbamroong	Chairman	3 year	7/7
2	Mr. Metha Suvanasarn	Member	2 years	7/7
3	Mr. Vichit Kornvityakoon	Member	1 years	7/7
	Mrs. Paporn Piyayodilokchai	Secretary		

**Remark:** Mrs. Paporn Piyayodilokchai was appointed as Secretary of the Audit Committee since May 21, 2001.

All of the Audit Committee members are experienced and are qualified to conduct financial audits for the Company. Details of their qualifications are shown below:

- Mr. Surachai Prukbamroong**, Chairman of the Audit Committee, worked at The Bank of Thailand during 1959-1998 for 39 years having key positions:
  - ◆ Senior Director, Bank Examination and Analysis Department
  - ◆ Senior Director, Savings and Bonds Department
  - ◆ Senior Director, Administration Department
  - ◆ Senior Deputy Director, Deposits and Bonds Department
  - ◆ Deputy Director, Bank Supervision and Examination Department
- Mr. Metha Suvanasarn, Member, has held various positions with the Bank of Thailand and other significant positions as follows:
  - ◆ Chairman of the Audit Committee, Software Industry Promotion Agency
  - ◆ Sub-Committee Member, Standard Development - Office of the Auditor General of Thailand
  - ◆ Risk Management Specialist, SME Development Bank of Thailand
  - ◆ Chairman of the Advanced Technology Committee, The Institute of Internal Auditors of Thailand
  - ◆ Senior Director, The Note Printing Works, Bank of Thailand
  - ◆ Director, Bank of Thailand, Khonkaen Regional Office
- Mr. Vichit Kornvityakoon, Member, has held various significant positions with the Bank of Thailand for 36 years, from 1975 to 2010:
  - ◆ Senior Vice President & Vice President, Accounting Department
  - ◆ Deputy Vice President, Audit Department

## CHARTER

### Objectives

The Audit Committee or AC was established with the approval of the Board of Directors to be an independent organization that will support and operate on behalf of the Board of Directors, reviewing the financial information proposed to shareholders and concerned parties, reviewing the internal control system and internal auditing process as specified by the management and the Board of Directors, communicating with the auditors of the Company, and reviewing any item that may be considered as related party transaction or conflict of interest, as well as reviewing the process, measures and compliance on anti-corruption. The Audit Committee is responsible to the Board of Directors.

### **Authority**

The Audit Committee will carry out the following duties:

1. Consider, select and propose for appointment, capable persons with the independence to perform the duties of auditors of the Company for the Board of Directors, together with the annual audit fee, for approval at the Shareholders' Meeting.
2. Review the work of the auditors or external audit offices and determine the remuneration for external auditors.
3. Consider and resolve any disagreements between management and the auditor regarding financial reporting.
4. The Audit Committee is entitled to audit and investigate persons and related matters within the scope of its authority and duties; the Audit Committee must have the authority to employ specialists to help audit and investigate as it deems suitable at the expense of the Company.
5. The Audit Committee is entitled to audit if informed by the auditors that dubious behavior has been discovered on the part of directors, managers or persons in charge of the operations of the Company, or that an offense has been committed.
6. The Audit Committee is entitled to meet with company officers, or outside counsel, as necessary.
7. The role and duties of members of the Audit Committee must be secondary to those of the Company's Board of Directors.
8. The Audit Committee shall not perform any role or duty other than those specified in this Charter unless the Company's Board of Directors specifies otherwise with the consent of the Audit Committee.

### **Composition**

The Audit Committee must be comprised of at least three highly qualified persons in accordance with the regulations set forth by the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET). At least one member must have sufficient knowledge and experience to reliably review the financial statements. The Chairman of the Audit Committee shall be appointed by the Company's Board of Directors, or the Audit Committee, which is appointed by the Company's Board of Directors, will select the Chairman of Audit Committee among themselves.

### **Meetings**

The Audit Committee will organize at least four meetings per year, and more if necessary. The Audit Committee may invite Management or persons involved to join the meetings and supply any pertinent information. Audit Committee members will attend each meeting in person or via tele - or video conference. Meeting agenda will be prepared and provided in advance to the participants, along with pertinent information. Minutes will be prepared.

The Chairman of the Audit Committee chairs the meeting and in case of unavailability and/or unforeseen circumstance, members attending the meeting may choose one of the members to chair the meeting instead.

Vote-casting of the Audit Committee is ruled by majority and members with conflict of interest cannot participate, offer opinion, and/or vote on items requiring resolution. If the votes are even, the Chairman has the right to cast the deciding vote.

### **Responsibilities**

The Audit Committee will carry out the following responsibilities:

#### **Financial Reports**

1. Review the Company's financial reports correctly and sufficiently.
2. Consider the following factors with Management and the auditor upon completion of quarterly and annual audits:
  - 2.1 Financial statement for the quarter and year;
  - 2.2 Audit report;
  - 2.3 Observations and additional suggestions regarding the auditor's plans;
  - 2.4 Troubles and conflicts that are significant to Management regarding the work of the Auditor; and
  - 2.5 Other matters relating to the auditing standards that the Audit Committee should understand or communicate to the auditor.

3. Review the accuracy and completeness of the information in the Annual Report.
4. Understand how Management develops interim financial information, and the nature and extent of internal and external auditor involvement.

#### **Internal Control System**

1. Review the Company's internal control, internal audit systems and risk management system to assure that they are appropriate, concise, and reliable meeting with the global standards of practice. Review authority, role and responsibilities of the Internal Audit Department and assess its independence.
2. Review and consider with the auditor and the Internal Audit Department Manager the adequacy of:
  - 2.1 The internal control system, including information technology security and control; and
  - 2.2 Significant carelessness about which the auditor, the Internal Audit Department Manager and Management are in agreement.
3. Review and assess significant risks as well as the method of risk reduction from executives, senior department managers, Internal Audit Department and auditor.

#### **Internal Audit**

1. Review and approve the annual audit plan.
2. Review and consider with Management and the Internal Audit Department Manager the following matters:
  - 2.1 Significant carelessness discovered during the year and the response from Management;
  - 2.2 Complications arising from the audit process that include the scope of work or access to the information necessary for auditing;
  - 2.3 Changing the scope of the audit from the one in the auditing plan;
  - 2.4 The budget and headcount of the Internal Audit Department;
  - 2.5 The Internal Audit Department Charter;
  - 2.6 The standard of work performance of the Internal Audit Department should be in line with that of the Institute of Internal Auditors of Thailand as stipulated herein.
3. Consent to the appointment, deposition, transfer or dismissal, and make an evaluation of the annual performance of the Internal Audit Department Manager.
4. Participate in a meeting with the senior vice president of Internal Audit Department without the participation of management executives at least once per annum.

#### **External Audit**

1. Review and consider the proposed scope of the external auditors' work and approach, including coordination of audit efforts with the internal audit.
2. Review the performance of the external auditors as well as provide a recommendation on selection, propose for appointment, or change the external auditors.
3. Review the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Company.
4. Participate in a meeting with the auditors without the participation of management executives at least once a year.

#### **Compliance with Laws and Regulations**

1. Review the effectiveness of the system for compliance with laws, regulations, and notifications of the Company. Monitor the result of the management's investigations, and follow up on any instances of non-compliance, including taking disciplinary action.
2. Review the findings of any examinations by regulatory agencies, and any auditor observations.



3. Review the communications and compliance process on the Code of Ethics and Conduct to employees, and monitor compliance therewith.
4. Ensure the availability of current and up-to-date information from the management and the Company's legal counsel regarding compliance matters.
5. Review to assure company compliance with the regulations of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET), and laws relating to the Company's business.
6. Review related items and items that may be in conflict of interest to ensure that these adhere to the laws and regulations of the Stock Exchange of Thailand (SET) and that such items are reasonable and provide maximum benefit to the Company.

#### **Reporting Responsibilities**

1. Prepare the Audit Committee Meeting Minutes to be proposed to the Company's Board of Directors.
2. Prepare the Report of the Audit Committee detailing the responsibilities and performance of the Audit Committee to be proposed to the Company's Board of Directors and included in the Company's Annual Report. The Report of the Audit Committee must at least consist of the information required by the Stock Exchange of Thailand (SET).
3. Provide a recommendation to the management on effective corporate governance and in the event that the Audit Committee finds any suspicious transaction and/or action which may have significant impact on the financial position and performance of the Company, the Audit Committee shall report to the Board of Directors to rectify the situation within the appropriate time period:
  - 3.1. Transactions that may be conflict of interest;
  - 3.2. Fraud or any significant irregularity within the internal control system or any action that may cause serious impact to the financial position and performance of the Company;
  - 3.3. Breach of the Securities and Exchange Commission law and regulations or any law relating to the Company's business — if found that the Board of Directors and the management take corrective actions within the time period specified by the Audit Committee, the Committee or any member of the Committee shall make a report to the Securities Exchange Commission or the Stock Exchange of Thailand immediately.

#### **Other Responsibilities**

1. Review the internal control measures as well as assess risks as related to the anti-corruption policy via obtaining reports from the senior management of the Company or internal audit, or reports from external sources with regards to the Company's anti-corruption measures
2. Develop to have a consistent understanding among the Board of Directors, the Auditor and the Internal Audit Department and provide confidence and confirmation of the independence of the Internal Auditor and the Auditor.
3. Review and amend the Audit Committee Charter to be consistent with the environment of the organization and propose amendments to the Company's Board of Directors for approval.
4. Review the Company's good corporate governance to assure that they are appropriate and in line with the policies specified.
5. The Chairman of the Audit Committee acknowledges the related interests of the Directors and the management or associated persons according to copy of the report on the related interests received from the Secretary of the Company.
6. Evaluate the performance of the Committee or individual members on a regular basis.

## NOMINATION & REMUNERATION COMMITTEE

The Company established the Nomination & Remuneration Committee on January 19, 2007. The committee is comprised of three independent/non-executive directors, with a three-year term.

As of December 31, 2017, the Nomination & Remuneration Committee was comprised of the following directors:

No.	Name	Designation	Status	Attendance
1	Mr. Metha Suvanasarn	Chairman	Independent	5/5
2	Ms. Nopporn Tirawattanagool	Director	Non-Executive	5/5
3	Mr. Bryan James Smith	Director	Non-Executive	4/5

## CHARTER

### Objectives

The Board of Directors recognizes the importance of good corporate governance practices and sets the directives for the Nomination & Remuneration Committee to propose the policy for recruitment and compensation for directors and senior executives, to be carried out with transparency, fairness, and in accordance with regulations and related laws in order to build confidence and credibility among stakeholders.

### Composition

The Committee shall be comprised of at least three non-executive directors, one of whom shall be an independent director.

### Qualifications

Members of the Committee must possess the knowledge, qualifications, and understand the role and responsibilities of Nomination & Remuneration Committee members.

### Term

1. The tenure of the Committee members shall be for a period of three years and members may be re-appointed upon completion.
2. Members of the Committee is relinquished of the position due to
  - a. Completion of the tenure
  - b. Resignation
  - c. Death
  - d. Resolution of the Board
3. In the event of a vacancy due to other reasons, the Board shall appoint a person with full qualifications to replace the parting member. The tenure of appointment used shall be the remaining term of the parting member.

### Scope of Responsibilities

1. Identify and nominate candidates for all of the Committees and Sub-Committees with direct reporting line to the Board including senior executives, and executives with management authority, at least at the level of Executive Vice President, for the approval of the Board.
2. Consider and propose overall nomination and remuneration policies and other benefits for directors, members of Sub-Committees, senior executives, and other executives with management authority, officers, and staff to the Board of Directors to consider for approval.
3. Consider and review regularly the structure of the Company and its subsidiary from the level of department and up to ensure appropriateness and efficiency.

4. Consider and select the methodology for director's self-assessment process that is in line with the SEC regulations and make a recommendation to the Board.
5. Prepare the annual nomination & remuneration report to be disclosed in the Company's annual report and sign by the Chairman of Nomination & Remuneration Committee.
6. Perform other duties as assigned by the Board.
7. As deemed appropriate, the Committee may request to employ external consultancies by obtaining approval from the Board.

#### Responsibilities

The Nomination & Remuneration Committee is responsible directly to the Board with role and responsibilities as assigned.

#### Meetings

1. Meetings shall be held quarterly and may invite the management or senior executives or related persons to join or send documents as deemed appropriate.
2. A quorum of the Committee shall be not less than two out of three members, in case of necessity, the meeting may also be held via teleconference or other communication devices as deemed appropriate.
3. In casting votes, each member's vote is equal to one vote, and the Committee is ruled by majority. If the votes are even, the Chairman has the right to cast the deciding vote.
4. Members with conflict of interest cannot participate, offer opinion, and/or vote on items requiring resolution with the exception of considering for the remuneration scheme for the entire Board.
5. The secretary for the Committee shall be designated from Human Resources.

#### Reporting

Minutes and resolutions of the Committee shall be recommended to the Board for acknowledgement, agreement, and approval - or ratified in case of emergency in order to protect the interests of the Company.

### CORPORATE INVESTMENT COMMITTEE

Corporate Investment Committee, formerly named Investment Committee, was established on May 9, 1996. Members hold a one-year tenure. As of December 31, 2017, the Corporate Investment Committee comprised the following members:

No.	Name	Status	Attendance
1	Mr. Rowan D'Arcy	Chairman*	3/3
2	Mr. Arnon Opaspimoltum	Chairman**	2/2
3	Mr. Bryan James Smith	Director	5/5
4	Mr. Surajak Kotikula	Adviser	5/5
5	Ms. Orathai Rongthongaram	Director	5/5

Remarks: <sup>1\*</sup> Mr. Rowan D'Arcy retired on April 30, 2017.

<sup>2\*\*</sup> Mr. Arnon Opaspimoltum was appointed as President & CEO on July 1, 2017 as per the resolution of the Board Meeting No. 3/2017, April 24, 2017.

## Scope of Authority of the Corporate Investment Committee

### 1. Composition and Qualifications

The Board appoints the Executive Committee which comprises President & CEO and at least one director - the most senior executive in charge of accounting and finance, and an external adviser, a minimum of three members with the President & CEO as the Chairman of the Committee.

The secretary of President & CEO or the appointed person by the Chairman of the Corporate Investment Committee may be assigned as secretary of the Committee.

### 2. Term

Executive members have a one-year term ending on December 31 of each year with the exception of this Committee which will end on December 31, 2017. The Nomination & Remuneration Committee will nominate qualified persons to propose to the Board for voting one month before the term ends.

### 3. Meetings and Vote Casting

3.1. In holding a meeting, executive members of the Committee must be present, to form a quorum.

3.2. In case the Chairman of the Corporate Investment Committee is not in the meeting, or cannot perform duties, executive members shall nominate a Committee member to be the Chairman of the meeting.

3.3. The Committee shall set a meeting schedule for every quarter and/or as deemed appropriate.

3.4. The Chairman of the Committee or the majority of the members of the Committee may hold special meetings.

3.5. All actions of the Committee require a quorum with majority votes of its members; resolutions are considered complete with all members present at the meeting.

3.6. For every meeting, the secretary of the Committee must take minutes of the meeting and report it to the Board.

3.7. The Committee shall have access to any of the books and records of the Company that the Committee shall consider relevant to carrying out its duties and may require any officer or employee of the Company to attend meetings of the Committee to provide financial information and any related information that is relevant to the Committee's activities, except as the Board may otherwise direct.

### 4. Responsibilities

The Committee shall have the following goals and responsibilities with respect to the Company's investment transactions, management, policies and guidelines:

4.1. To review and approve, on a quarterly basis, any loan or investment made by, or on behalf of, the Company;

4.2. To review and approve periodically policies and guidelines governing the Company's investment portfolio, and monitor compliance with those policies;

4.3. To review and approve periodically policies and guidelines regarding the Company's use of derivatives, and monitor compliance with those policies;

4.4. To review and approve periodically any investment benchmarks or other measurement devices employed by the Company to monitor the performance of its investment portfolio;

4.5. To monitor on an on-going basis the performance of the Company's investment advisers and retain and terminate such advisers as it deems appropriate; and

4.6. To perform such other responsibilities regarding the Company's investment activities or policies or other matters as the Board may from time to time assign the Committee.

4.7. To set procedural guidelines for loans and investments.

4.8. To form investment sub-committees as deemed appropriate and may delegate power and authority to the sub-committee as deemed appropriate. The sub-committee must have at least 2 members.

## 5. Investigations, Studies and Outside Advisers

The Executive Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities, and may retain and/or terminate, at the Company's expense, such independent counsel or other advisers as it deems necessary in carrying out its responsibilities, including the authority to approve the fees or other compensations, and other retention terms, of such consultant or adviser, such fees or other compensation to be borne by the Company.

## 6. Evaluation of the Committee's Performance

The Committee shall, on an annual basis, evaluate its performance under the scope of duties and responsibilities as set. In conducting this review, the Committee shall evaluate whether the scope appropriately addresses the matters that are or should be within its scope.

The Committee shall address all matters that the Committee considers relevant to its performance, including at least the following:

- a) The adequacy, appropriateness and quality of the information received by the Committee and presented by the Committee to the Board; and
- b) The adequacy of the Committee's deliberations regarding the matters reported to and acted upon by the Committee and of the deliberations of the Board regarding the matters reported to and recommended to the Board by the Committee.

The Committee shall deliver to the Board a report setting forth the results of its evaluation, including any recommended amendments to this scope of responsibilities and any recommended changes to the Company's or the Board's policies or procedures.

## CORPORATE GOVERNANCE COMMITTEE

The Company established a Corporate Governance Committee on February 28, 2012. As of December 31, 2017, the Corporate Governance Committee comprised of the following members:

No.	Name	Status	Attendance in 2017
1	Mr. Vichit Kornvityakoon	Chairman	4/4
2	Ms. Orathai Rongthongaram	Member	4/4
3	Mrs. Apiradee Kanjanarat	Member	4/4
4	Ms. Paporn Piyayodilokchai	Member	4/4
5	Ms. Jiratcha Ruplek	Member and Secretary	4/4

### General

The Corporate Governance Committee ("the Committee") is established by the Board of Directors of the Company.

### Purpose

The Corporate Governance Committee's objective is to assist and support the Board of Directors in controlling and monitoring the operations of the Company and its subsidiary to be in compliance with the Company's regulations and abide by the governing laws and of the Company's corporate governance; and that the Company has performed its duties and responsibilities effectively in the areas of corporate governance, anti-corruption, social responsibility and sustainability.

## Composition

The Committee shall consist of at least five members. The Chairman of the Committee shall be an Independent Director and shall be appointed by the Chairman of the Board. The President & CEO or equivalent shall be an adviser to the Committee.

The Committee members shall comprise the following: Executive Vice President of Accounting and Finance, Senior Vice President - Company Secretary, Senior Vice President of Human Resources, and Senior Vice President of Internal Audit. The Secretary of the Committee shall be appointed by the Board of Directors. The Committee may invite other individuals to attend meetings of the Committee as appropriate.

## Term

Members of the Corporate Governance Committee shall have a term of two years and be reviewed every two years. Additional members may be added, with the term specified as per the directive of their appointments. In case of a vacancy for reasons other than completion of the term, the Board of Directors shall appoint a new member who shall hold the office only for the remaining period. Members of the Committee may be reappointed upon completion of their term to ensure continuity in their functions.

## Meetings

The Committee shall meet as frequently as required but not less than three times a year. Any Committee member may call for a meeting of the Committee. Members of the Committee must be notified at least three days in advance. At least half of the Committee members constitutes a quorum.

## Responsibilities

The Committee's responsibilities include the following:

### ◆ Good Corporate Governance Practices

1. Set corporate governance principles, key compliance conditions, and process for an effective implementation and appropriate for the Company.
2. Develop and proclaim the principles for the best practice of corporate governance.
3. Formulate and publish the Code of Ethics and Conduct for the Company's employees and concerned parties to abide by and disclose as public information.
4. Develop a plan for overseeing the Corporate Governance's compliance as proclaimed.
5. Review the Corporate Governance statements for the production and presentation of the Company's report.
6. Recommend Code of Best Practices for the Board of Directors, or propose charters for the Board of Directors and all of the appointed committees.
7. Recommend the Code of Ethics and Conduct of the management and employees.
8. Assess Corporate Governance guidelines and its practicality to ensure continuity and appropriate for use with the Company's business.
9. Review and propose announcements regarding the Company's corporate governance to the public.
10. Oversee the Company's corporate social responsibilities.
11. Review and report to the Board of Directors matters relating to corporate governance and provide opinion to revise or improve as deemed appropriate.
12. Oversee effective corporate governance, from principles to practice.

### ◆ Adherence to Compliance

1. Supervise and monitor risks resulting from unlawful conduct.
2. Regularly review and assess the effectiveness of risk management policies and compliance thereof; and ensure that these are appropriate for the Company.
3. Oversee adherence to other laws and regulations as applied to stakeholders, such as shareholders, suppliers, customers and employees.

## Annual Review

The Board of Directors assesses its performance as a whole, both in terms of effectiveness and efficiency, based on the guidelines provided by the Stock Exchange of Thailand as follows: (1) Structure and qualifications of members, (2) Role, duties, and responsibilities of members, (3) The Board meeting, (4) Duties of directors, (5) Relationship with management, (6) Director's self-improvement and management training. These procedures include:

1. The Board of Directors assesses its performance effectiveness at least once a year.
2. The Company Secretary compiles and summarizes the result of the Board of Directors assessment to the Nomination & Remuneration Committee for consideration.
3. The Nomination & Remuneration Committee presents its findings and recommendations to the Board of Directors.

**The Company's Senior Management, as stipulated by the Securities and Exchange Commission (SEC), is defined as follows:**

The top 4 executives starting from the President & CEO, and executives with positions equivalent to the 4th ranked executive are:

1. Mr. Rowan D'Arcy President & CEO (Retired on April 30, 2017)
2. Mr. Arnon Opaspimoltum Managing Director (Appointed on July 1, 2017)
3. Ms. Orathai Rongthongaram Executive Vice President, Accounting Department
4. Ms. Jiratcha Ruplek Senior Vice President, Company Secretary Department and Company Secretary
5. Mrs. Anyamanee Jotikasathira Senior Vice President, Administration Department

### Company Secretary

6. Ms. Jiratcha Ruplek Senior Vice President, Company Secretary Department and Secretary of the Board of Directors

At the Board of Directors Meeting No.4/2008, a resolution was passed to appoint Mrs. Jiratcha Ruplek to the position of Secretary to the Board in compliance with SEC Act (No.4) B.E. 2551 in effect August 15, 2008.

## BOARD OF DIRECTORS' DEVELOPMENT

The Board realizes the importance of roles, functions and responsibilities to the Company and therefore strives to develop employee skills and competencies to be consistent with the leadership vision of the directors and management executives. Specifically, directors are encouraged to participate in training programs (internal and external including international programs) that are beneficial to the performance of their duties as well as for the Company. In promoting good corporate governance practices, the Company supports directors and senior management to attend Director Certification Programs and other relevant programs held by the Thai Institute of Directors Association (IOD), with all of the expenses borne by the Company. Additionally, for any newly appointed director, the Company provides relevant documents to introduce the Company, nature of business, direction and goals so that the director gains the understanding of the role and responsibilities required to perform the duties. In 2015, directors participated in the following programs organized by the IOD:

### Summary of Directors Enrolled in IOD Programs 2017

Name	Position	Program Name
1. Mr. Vichit Kornvityakoon	Independent Director, member of Audit Committee and Chairman of the Corporate Governance Committee	Board Matters & Trends (BMT 2/2017)
2. Mr. Metha Suvarnasarn	Independent Director, member of the Audit Committee, and Chairman of the Nomination & Remuneration Committee	Anti-Corruption, the Practical Guide (ACPG 38/2017)
3. Mr. Arnon Opaspimoltum	President & CEO	Director Certification Program (DCP 248/2017)

Overall Participation of Directors in Training/Seminars Organized by the IOD

No	Name	RCP	DAP	DCP	Fellowship	RCC	AACP	ACP	CGR	SFE	ACPG	FGP	DCP Re	MFM	MIA	MIR	MFR	CDC	CSP	ACEP	CGI	BPE	DCPU	RNG	RCL	BMD	BMT	ELP	
1	Mr. Veraphan Teepsuwan	x		x																									
2	Mr. Surachai Prukbamroong	x	x						x				x									x							
3	Mr. Vichit Kornvityakoon			x		x														x				x	x	x	x	x	
4	Mr. Metha Suvanarn			x	x	x							x										x						
5	Ms. Nopporn Tirawattanagool	x	x			x		x				x									x								
6	Mr. Chusak Salee			x																									
7	Dr. Laksna Thongthai			x	x																								x
8	Mr. Virojn Srethapramotaya	x	x	x	x		x	x		x		x	x	x	x	x	x	x				x							
9	Mr. Suwat Suksongkroh			x									x																
10	Mr. Bryan James Smith			x	x																								
11	Mr. Rowan D'Arcy			x																									
12	Mr. Arnon Opaspimoltum			x																									

Role of the Chairman	(RCP)
Director Accreditation Program	(DAP)
Director Certificate Program	(DCP)
Fellowship	Fellowship
Role of the Compensation Committee	(RCC)
Advanced Audit Committee Program	(AACP)
Audit Committee Program	(ACP)
Corporate Governance Report of Thai Listed Companies	(CGR)
Successful Formulation & Execution of Strategy	(SFE)
Financial Institutions Governance Program	(FGP)
DCP Refresher Course	DCP Refresher
Monitoring Fraud Risk Management	(MFM)
Monitoring the Internal Audit Function	(MIA)
Monitoring the system of Internal Control and Risk Management	(MIR)
Monitoring the Quality of Financial Reporting	(MFR)
Chartered Director Class	(CDC)
Company Secretary Program	(CSP)
Anti-Corruption for Executive Program	(ACEP)
Corporate Governance for Capital Market Intermediaries	(CGI)
Board Performance Evaluation	(BPE)
Director Certification Program Update	(DCPU)
Role of the Nomination & Governance	(RNG)
Risk Management Program for Corporate Leaders	(RCL)
Boards that Make a Difference	(BMD)
Board Matters & Trends	(BMT)
Anti Corruption the Practical Guide	(ACPG)
Ethical Leadership Program	(ELP)



### Succession Planning

The Board of Directors advises the executive management on the development and succession plan to ensure preparedness. This includes the process of search and recruitment for candidates to take on senior executive positions. Additionally, the Company engages in the development plan for management levels concurrently with the succession plan that helps to identify successors down to departmental and sub-departmental levels.

### Use of Insider Information

The Company requires directors and executives to report their shareholding, whether through their companies, spouses and children under age, and/or related parties as per Section 258 of Securities and Exchange Commission Act 1992 to report any change in status of shareholding within three days from the date of such change.

To prevent improper and/or illegal use of information, the Company has a policy against insider trading which provides employees with policy details as well as Securities and Exchange Commission regulations, and other related laws and regulations. Measures are in place to provide comprehensive knowledge to employees to ensure strict compliance.

The Company's policy on privacy of individuals protects data privacy of customers, partners, employees, and the Company's directors and executives. Details of the policy are laid out for employees to provide knowledge and understanding on the acquisition, usage, disclosure, treatment, and responsible safe-keeping of private and confidential information. This is to prevent actions that may cause negative impact to the reputation of the Company and to prevent potential conflict of interest thereof.

Additionally, the Company's regulations under Section No. 7 on Disciplinary Actions and Penalties identify the following to be misconduct:

- ◆ Any direct and/or indirect involvement or undertaking of consultation for businesses that may be of similar nature to the Company's business.
- ◆ Any direct and/or indirect use of position to acquire personal benefits and/or others' benefits by illegal means.
- ◆ Any disclosure of confidential policy or business performance for own and/or others' benefits, or disclosure of confidential information that could be damaging to the Company.
- ◆ Taking photocopies or have in possession significant documents without permission and/or revealing confidential information about the Company performance and its operation to others or employees whose jobs are not pertinent to the information.



### Subsidiary and Associate Company Oversight

The Company oversees the operations of its subsidiary, Sri Ayudhya General Insurance Public Company Limited, using regulatory mechanisms as follows:

- ◆ Majority of The Company's directors are appointed as directors to administrate the operations of the subsidiary to align with the Company's objectives.
- ◆ The Company's Audit Committee is appointed as the subsidiary's Audit Committee with the authority, duties, and responsibilities as stipulated in the Audit Committee Charter.
- ◆ Appropriate and adequate internal control process is established in the subsidiary in accordance with the Company's internal control principles covering organizational, executive operational control, information & communication, and monitoring systems.

In addition, the Company has established various policies to comply with the principles of good governance, and Code Of Ethics and Conduct which are consistent with the Company's policies, including anti-corruption policy, conflict of interest policy, corporate governance policy, fair employment policy, staff compensation policy which is in line with the Company's business performance in both short-and-long terms, policy regarding the law on competition, environment, health and safety policy, policy on sponsorship and donation, and the initiation of corporate social responsibility (CSR) projects, gifts and entertainment policy, intellectual property policy, sanctioned countries and specially designated nationals (SDN) policy, government involvement policy, anti-insider trading and security trading consultation policy, privacy policy, supplier relationships policy, business continuation management policy, and risk management policy. As for the associate company, Allianz Ayudhya Assurance PCL, several directors of the Company have also been appointed as directors.

### Good governance practices in other aspects:

- ◆ Code of Ethics and Conduct: The Company has declared and distributed these handbooks so that the Board, committees, sub-committees, and employees can use them as a guide in performing their roles, adhering to moral principles that will lead to success under regular oversight from responsible units.
- ◆ The Company values giving back to society. As a part of the Thai community, the Company is committed to participating in developing society, communities, and the environment of Thailand for the future.
- ◆ The Company also establishes other policies to ensure its operations are in accordance with the principles of good governance. They are as follows:
  - **Conflict of interest policy:** This policy was established to serve as a guide for employees to strictly adhere to on disclosure or activities and/or relationships that may result in conflicts of interest.
  - Intellectual property policy: A guide the Company uses to advise employees to protect and respect the intellectual property of others.
  - **Sanctioned countries and specially designated nationals (SDN) policy:** The policy deals with sanctioned states or specially designated nationals (SDN) by the UN and/or the US government. The policy was established to protect the reputation and credibility of the Company in the eyes of investors and government officials, domestically and internationally.
  - **Internal controls policy:** Monitoring of operational processes of executives and employees to have reasonable assurance that operational objectives are met, in terms of financial reporting, and compliance with applicable laws and regulations as well as anti-corruption measures.
  - **Good Corporate Governance Practices:** The principles and standards are strictly applied in the Company's operations covering rules and regulations as well as risks in managing the Company.
  - **Environment, Health and Safety Policy:** The policy is established to cover the areas of environment, health and safety in conducting business with the standards applied and strictly adhered to at every operational level.
  - **Related-Party Transactions Policy:** This policy is used as a guideline in conducting transactions with related parties to ensure that regulations and related laws as specified by the Stock Exchange of Thailand, and Securities Exchange Commission are strictly followed.

### Principles of good corporate governance

The Board has endorsed the principles of good corporate governance in writing and the guidelines are set for review every two years.

### RISK MANAGEMENT COMMITTEE

The Company established the Risk Management Committee on September 1, 2012 comprised of executives from various departments of the Company and subsidiary. As of December 31, 2017, the composition of the Committee included the following:

No.	Name	Status	Attendance
1	Mr. Arnon Opaspimoltum	Chairman	1/1
2	Ms. Orathai Rongthongaram	Member	2/2
3	Mr. Rakchart Smitinandana	Member	2/2
4	Mrs. Apiradee Kanjanarat	Member	2/2
5	Mr. Issra Choovisit	Member and Secretary	2/2

#### Objectives

The Risk Management Committee is established to support the Board of Directors in supervising risks that are related to the Company's business by keeping them at acceptable levels. The management of these risks shall be aligned with the Company's vision, mission, strategy and target so that the Company can be reasonably confident that it operates effectively and viably.

#### 1. Composition and Qualifications

1.1. Members of the Risk Management Committee are appointed by the Board of Directors, composing of at least three risk management executives as follows:

1.1.1. One of which shall be appointed as the Chairman.

1.1.2. At least one senior management executive (Senior Vice President or equivalent) shall be appointed as a member.

1.1.3. Head of the Risk Management Unit shall be appointed as a member.

1.2. The Committee shall comprise members who are knowledgeable and experienced with the Company's business. They shall be independent and be able to dedicate appropriate time to this task.

#### 2. Term

2.1. The Risk Management Committee members hold a two-year term that may be up for renewal.

2.2. The membership may be terminated due to

2.2.1. Term completion

2.2.2. Resignation

2.2.3. Death

2.2.4. The Board of Directors' resolution

If, for any reason a position becomes available, the Chairman of the Committee shall appoint a new member with complete qualifications to take on the position and the balance of the term.

#### 3. Meetings

3.1. The Committee shall meet at least once every three months.

3.2. In case of emergency, any member can call for a special meeting provided that a 14-day advanced notice is given from the date of request.

3.3. A meeting quorum is at least half of the members present.

3.4. In case the chairman of the committee is not available, members present at the meeting shall choose one member to chair the meeting.

- 3.5. Each member has one vote and majority rules. If the votes are equal on both sides, Chairman holds the deciding vote.
- 3.6. The meeting agenda must be declared not less than seven days in advance; and if an agenda requires a resolution, it shall be well-defined and supported with appropriate documents for consideration.
- 3.7. In holding such a meeting, the Committee reserves the right to invite managerial level staff, staff, or anyone deemed necessary and appropriate for that meeting.

#### **4. Role, Duties, and Responsibilities**

- 4.1. Setting out the risk management policy and identifying risks deemed to be acceptable by the Company for consideration by the Board of Directors.
- 4.2. Supervising and aligning the risk management tasks to the risk management framework, the policy on managing risks, and strategies in operating the business.
- 4.3. Supervising the risk management as a part of ongoing business operation as well and covering risks that may impact revenue, reserves, reputation, or the sustainability of the Company.
- 4.4. Recommend and support the development of system or process in managing risks at every level to ensure that the Company has the appropriate guideline in managing risks and that these risk are at acceptable levels.
- 4.5. Recommend and report as appropriate the structure and policies necessary in managing risks as well as following up on results of compliance with the risk management framework to ensure that that the management of risks is effective and appropriate to the business environment.
- 4.6. Review the charter of risk management and make recommendation to the Board of Director if deemed necessary.
- 4.7. Perform any other duty as directed by the Board of Directors.

#### **5. Reporting**

The Committee shall regularly report its performance to the Board of Directors and provide recommendation as appropriate. Risk framework and policies shall be reviewed at least once a year.

# SUSTAINABLE BUSINESS DEVELOPMENT



## SUSTAINABLE BUSINESS DEVELOPMENT

The Company recognizes the importance of conducting business with good corporate governance while ensuring sustainability and being responsible for social and environmental development. Being a part of Thai society, it is our responsibility to lead by example and drive the development of the business for the overall benefits of society. Providing returns to our shareholders is one part of our overall mission which can only be complete when we can create good things for the society that always supports us.

For these reasons, the Company set clear business sustainability, social, and environmental policies per the guidelines enacted by the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET).

On CSR development, the Company followed the CSR-in-Process and CSR-after-Process and placed emphasis on developing the conscience which leads to responsibility in order to gain support from the management and employees at all levels for participation to accomplish our CSR goals. Our areas of emphasis are:

## STAKEHOLDERS

In determining sustainability and CSR policies, the Company recognizes the importance of all stakeholders and has established policies to cover all stakeholders, with due respect to their rights as well as abiding by all laws or agreements with individual stakeholders; and will not commit any act to violate their rights, or deprive them of their rights.

The Company is determined to operate the business with accountability to stakeholders with consideration, mutual growth, and benefits which will lead to sustainable development for all. Additionally, stakeholders are made aware of their rights via the Company's Code of Ethics and Conduct which specifies equal treatment and protection. The Company has set clear communication channels for stakeholders to contact the Company for suggestions, comments, or complaints to the Board of Directors and/or the Audit Committee via the Company's Secretary, tel 02-657-2970 or via email: [jiratcha@ayud.co.th](mailto:jiratcha@ayud.co.th).

*The Company has clearly stated guidelines for interacting with stakeholders including shareholders, clients, employees, competitors, creditors, the social, community and environment, and the government in: The Report on Good Corporate Governance Practices, under section: Role of Stakeholders.*

## FAIR BUSINESS AND GOOD CORPORATE GOVERNANCE

The Company recognizes the importance of good corporate governance and therefore operates our business with fairness, accountability, and honesty to ensure operational effectiveness and sustainable growth whilst building the economic value with consideration to stakeholders. The Company's foundation is built on the sufficiency economy business model with well-formed strategies, honesty, ethics, transparency and fairness to all stakeholders and consistent with good corporate governance guidelines as enacted by the Stock Exchange of Thailand (SET), Securities and Exchange Commission (SEC) and policies are detailed in the Code of Ethics and conduct.

*The Company is committed to operating under good corporate governance policies and details can be found in The Report on Good Corporate Governance Practices.*

## ANTI-CORRUPTION

In 2016, the Company conducted Thailand's Private Sector Collective Action Coalition (CAC) survey on anti-corruption measures; and submitted the result to CAC committee for evaluation. The Company received with honor the Certification from the CAC on January 22, 2016. The Certification has a three-year membership term from the date of issue.

The Company realizes the importance in combating corruption and has set policies and tasks the Audit Committee to monitor business activities of the Company and subsidiary making sure that they abide by the laws and regulations. Each employee (including directors, and senior management) also receives a copy of the Code of Ethics and Conduct handbook with each signing acknowledgement. To help with the understanding and compliance, the Company organizes two training sessions and tests per year to stress the importance of compliance providing clear guidelines on ethics, responsibilities and penalties for non-compliance.

The Code of Ethics and Conduct handbook includes Fraud Prevention Guidelines to ensure understanding of the importance of proper conduct which in turns helps the stability of the Company and acceptance from all.

Furthermore, the Whistle Blower Policy, as explained in the Handbook requires directors, managers, and all employees to report any suspicious activities regarding corruption, rule violations, unethical behavior, actions against Company rules or actions considered sensitive to the Company's reputation. If an employee becomes aware of any suspicious activity as mentioned above, the person can report it to Chairman of the Audit Committee via the Internal Audit department.

*Full Anti-Corruption Policies including Fraud Prevention Guidelines and Whistle Blower Policy are laid out in the Code of Ethics and Conduct Handbook which may be found on the Company's website, under Corporate Governance section.*

## RESPECTING HUMAN RIGHTS

The Company conducts its business operations with respect for basic human rights towards all employees and stakeholders. The Company takes into account civic rights and political rights, including rights to life and liberty, equality under the law, freedom of speech, fair practice, and respect for human life and dignity.

*Details of Human Rights may be found in these sections : The Report on Good Corporate Governance Practices and Management Structure – Respect for Human Rights.*

## FAIR LABOR PRACTICES

Our employees are the Company's most important asset. To achieve sustainable growth, the Company has established policies to treat each employee with fairness starting from hiring practices, and by strictly adhering to the Labor Laws Act of May 1998. The search and recruiting processes are fair, transparent, and verifiable. Annual performance evaluations of employees covering wages, salaries, and benefits are aligned with industry standards and market conditions; and are fair, transparent and verifiable. Work safety standards are monitored to reduce risks. Annual health checks are offered to employees with regular health care recommendations via the Company's intranet. The Company regularly builds employee skills development over multiple training platforms through various educational resources such as the intranet, and tracks employee development with a succession plan in place. Furthermore, several employment benefits committees are active with employees involved in the decision-making process, with the objective of increasing skills and education, modernizing the office and work environment, designing uniforms, organizing annual events, and participating in the organization of CSR activities.

Various direct line of communications between employees and management are available for comments, complaints or suggestions to promote initiative on being a part of the Company development.

*Details that support clarity in the policies and fair labor practices can be found in: Management Structure – Employee Management Policy section.*

## RESPONSIBILITY TOWARDS CONSUMERS

Sri Ayudhya Capital Public Company Limited is an investment holding company with a subsidiary, Sri Ayudhya General Insurance Public Company Limited, providing general insurance products and services, and advising our customers on risk management and impact on financials should unforeseen events occur. The Company has provided policy guidelines for the subsidiary company to develop and maintain efficient operational standards, including financial and administrative processes to create consumer confidence and satisfaction in case assistance is required by customers encountering accidents. The Company is well-prepared in the areas of financials, technology and staff to provide a **24-hour service through a hotline called "One Number Call Center"**, a one-stop call center that customers can call for assistance. They can also contact the Company through the responsive and mobile websites for prompt assistance and crucial information in the case of any emergency.

## CONSUMER RIGHTS

1. Right to receive accurate information: The subsidiary company creates supplemental brochures to provide detailed information on insurance products, conditions of coverage and benefits per the laws enacted by the Office of Insurance Commission (OIC).
2. Right to confidentiality: The Company keeps customer information confidential and will not distribute and/or exchange information for other benefits, except in cases dictated by law.
3. Right to complain: Convenient communication channels are provided for customers to make complaints regarding customer service at tel. 02-657-2999, which is a 24-hour service line; or email to Customer Service at [info@sagi.co.th](mailto:info@sagi.co.th). A tracking system is in place to monitor corrective actions and feedback to customers.

## COMMUNITY AND SOCIAL DEVELOPMENT

Sri Ayudhya Capital Public Company Limited (AYUD) recognizes the importance of “CSR-After-Process” and considers its mission as a part of Thai society to set a good example through the development of programs, and activities that benefits the overall society.

## MANAGEMENT OF ENVIRONMENT IN BUSINESS OPERATIONS

The Company places importance in managing the environment in business operations and understands the impact of our business on the environment and as a result, several initiatives have commenced:

### ◆ Paperless Office

The policy is set for the Company and subsidiary to go paperless while maintaining the level of efficiency in operation. Documents and records are electronically kept with fast processing capabilities, lessening the impact on the environment as well as saving storage space and reducing the amount of waste.

### ◆ Energy Savings

To help reduce the effects of global warming, the following efforts are:

- Turn off the office lights at noon, every day.
- Reduce elevator use, and employees are encouraged to use the staircase for one flight of stairs
- Promote public transportation such as BTS to reduce environmental impact and energy by servicing via electronic means.

## CSR ACTIVITY PROCESSES

Currently, the Company is involved in multiple social and environmental CSR projects, and encourages employees to initiate potential future projects. The Company emphasizes engagement and responsibility resulting from collaborative efforts from all parties to ensure the activities we create are meaningful to all involved parties.

At the heart of our CSR work is to play a role and contribute to the development of the society and environment. The Company provides the rights and opportunities for employees to volunteer their time to taking part in these CSR activities. They can also propose a project for funding by the Company. Criteria for new projects will be considered with regards to suitability, objectives, and real needs to ensure the Company operates in alignment with the set objectives on CSR. Every employee is provided with a manual that states the Company’s commitment and guidelines for CSR practices.



**Insight**

The Company emphasizes every employee who is a volunteer to gain insight into the necessity and suitability of each project.

**Localization**

The proposed activity or project should be beneficial and respond to the needs of the community, society and/or environment.

**Involvement**

Employee involvement is the most important aspect for the success of each project.

**Sustainable Transformation**

Sustainable transformation is the ultimate goal each project aims to achieve.

In 2017, the Company developed a CSR framework named “**Stability in Life**” to guide our actions, emphasizing the balance in life and the quality of life for the business, employees, stakeholders, society, people and environment so that all can grow in parallel with sustainability.

**CSR | Framework**



## ► Employees, People

WELL-BEING | HUMAN RIGHTS | HAPPINESS



### Well-being

- ◆ Offer a wellness program for maintaining good health
- ◆ Add in prolonged illness leave policy
- ◆ Offer ex-gratia payment for critical illnesses
- ◆ Contribute to disabled, poverty stricken, and minority groups

### Human Rights

- ◆ Comply with labor practice standards
- ◆ Maintain a culture of accountability and integrity
- ◆ Enforce anti-corruption policy

### Happiness

- ◆ Implement the employee engagement model

## ► Business, Stakeholders

GROWTH | PROFIT | HIGH ROI



### Company Strategy

Build value for our group of companies by delivering attractive return to shareholders through:

- ◆ Approaching the market with a long term view on investment, returns and dividend growth
- ◆ Acquiring holdings in companies with strong brands and/or companies with valuable assets that match with the Company's criteria on investment/risk assessments

## ► Social, Environment

ECO-FRIENDLY | FAIRNESS | RISK MITIGATION



### Eco-friendly

- ◆ All processes are paperless and use online system
- ◆ A Survey is underway in preparation for new product development that complements environment conservation

### Fairness

- ◆ Offer products with fair coverage and claims

### Risk Mitigation

- ◆ All policies are focused on risk mitigation for customers

## ANALYSIS OF STAKEHOLDERS

In 2017, the management of each business unit of the Company met to determine the importance and impact of each group of stakeholders on the growth and sustainability of the business operation. Below shows a summary of our priorities and approaches to effectively respond to each group in achieving the Company's business objectives. The Company is committed to be responsible for these stakeholders in economic, societal, and environmental terms under the guiding principles of good corporate governance practices.

Stakeholder	Issues/Expectation	Method/Channel of Communication	Actions/Responses
Shareholders	<ul style="list-style-type: none"> <li>- Satisfied ROI</li> <li>- Sufficient disclosure of information. Transparency</li> <li>- Equitable treatment of shareholders</li> <li>- Channels to express opinion</li> <li>- Good corporate governance practices</li> <li>- Operate under the laws</li> </ul>	<ul style="list-style-type: none"> <li>- Annual shareholders' meeting</li> <li>- Annual report</li> <li>- The Company's website, emails</li> <li>- Provide answers to investment questions</li> </ul>	<ul style="list-style-type: none"> <li>- Showed business performance results and aimed for consistent growth</li> <li>- Conducted AGM according to standards set by SET and SEC.</li> <li>- Provided opportunity to shareholders to express opinion via the Company's communication channels</li> <li>- Ensured that good corporate governance practices were followed</li> <li>- Operated strictly under the laws and relevant regulations</li> <li>- Certified by Thailand's Private Sector Collective Action Coalition (CAC)</li> </ul>
Customers	<ul style="list-style-type: none"> <li>- Provide investment information that is complete, accurate, and transparent</li> <li>- Provide prompt service</li> <li>- Employees who conduct themselves with honesty and ethics</li> <li>- Protect customer confidentiality</li> </ul>	<ul style="list-style-type: none"> <li>- Provide information via documents, leaflets, and website</li> <li>- Provide communication channel to express opinion and complaints via email</li> </ul>	<ul style="list-style-type: none"> <li>- Able to provide clear and accurate information</li> <li>- Reviewed regularly the operational and servicing processes to ensure effective customer response</li> <li>- Developed IT capabilities to respond to customers' needs</li> <li>- Code of Ethics and Conduct were followed</li> <li>- Protected customer information</li> </ul>
Employees	<ul style="list-style-type: none"> <li>- Have clear business objectives</li> <li>- Position, role and responsibilities</li> <li>- Competitive compensation, benefits and welfare in accordance with the labor laws</li> <li>- Opportunity to grow</li> <li>- Opportunity to develop knowledge for use in business</li> <li>- Equitable treatment</li> <li>- Access to information and updates on the Company</li> </ul>	<ul style="list-style-type: none"> <li>- Use HR intranet to provide communication updates and exchange of opinion</li> <li>- Foster good relationship via activities</li> <li>- Provide training</li> <li>- Use KPI index as a tool to measure and assess performance</li> </ul>	<ul style="list-style-type: none"> <li>- Held two employee conferences to provide updates and progress of the Company</li> <li>- Organized events and activities for employees to participate throughout the year</li> <li>- Conducted joint compensation surveys with companies within the same industry</li> <li>- Held training regularly to increase employee competencies</li> <li>- Evaluated employee performance through KPI index for appropriate adjustments in compensation</li> <li>- Treated employees fairly</li> </ul>
Partners	<ul style="list-style-type: none"> <li>- Have clear business objectives</li> <li>- Clear systems and procedures in operation. No monopoly</li> <li>- Effective collaboration, fast to respond</li> <li>- Fair and equitable treatment</li> <li>- Protect confidential information</li> <li>- Provide a channel of communication to express opinion</li> <li>- Have anti-corruption policy</li> </ul>	<ul style="list-style-type: none"> <li>- Use IT to support communication channel for more effective collaboration</li> <li>- Provide for a channel of communication in case of unfair treatment</li> </ul>	<ul style="list-style-type: none"> <li>- Fostered good relationship to build confidence and trust</li> <li>- Protected confidential information and kept records in accordance with the laws, rules and regulations as applied to the business needs</li> <li>- Protected privacy of information</li> <li>- Made known the Code of Ethics and Conduct including the anti-corruption policy and monitored adherence</li> </ul>
Competitors	<ul style="list-style-type: none"> <li>- Conduct the business with honesty and respect governing laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>- Provide correct information on the Company's website to show transparency</li> </ul>	<ul style="list-style-type: none"> <li>- Upheld the policy on competition, and conducted business fairly</li> <li>- Followed the guidelines on good corporate governance in business operation</li> </ul>
Creditors	<ul style="list-style-type: none"> <li>- Honor and follow the conditions of purchasing and procurement</li> </ul>	<ul style="list-style-type: none"> <li>- Establish and communicate criteria and procedures clearly</li> </ul>	<ul style="list-style-type: none"> <li>- Disclosed the purchasing and procurement policy</li> <li>- Strictly followed the commitment made to creditors</li> <li>- Fostered good relationship to build confidence and trust</li> </ul>
Society, community, and environment	<ul style="list-style-type: none"> <li>- Not only focus on conducting business but be involved in giving back to the society and community, and helping to improve the environment</li> </ul>	<ul style="list-style-type: none"> <li>- Organized CSR at least 4 activities, giving employees a chance to propose and participate in projects of choice</li> <li>- Promote activities internally via intranet to gain employee support and participation</li> <li>- Promote CSR activities via calendars for public exposure for more impact in promoting giving back to the society</li> </ul>	<ul style="list-style-type: none"> <li>- Committed to the CSR policy in giving back to the society and community and helping to improve the environment</li> <li>- Promoted CSR through conscience building activities</li> <li>- Promoted CSR through training and participation in various activities</li> <li>- Joined efforts in creating innovation for sustainable business</li> </ul>
Government	<ul style="list-style-type: none"> <li>- Conduct the business under the laws and regulations</li> <li>- Establish good corporate governance practices</li> <li>- Communicate to employees on compliance of these laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>- Communicate laws and regulations to employees via specified communication channel</li> <li>- Organize employee training on laws, rules, and regulations as applied to their work. Test employees to ensure understanding and compliance</li> </ul>	<ul style="list-style-type: none"> <li>- Strictly followed the laws and regulations</li> <li>- Published policies, rules, regulations and Code of Ethics and Conduct for acknowledgement and compliance by employees</li> <li>- Systematically monitored adherence to rules and regulations</li> </ul>

## SOCIAL CONTRIBUTION

### Bike to School Project

- ◆ The 'Bike to School' project was proposed by our employees, Mr. Kittirut Thumpad, Branch Operations Manager - Head Office. In up country areas, far too often, children have no means of getting to school. There are no funds for paid transportation, no public transportation service. School children must make that extra effort daily to walk the long distance just to be able to learn. As a result, the Company donated 200 bicycles to these children in need at six schools in Chanthaburi and Samut Songkhram. A wonderful bonus of the project was to see the children getting healthier, and so much more from having bicycles. To raise the awareness on the importance of making social contribution among wider audience, the Company expanded the program in its 4th year to cover Samut Songkhram by contributing 45 bicycles to children in three schools: Baan Bang Nang Li School, Wat Worabhummi School, and Wat Prachakositaram School.



### Year 14: Insurance Friends and Partners for the Society

Employees volunteered to participate in this joint community program with insurance friends and business partners focusing on developing upcountry schools and communities by donating scholarships and lunch meals for schools under this program.



- ◆ Year 2: Group PA Insurance Coverage at Baht 8.7 million for Volunteers and AED valued at Baht 69,500 for Training Purposes at Narethorn Emergency Medical Services (EMS) Center, Rajavithi Hospital

To help volunteers at the Narethorn EMS Center who work tirelessly to help accident victims, the Company donated a group PA insurance with a total coverage of Baht 8.7 million to protect them during working hours and provided an AED equipment for training purposes.



- ◆ 9,999 Sandalwood Flowers for the Royal Cremation of Our Late King

Mr. Virojn Srethapramotaya, Chairman of Sri Ayudhya General Insurance PCL or SAGI, and staff volunteers jointly presented 9,999 sandalwood flowers at the Occupation Promotion Unit, Social Development Office, Bangkok, on August 28, 2017.



## EDUCATION DEVELOPMENT PROJECT

### ◆ Education Development Project

SAGI led by Mr. Virojn Srethapramotaya, Chairman of Sri Ayudhya General Insurance PCL or SAGI, and staff volunteers continues to carry on this project for the 4th year by donating school uniforms, in the amount of Baht 20,000 for children at The Christian Prison Ministry Foundation, or Baan Phraporn, Rama 9 community, next to Klong Ladprao.



## INNOVATION AND PROMULGATION OF INNOVATION DERIVED FROM CSR OPERATIONS

### Digital Transformation

The Company continued to develop digital technology infrastructure and at the same time, made electronic transactions possible when buying insurance products on various platforms. Cloud computing technology enables the staff to work “anytime, anywhere, and any place” with agents, brokers, partners and provides assistance to customers – and be truly self-reliant. In addition, the Company provides ongoing training throughout the year to increase digital capabilities resulting in increased productivity, effectiveness, and improved service to customers.

# ANTI-CORRUPTION



The Company's objective is to operate the business ethically, with integrity and with responsibility to the society and stakeholders under the guidance of good corporate governance. Moreover, the Company acknowledges the responsibility to lead by example that on September 12, 2014 a declaration of intent was made to join Thailand's Private Sector Collective Action Coalition Against Corruption or CAC to counter corruption in all its forms.

Furthermore, by the resolution of the Executive Committee No. 1/2015 on January 16, 2015, a working committee was appointed to conduct a self-assessment evaluation on the anti-corruption practices based on the criteria set forth by Thailand's Private Sector Collective Action Coalition Against Corruption or CAC. The evaluation was carried out during May 16 - October 31, 2015; the completed evaluation was sent to the Chairman of the Audit Committee and after approval was sent to the CAC Committee for assessment on November 23, 2015.

It is with honor to announce that on January 22, 2016 the Company and its subsidiary received the Certifications and memberships which last for three years from the date of certification.

Additionally, the Company reviewed the decision-making process that may involve risks in corruption and put in place additional regulations which may be found in the Code of Ethics and Conduct, which was published, distributed, and acknowledged by all employees. Within the Handbook, clear policies, examples, and penalties are provided so that employees can use it as a reference for own conduct. The Company places the importance on implementation and monitoring and have assigned the Audit Committee and Corporate Governance Committee to oversee, monitor and evaluate performance in this area.

Under the principles of anti-corruption, specified in the Code of Ethics and Conduct, the following measures were added:



Whistle Blower Policy: The Board of Directors, management and employees are responsible to report any suspicious activity or any non-compliance to laws, regulations, ethics, and Company's regulations which may be sensitive to the Company's reputation. Measures to protect any employee or public with sensitive information or concerns are in practice. A reporting channel is available for contact as follows: Chairman of the Audit Committee, Sri Ayudhya Capital PCL, 7th floor, Ploenchit Tower, 898 Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330

Fraud Prevention Guidelines: The Company has prepared Fraud Prevention Guidelines booklets specifying processes, measures, methods; and most importantly the cooperation required from internal and external parties to help prevent fraud within the organization. As a part of good corporate governance practice, the Company communicates to employees the importance of proper conduct to ensure the Company's stability, and acceptance from all stakeholders.

In addition, the Company has established other policies as related to anti-corruption such as corporate governance, fair employment practices, working with the government, working with non-profit organizations and social contributions, competition, insider trading, conflict of interest, privacy, supplier relationship, copyrights, sanctioned countries and specially designated nationals, environment, public health and safety, potential fraud reporting — all of which are detailed in print for employees and disclosed on the websites of the Company and subsidiary.

The Company is in the process of preparing for the renewal of Thailand's Private Sector Collective Action Coalition Against Corruption (CAC) membership which will expire in January 2019. During 2017, the Company reviewed anti-corruption policy and other related policies as well as the fraud prevention guidelines.



In producing good business performance to sustainably grow the Company and build credibility, employees regularly receive training on anti-corruption. In 2017, new employees were advised of the Company's policy to reinforce integrity in the work culture and good behavior.



# INTERNAL CONTROL AND RISK MANAGEMENT



Internal control and risk management system is in place with the compliance framework in the areas of internal control, risk assessment, operation control, IT & communication, and monitoring system.

The Board of Directors of Sri Ayudhya Capital PCL recognizes the importance of internal control and has in place a system of controls that is sufficient and adequate. The emphasis is placed on the financial controls, accounting procedures and data management, compliance as well as other processes relating to anti-corruption measures with appropriate risks assessed. This, in turn, creates confidence that the operation is effective and efficient. Financial reports are reliable and timely and can be used to support business decision. Compliance in all areas are aligned with the laws and regulations of the Company. Accounting of funds are properly authorized in accordance with the line of authority; and proper division of duties is executed. The Board of Directors is ultimately responsible for the Company's internal control system. The assessment of the internal control system is conducted once a year with results reported and disclosed in the annual report for acknowledgement by stakeholders.

At the Board Meeting No. 2/2018, held on February 26, 2018, the Board of Directors with three Independent Directors on the Audit Committee in attendance reviewed the adequacy of the internal control system through surveys and inquiries directed to the Company's executive directors, and the report of the Audit Committee. The Board of Directors was of the opinion that the Company's internal control was sufficient and appropriate, and contributed to its efficient and effective operation. Financial reports were reliable and timely, and provided valuable data for the consideration of business decisions. The Company's operation was in line with the law, as well as the regulations and policies of the Company. The Company also established a system of internal control that effectively monitors and controls the operation of its subsidiaries, which can be summarized as follows:

## 1. Internal Control

The Company adheres to integrity and ethics. Internal controls are developed to align with these principles. An organizational structure with line of command and responsibility is created appropriately to complement the Company's business objectives with the oversight of the Board of Directors. The Company is committed to motivating, developing and retaining talented employees as well as determining scope and responsibilities for employees with internal control accountability. The Company establishes an environment for internal control as follows:

- ◆ That the business operates on the principle of integrity and ethics, and based on the principles of good corporate governance, laws and regulations as related to the business. Clear business objectives and measurements are set.
- ◆ That the annual budget passes through rigorous assessment from the management before receiving approval from the Board of Directors. Additionally, in setting policies and implementation plans, stakeholders are considered and covered in accordance to the principles of good corporate governance of the Stock Exchange of Thailand for long term sustainable growth.
- ◆ That the organizational structure shows clearly defined responsibilities for each division within the Company.
- ◆ That the operational rules and manuals are published for each division, and are disseminated via the Company's intranet.
- ◆ That the rules and regulations of the Company is guided by Code of Conduct with clear directives prohibiting employees from actions that may cause conflict of interests with penalties specified in event of violation. Additionally, a monitoring system by the Internal Audit Department of the subsidiary is in place to monitor compliance as well as adequacy of internal controls for each division.

## 2. Risk Management

The Company's objectives are clearly set so that all types of risks can be identified and evaluated against each objective. Additionally, the Company assesses the potential fraud on risk evaluation process and identifies possible impact on the Company's objectives, and evaluates changes that may also impact the internal control system. The following risk management measures are in practice:

- ◆ The Company established a Risk Management Committee to be responsible for the risk management procedures and mitigate significant risks to the extent possible. Such risks include strategic risks, operational risks, investment risks, market risks, liquidity risks, financials risks and reporting risks, compliance to laws and regulations risks, and fraud and corruption risks. Details may be found in the Risk Factors section of this report. The Committee reviews and evaluates the standards and sufficiency of the system and the effectiveness of the procedures at least once a year or as necessary.
- ◆ Financial reports are reliable and sufficient with appropriate and effective internal controls with internal audits in place, and in compliance with the laws and regulations of Securities and Exchange Commission, Stock Exchange of Thailand, and other related laws and regulations. Related party transactions are conducted using the same principles.
- ◆ The Company recognizes and gives importance to early warning signs and to prevent any misconduct, the Risk Management Committee has created and posted Fraud Prevention Guidelines and Whistle Blower Policy on the Company's intranet. All employees are expected to comply with the laws and guidelines given.

## 3. Operational Controls

The Company uses several measures to assure that the risk of failure to achieve the Company's objectives is kept at the lowest acceptable level. This is accomplished through the use of technology that helps support the achievement of the Company's objectives. Control measures are set based on the policies. Expectations and procedures are translated into operational performance indicators. Operational controls include the following:

- ◆ Having a clear scope of monetary authorization and limit of each management level is defined in writing.

- ◆ Having a clear separation of approval authorization on recording accounting transactions and IT from managing assets for proper check-and-balance.
- ◆ Adhering to compliance with regards to the Announcements and Regulations of the Stock Exchange of Thailand, as prescribed by the Securities and Exchange Commission on transactions involving major shareholders, the Board of Directors, senior executives, and other related parties.
- ◆ Having monitoring measures, including preventive, corrective measures and penalties in place to ensure that the business operates in compliance with the laws.
- ◆ Having the anti-corruption policy established with measures and procedures, and compliance review process in place for both the Company and subsidiary. A line of communications and updates on anti-corruption is in place as well as the related training; and the Company applies the same policy and standards on the subsidiary.

#### 4. Information Technology and Communications

Company reports are issued on a timely basis with quality analytical information so that internal control procedures can continue as required. Internal communications which covers the objectives and responsibilities to internal audit is conveyed to assure that internal control procedures can proceed as planned. External agencies may be engaged on issues that may have potential impact on internal control. Procedures include:

- ◆ Providing the Board of Directors with sufficient and reliable information for making decisions, including letters calling for meetings and necessary support documents for review before the meeting. Reports of Board Meetings are sufficiently detailed to allow shareholders to review the performance of the Board.
- ◆ Keeping complete and proper records of accounting and financial transactions. Categories are organized using the standard certified accounting procedures appropriate to the nature of the Company's business.
- ◆ Reviewing and auditing of quarterly and annual financial statements as well as the Company's information system by the Company's auditor.
- ◆ Providing financial data and relevant IT information for management to use in making decisions. IT capability is utilized to provide accurate, and up-to-date analytics sufficient and appropriate in details for review, and be accessible to relevant authorities.
- ◆ Preparing for the IT system during an emergency by having reserved a data center which can be activated immediately should the system at the head office break down.
- ◆ Providing an efficient internal and external online communications system so that employees can obtain data necessary to be completely functional in their roles.

#### 5. Monitoring System

Internal controls are monitored and evaluated to ensure proper ongoing implementation. Oversights are communicated promptly to persons in charge, including senior executives and the Board of Directors, as appropriate. The Company has taken the following steps:

- ◆ To have the management make the comparison of actual performance versus target for review by the Board of Directors. In case of variation from the target, causes are determined and corrective actions are taken in a timely manner. In case of fraud, corruption, or any suspicion on any violation of the laws which could have significant impact on the Company's reputation and financial standing, the management must notify the Board of Directors immediately.
- ◆ To have the Audit Committee oversee the financial report procedures, the internal control system, the internal audits, and compliance of related laws and regulations; and anti-corruption measures and compliance reviews. The Committee is also responsible for review and selection of external auditors, and the remuneration involved.
- ◆ To have the Corporate Governance Committee established to provide assistance and support to the Board of Directors to oversee the performance of the Company and its subsidiary to ensure compliance with the Company's policies, rules, regulations, and governing laws as related to the Company's business and to ensure that employees perform duties responsibly and efficiently for the stability and sustainability of the Company.

- ◆ To have the Internal Audit Department established to regularly monitor internal control systems and review the compliance of anti-corruption measures. The internal auditor may work independently and submit reports in a frank manner. If any significant error is detected, it will be reported to the Board and the Audit Committee to determine corrective measures within an appropriate time frame. Since the size of business is not yet substantial, the Company uses the services of the Internal Audit Department of Sri Ayudhya General Insurance PCL (its subsidiary) to conduct the auditing work.



## FORMATION OF CORPORATE GOVERNANCE COMMITTEE AND INTERNAL AUDIT HEAD

- ◆ The resolution of the Board of Directors Meeting No. 2/2012, February 28, 2012 approved the establishment of Corporate Governance Committee (formerly named Compliance Committee) to manage the Company with compliance to the laws and good governance based on the regulations as set by the Securities and Exchange Commission.

At present, Mr. Vichit Kornvityakoon, Independent Director and Member of the Audit Committee serves as the Chairman of the Corporate Governance Committee (formerly named Compliance Committee) on January 29, 2013. His profile is detailed in the Board of Directors Information section.

- ◆ **Internal Audit Head**

At meeting No. 4/2014, held on August 7, 2014, the Board of Directors approved the appointment of Mrs. Paporn Piyayodilokchai, Senior Vice President of the Internal Audit Department of Sri Ayudhya General Insurance PCL, a subsidiary, to serve as the Company's Head of Internal Audit as Senior Vice President of the Internal Audit Department, Sri Ayudhya Capital PCL, effective July 1, 2014. This appointment was made based on her qualifications of more than 10 years of experience, and knowledge of the internal audit procedures of insurance and financial businesses, as well as her training record in courses related to the performance of internal audit, with details provided in the Other Information section, under Head of Internal Audit. The appointment, removal, or transfer of the Head of Internal Audit must be approved by the Audit Committee.

# RELATED-PARTIES TRANSACTIONS

Related-party transactions for the Company, subsidiary and related-companies are disclosed herein expressing the relationships by shareholding, common directors or shareholders. Details of the transactions are shown in note of the Financial Statements for the year ending December 31, 2017. The transactions which occurred between the subsidiary and the related-party were conducted based on agreements made and were based on normal course of business conditions.

The Company's Auditor has reviewed the related-party transactions between the subsidiary and the related-party for the fiscal year ending December 31, 2017 and is in the opinion that the transactions were conducted based on the ordinary course of business and that the completed transactions were not done any differently from the ones completed for outside parties; and no stakeholders were involved in the related-party approval process. The Company does not have a policy to support any stakeholder in conducting related-party transactions, however, if such transactions do occur, these will follow the ordinary course of business, with no difference in offers on pricing and/or terms.

The policy on transactions with related-parties is disclosed in full in the Company's website: [www.ayud.co.th](http://www.ayud.co.th), and the subsidiary's website: [www.sagi.co.th](http://www.sagi.co.th)

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

Companies	Relationship	Type of Business
Sri Ayudhya General Insurance Plc.	Some common shareholders and directors	Insurance
Bank of Ayudhya Plc.	Some common shareholders and directors	Banking
Krungsri Securities Plc.	Some common shareholders	Finance
Krungsri Asset Management Co., Ltd.	Some common shareholders	Fund Management
Ayudhya Development Leasing Co., Ltd.	Some common shareholders	Hire-purchase and leasing
Siam City Cement Plc.	Some common shareholders and directors	Construction Materials
Bangkok Broadcasting & T.V. Co., Ltd.	Some common shareholders and directors	Television Business
Great Luck Equity Co., Ltd.	Some common shareholders	Advertising
Super Asset Co., Ltd.	Some common shareholders and directors	Investments
BBTV Equity Co., Ltd.	Some common shareholders and directors	Office Space Rental
CKS Holding Co., Ltd.	Some common shareholders and directors	Investments
Allianz Ayudhya Assurance Plc.	Some common shareholders and directors	Life Insurance
Grand Canal Land Plc.	Some common shareholders and directors	Advertising
Krungsri Ayudhya AMC Ltd.	Some common shareholders	Asset Management
Siam Realty and Services Security Co., Ltd.	Some common shareholders	Services
Ayudhya Capital Auto Lease Plc.	Some common shareholders	Hire-purchase and auto leasing
Krungsriayudhya Card Co., Ltd.	Some common shareholders	Services
Eastern Star Real Estate Plc.	Some common shareholders and directors	Property
Tummy Tech Co., Ltd	Some directors	Consulting

# REPORT OF THE NOMINATION & REMUNERATION COMMITTEE

DEAR SHAREHOLDERS,

The Nomination & Remuneration Committee comprises three members who are non-executive directors. Mr. Metha Suvanasarn serves as Chairman of the Nomination & Remuneration Committee, Ms. Nopporn Tirawattanagool serves as a member of the Nomination & Remuneration Committee, and Mr. Bryan James Smith serves as a member of the Nomination & Remuneration Committee.

The Nomination & Remuneration Committee has performed its duties as assigned by the Board of Directors. In 2017, the Committee held five meetings. Joint meetings were held with the President & CEO to gather information to support the Committee in its consideration of the matters in its purview. Meeting reports are regularly provided to the Board of Directors. Key undertakings carried out in 2017 are summarized as follows:

## Nomination

- ◆ Re-elected directors in compliance with the Public Limited Companies Act, B.E. 2535 (1992) and other related regulations.
- ◆ Reviewed the Nomination & Remuneration Committee Charter.
- ◆ Reviewed the Risk Management Committee Charter.
- ◆ Proceeded with the search for qualified candidates to hold the positions of President & CEO who has already served full terms with the Company and the subsidiary.

## Remuneration

- ◆ Considered annual salary and bonus bases-on performance adjustments to be in line with the insurance industry for employees of the Company and the subsidiary.
- ◆ Considered per diem guideline for the trips to perform work outside the company (domestics) of the Company and its subsidiary.
- ◆ Considered and proposed to the Board of Directors the target letter for President & CEO.
- ◆ Considered and proposed to the Board of Directors the remuneration scheme for President & CEO.
- ◆ Considered and proposed to the Board of Directors the remuneration and benefits for the Company's directors.

Moreover, the Nomination and Remuneration Committee considered additional policies as follows:

- ◆ Considered the Managerial Service Agreement between the Company and its subsidiary.

In 2017, the Nomination & Remuneration Committee duly performed its duties as assigned by the Board of Directors with caution, competence, and independence for the overall benefits to the Company and its shareholders.



**Mr. Metha Suvanasarn**

Independent Director

Chairman of the Nomination & Remuneration Committee

# REPORT OF THE AUDIT COMMITTEE

To the shareholders of Sri Ayudhya Capital Public Company Limited,

The Audit Committee has duties and responsibilities as assigned by Board of Directors as specified in the Charter of the Audit Committee and in accordance with the criteria from the regulators. The Audit Committee is comprised three independent directors as follows:

- |                              |                                  |
|------------------------------|----------------------------------|
| 1. Mr. Surachai Prukbamroong | Chairman of the Audit Committee  |
| 2. Mr. Metha Suvanasarn      | Member of the Audit Committee    |
| 3. Mr. Vichit Kornvityakoon  | Member of the Audit Committee    |
| Mrs. Paporn Piyayodilokchai  | Secretary to the Audit Committee |

In 2017, the Audit Committee held seven meetings, two with the auditors to acknowledge and consider matters which can be summarized as follows:

## FINANCIAL REPORTS

Conducted reviews of quarterly and annual consolidated financial statements and separate financial statements with the Company's executives, accounting executives and the Company's auditors to ensure that the financial statements were completed under the generally accepted accounting principles, the disclosure of information was adequate, accurate and complete. The reviews covered the accounting policy as well as significant changes.

## INTERNAL CONTROL AND COMPLIANCE WITH THE LAWS

Conducted reviews of the Company's internal control system to ensure efficiency and compliance with governing laws and regulations including those of the Securities and Exchange Commission, and the Stock Exchange of Thailand as relevant to the Company's business base on audit reports by the Company's auditors and Internal Audit Department of the subsidiary company that provides internal audit services of the Company. Meetings were held to exchange views and comments with auditors, internal auditors, and the Company's executives in making amends on significant findings to ensure sound internal controls, compliance with the laws, rules, and relevant regulations.

Considered the result of the review on internal control of the computer information technology, and the Company's risks management practices as well as reviewed good corporate governance practices. Reports on good corporate governance practices and internal controls were completed and disclosed in the annual report.

The Audit Committee met with the auditors without the Company's executives on matters that auditors sought to be acknowledged by the Audit Committee with regard to the performance and the independence of auditors in conducting the reviews and audits as well as compliance with Section 89/25 of the Securities and Exchange Act (No. 4) BE 2551 (2008). Additionally, to acknowledge and advise findings on reviews and financial audits. Through the process, it was reported to the Audit Committee that no fraud, violation against the laws, or problems in internal controls were found.

In addition, the Audit Committee considered the drafts of fraud prevention manual, anti-corruption measures on internal control and record-keeping and procurement regulations which were improved during the year. The power of authorization was amended in accordance with the recommendation of the Audit Committee.

## TRANSACTIONS WITH POSSIBLE CONFLICT OF INTEREST

Reviewed related-party transactions and transactions that may be considered as conflict of interest to ensure that these items were conducted in compliance with relevant laws and regulations and adequate disclosures were made. The Audit Committee provided opinion on conducting transactions between the Company and related parties to ensure that these transactions were made under normal course of business environment.

## COMPLIANCE OF INTERNAL AUDIT DEPARTMENT

Considered the audit plan, manpower to ensure adequacy of resources in conducting the audits and considered audit reports from other departments of the Company.

In addition, considered and ratified improvements and developments of the role of the internal audit with appropriate responsibilities pertinent to the business environment and evolving risks in information technology and corresponded with the anti-corruption policy as well as having independence in carrying out duties.

## AUDIT COMMITTEE CHARTER

The Audit Committee performed duties and responsibilities as stipulated in the charter of the Audit Committee independently, cautiously and transparently, in order to promote good corporate governance practices effectively.

## COMPLIANCE WITH ANTI-CORRUPTION POLICY AND MEASURES

Oversaw the process relating the anti-corruption policy and measures. Reviewed the compliance procedures on anti-corruption measures and internal controls as well as assessed the risks involved as related to the anti-corruption policy through reports from senior management, or reports on internal audit, or external reports on anti-corruption policy and measures of the Company.

## THE COMPANY'S AUDITOR

The Audit Committee proposed for approval at the ordinary General Shareholders' Meeting the appointment of Deloitte Touche Tohmatsu Jaiyos Audit Company Limited, with Mrs. Nisakorn Songmanee, and/or Mr. Permsak Wongpatcharapakorn, and/or Mr. Chavala Tienprasertkij as the Company's auditors for fiscal year 2018.

The selection of the auditors shall be made from qualifications and independence of the auditors, quality of work produced in the past year, and suitability of remuneration.

The Audit Committee has independently performed its duties without limitation in obtaining information and has received cooperation from the Company. The Audit Committee is in the opinion that financial reports were complete and accurate. Financial disclosures were adequate and appropriate and in line with the generally accepted accounting principles. Internal controls, internal audits and risk management are adequate and efficient. Laws, rules and regulations of the Securities exchange Act, the Stock Exchange of Thailand and other relevant laws are observed. Transactions with possible conflict of interest or transactions between the Company and related parties were conducted in compliance with the normal course of business operation, and the disclosure of information was sufficient. The company conducted its business in compliance with the anti-corruption policy and measures. The auditors were able to perform duties with independence and professionalism.



Mr. Surachai Prukbamroong  
Chairman of the Audit Committee

February 26, 2018



# OPINION ON RELATED TRANSACTIONS

February 26, 2018

Subject : Opinion on Related Transactions

To : The Shareholders of Sri Ayudhya Capital Public Company Limited

The Audit Committee of Sri Ayudhya Capital Public Company Limited is of the opinion that related transactions between Sri Ayudhya Capital Public Company Limited and related companies for the fiscal year ended December 31, 2017 were conducted in the Company's normal course of business.

For your acknowledgement.

Respectfully,



(Mr. Surachai Prukbamroong) (Mr. Metha Suvanasarn) (Mr. Vichit Kornvityakoon)

Members of the Audit Committee

Sri Ayudhya Capital Public Company Limited

# REPORT ON THE BOARD OF DIRECTORS' RESPONSIBILITY TOWARDS THE FINANCIAL STATEMENTS

The Board of Directors is responsible for the financial statements of the Company and its subsidiary, the financial information appearing in the annual report and on the internet. As such, the financial statements are prepared in accordance with Thai Financial Reporting Standards and accounting practices generally accepted in Thailand, by utilizing appropriate accounting policies, consistency and cautious discretion, and the best methods for calculating estimates. Furthermore, sufficient essential information is disclosed in the footnotes to the financial statements.

The Board of Directors has established and implemented effective internal control systems, to ensure reasonable confidence that the reporting of accounting data is accurate, comprehensive and sufficient to support the business. The ability to identify possible areas of weakness in the systems would reduce the opportunities for fraud or significant misconduct.

Notwithstanding, the Board of Directors has appointed the Audit Committee, which comprises independent directors, to supervise and be responsible for the quality of financial data and the system for internal controls. The opinion of the Audit Committee on this matter is contained in the annual report.

The Board of Directors is of the opinion that the Company and its subsidiary's internal controls are satisfactory and allow for reasonable confidence in the reliability of the financial statements, the consolidated financial statements of the Company and its subsidiary as of 31 December 2017.



**Mr. Veraphan Teepsuwan**  
Chairman



**Mr. Arnon Opaspimoltum**  
President & CEO

# REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS  
SRI AYUDHYA CAPITAL PUBLIC COMPANY LIMITED

## OPINION

We have audited the consolidated financial statements of Sri Ayudhya Capital Public Company Limited and its subsidiary (the “Group”) and the separate financial statements of Sri Ayudhya Capital Public Company Limited (the “Company”), which comprise the consolidated and separate statements of financial position as at December 31, 2017, and the related consolidated and separate statements of profit or loss and other comprehensive income, changes in shareholders’ equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of Sri Ayudhya Capital Public Company Limited and its subsidiary and of Sri Ayudhya Capital Public Company Limited as at December 31, 2017, and financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (“TFRSs”).

## BASIS FOR OPINION

We conducted our audit in accordance with Thai Standards on Auditing (“TSAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the Federation of Accounting Professions’ Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to the audit of the consolidated and separate financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

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

Key Audit Matters	Audit Responses
<p><b>Recognition of gross premiums written and Unearned premium reserve</b></p> <p>Recognition of gross premiums written and unearned premium reserve are a significant risk of material misstatement because the Company had a large number of policies which were derived from direct, insurance brokers and reinsurers caused a variety of supporting documents. Audit procedures are focus on occurrence and cutoff for recognition of gross premiums written and unearned premium reserve to consider whether the revenue is recognized appropriately by the Group in accordance with TFRSs.</p> <p>The accounting policy for revenue recognition is disclosed in note no. 3.2 to the financial statements.</p>	<p><b>Key audit procedures included;</b></p> <ul style="list-style-type: none"> <li>◆ Understood operating procedures and internal control related to recognition of gross premiums written and unearned premium reserve</li> <li>◆ Tested the design and implementation of internal controls</li> <li>◆ Tested the operating effectiveness around the recognition of gross premiums written and unearned premium reserve</li> <li>◆ Performed substantive audit procedures consisted of: <ul style="list-style-type: none"> <li>- Tested recognition of policy and endorsement policy by consider the process of approval and significant supporting documents to determine whether gross premiums written and unearned premium reserve are recognized for transactions occurring in the correct period</li> <li>- Reperformed calculation of unearned premium reserve and examining supporting evidence for journal entries posted to identify any usual items where further investigation may be required</li> <li>- Performed substantive analytical procedures related to financial information of gross premiums written and unearned premium reserve.</li> </ul> </li> </ul>
<p><b>Loss reserves</b></p> <p>Recognition of loss reserves are a significant risk of material misstatement because the Group requires certified actuary to assess the liability by use actuarial method, to determine the competency and independence of specialist and evaluated the appropriateness of key assumptions are needed to consider. Audit procedures are focus on completeness and cutoff for recognition loss reserves and outstanding claims to consider whether the liability is recognized appropriately by the Group in accordance with TFRSs.</p> <p>Loss reserves consists of loss incurred and agreed and loss incurred but not reported (“IBNR”).</p> <p>The accounting policy for loss reserves and outstanding claims is disclosed in note no. 3.13.2 to the financial statements.</p>	<p><b>Key audit procedures included;</b></p> <ul style="list-style-type: none"> <li>◆ Understood operating procedures and internal control related to recognition of loss reserves and outstanding claims</li> <li>◆ Tested the design and implementation of internal controls</li> <li>◆ Tested the operating effectiveness around the recognition of loss reserves and outstanding claims</li> <li>◆ Performed substantive audit procedures consisted of: <ul style="list-style-type: none"> <li>- Tested loss reserves and outstanding claims report by consider the process of approval and significant supporting documents to determine whether loss reserves and outstanding claims were recognized completely and in the correct period</li> <li>- Assessed the methodology applied and the key assumptions utilized in the estimated provision for losses incurred but not yet reported, including determining the competency and independence of specialist and evaluated the appropriateness of key assumption</li> <li>- Performed substantive analytical procedures related to financial information of loss reserves.</li> </ul> </li> </ul>

Key Audit Matters	Audit Responses
<p><b>Investment in an associated company</b></p> <p>Investment in an associated company represents 30.35% of the total amount of its asset and is considered to be the key driver of operations and performance results of the Group.</p> <p>We consider the investment in an associated company is a key audit matter due to its materiality in the context of the financial statements as a whole, it is considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.</p> <p>The accounting policy for investment in an associated company is disclosed in note no. 3.8 to the financial statements.</p>	<p>Our audit procedures including a collaboration in performing the audit work with the component auditor. Key audit procedures included;</p> <ul style="list-style-type: none"> <li>◆ Understood the financial information compilation process and related internal control procedures</li> <li>◆ Collaboratively performed the work in accordance with Thai Standard on Auditing on the work performed from the planning through the conclusion process</li> <li>◆ Performed substantive audit procedures related to the share of profit of investment in an associate.</li> </ul>

## OTHER INFORMATION

Management is responsible for the other information. The other information comprises information in the annual report, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and the management of the Company.

## RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 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 CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

- ◆ Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's 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 Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the consolidated and the separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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 we identify during our audit.

We also provide those charged with governance with a statement that we 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 our independence, and where applicable, related safeguards.

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



Dr. Suphamit Techamontrikul  
Certified Public Accountant (Thailand)  
Registration No. 3356

**BANGKOK**  
February 26, 2018

**DELOITTE TOUCHE TOHMATSU JAIYOS AUDIT CO., LTD.**

# STATEMENTS OF FINANCIAL POSITION

## SRI AYUDHYA CAPITAL PUBLIC COMPANY LIMITED AND SUBSIDIARY

### STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

BAHT

	Notes	CONSOLIDATED		SEPARATE	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		As at December 31, 2017	As at December 31, 2016	As at December 31, 2017	As at December 31, 2016
<b>ASSETS</b>					
Cash and cash equivalents	5	1,401,892,869	1,417,050,104	181,094,544	68,444,715
Premium due and uncollected - net	6	238,127,440	217,433,184	-	-
Accrued investment income		6,972,807	10,048,246	1,823,368	2,661,357
Reinsurance assets	7	892,037,914	1,050,275,918	-	-
Due from reinsurers	8	55,744,894	58,568,876	-	-
Investments					
Investments in securities	9	4,655,891,276	4,594,202,619	2,268,613,540	2,319,176,240
Loans	10	15,060	129,317	-	7,327
Investment in an associate	11	3,355,004,219	2,830,474,645	1,487,263,618	1,487,263,618
Investment in a subsidiary	11	-	-	1,823,578,981	1,823,578,981
Premises and equipment	12	53,235,506	60,533,749	7,475,741	2,616,582
Intangible assets	13	67,039,753	75,159,081	24	24
Deferred tax assets	14	167,168,301	185,959,305	6,481,717	19,451,317
Deferred commissions expenses		62,324,187	63,404,173	-	-
Other assets	15	99,516,747	53,411,348	7,921,267	20,181,254
<b>TOTAL ASSETS</b>		<b>11,054,970,973</b>	<b>10,616,650,565</b>	<b>5,784,252,800</b>	<b>5,743,381,415</b>

Notes to the financial statements form an integral part of these statements



# STATEMENTS OF FINANCIAL POSITION (CONTINUED)

SRI AYUDHYA CAPITAL PUBLIC COMPANY LIMITED AND SUBSIDIARY

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS AT DECEMBER 31, 2017

BAHT

	Notes	CONSOLIDATED		SEPARATE	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		As at December 31, 2017	As at December 31, 2016	As at December 31, 2017	As at December 31, 2016
<b>LIABILITIES AND EQUITY</b>					
Insurance contract liabilities	16	2,068,995,204	2,249,888,625	-	-
Due to reinsurers	17	667,858,859	705,692,485	-	-
Income tax payable		3,548,910	688,099	99,186	688,099
Employee benefit obligations	18	86,823,217	79,070,596	4,293,904	7,057,680
Premium written received in advance		348,345,708	337,983,016	-	-
Commissions and brokerages payables		46,327,191	50,978,828	-	-
Accrued expenses		50,493,328	62,103,825	13,376,545	28,921,161
Other liabilities	19	88,619,252	87,932,079	15,898,165	1,443,917
<b>TOTAL LIABILITIES</b>		<b>3,361,011,669</b>	<b>3,574,337,553</b>	<b>33,667,800</b>	<b>38,110,857</b>
<b>EQUITY</b>					
Share capital					
Authorized share capital					
500,000,000 ordinary shares of					
Baht 1.00 each					
		500,000,000	500,000,000	500,000,000	500,000,000
Issued and paid-up share capital					
250,000,000 ordinary shares of					
Baht 1.00 each					
		250,000,000	250,000,000	250,000,000	250,000,000
Premium on share capital					
		3,512,183,950	3,512,183,950	3,512,183,950	3,512,183,950
Retained earnings					
Appropriated					
Legal reserve					
	20	50,000,000	50,000,000	50,000,000	50,000,000
Unappropriated					
		2,650,796,710	2,630,187,905	1,979,443,194	1,983,796,130
Other components of equity					
Changes in fair value of available-					
for-sale securities					
		(39,021,456)	(87,984,993)	(41,042,144)	(90,709,522)
Share of other comprehensive income					
in an associate					
		1,270,000,100	687,926,150	-	-
<b>TOTAL EQUITY</b>		<b>7,693,959,304</b>	<b>7,042,313,012</b>	<b>5,750,585,000</b>	<b>5,705,270,558</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>11,054,970,973</b>	<b>10,616,650,565</b>	<b>5,784,252,800</b>	<b>5,743,381,415</b>

Notes to the financial statements form an integral part of these statements

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

SRI AYUDHYA CAPITAL PUBLIC COMPANY LIMITED AND SUBSIDIARY  
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2017

BAHT

	Notes	CONSOLIDATED		SEPARATE	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		2017	2016	2017	2016
<b>Revenues</b>					
Gross premium written		2,953,655,613	3,082,391,856	-	-
<u>Less</u> Premium ceded		<u>1,266,311,577</u>	<u>1,286,529,458</u>	-	-
Net premium written		1,687,344,036	1,795,862,398	-	-
<u>Less</u> Unearned premium reserve increase (decrease)					
from previous year		<u>32,145,567</u>	<u>(96,622,982)</u>	-	-
Net premium earned		1,655,198,469	1,892,485,380	-	-
Fee and commission income		368,033,904	323,319,252	-	-
Net investment income	11.2	99,199,138	104,804,190	439,779,852	431,732,574
Gain on investment	24	54,974,428	48,689,209	53,869,930	48,689,209
Share of profit of investment in an associate	11.1	331,678,207	388,469,249	-	-
Other income		<u>3,957,631</u>	<u>104,321,506</u>	<u>25,710,905</u>	<u>130,691,784</u>
Total revenues		<u>2,513,041,777</u>	<u>2,862,088,786</u>	<u>519,360,687</u>	<u>611,113,567</u>
<b>Expenses</b>					
Loss incurred		1,388,581,039	1,413,350,138	-	-
<u>Less</u> Loss refundable from reinsurers		<u>600,004,263</u>	<u>498,263,026</u>	-	-
Commissions and brokerages expenses		415,100,134	455,696,848	-	-
Other underwriting expenses		476,443,777	473,318,278	-	-
Operating expenses	22	<u>347,988,189</u>	<u>357,657,579</u>	<u>83,607,786</u>	<u>83,230,243</u>
Total underwriting expenses		<u>2,028,108,876</u>	<u>2,201,759,817</u>	<u>83,607,786</u>	<u>83,230,243</u>
Income before income tax expense		484,932,901	660,328,969	435,752,901	527,883,324
Income tax expense	14	<u>22,022,756</u>	<u>45,163,965</u>	<u>1,967,001</u>	<u>21,858,303</u>
<b>Net income</b>		<u>462,910,145</u>	<u>615,165,004</u>	<u>433,785,900</u>	<u>506,025,021</u>

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

SRI AYUDHYA CAPITAL PUBLIC COMPANY LIMITED AND SUBSIDIARY  
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2017

BAHT

	Notes	CONSOLIDATED		SEPARATE		
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS		
		2017	2016	2017	2016	
Other comprehensive income (loss)						
Items that will not be reclassified subsequently to profit or loss						
Actuarial loss on defined employee benefit plans	18	(4,400,728)	(1,665,722)	(798,545)	(685,813)	
Share of other comprehensive income (loss) in an associate	11.1	(1,600,947)	(3,508,966)	-	-	
Income tax relating to items that will not be reclassified subsequently		1,200,335	1,034,938	159,709	137,163	
		<u>(4,801,340)</u>	<u>(4,139,750)</u>	<u>(638,836)</u>	<u>(548,650)</u>	
Items that will be reclassified subsequently to profit or loss						
Changes in fair value of available-for-sale securities		61,204,421	34,154,353	62,084,223	38,145,860	
Share of other comprehensive income (loss) in an associate	11.1	735,354,361	(157,629,211)	-	-	
Income tax relating to items that will be reclassified subsequently		(165,521,295)	25,103,857	(12,416,845)	(7,629,172)	
		<u>631,037,487</u>	<u>(98,371,001)</u>	<u>49,667,378</u>	<u>30,516,688</u>	
Other comprehensive income (loss) for the years, net of income tax		<u>626,236,147</u>	<u>(102,510,751)</u>	<u>49,028,542</u>	<u>29,968,038</u>	
<b>Total comprehensive income for the years</b>		<u>1,089,146,292</u>	<u>512,654,253</u>	<u>482,814,442</u>	<u>535,993,059</u>	
<b>Earnings per share</b>						
<b>Basic earnings per share</b>	26	<b>Baht</b>	1.85	2.46	1.74	2.02

Notes to the financial statements form an integral part of these statements

# STATEMENTS OF CHANGES IN EQUITY

SRI AYUDHYA CAPITAL PUBLIC COMPANY LIMITED AND SUBSIDIARY

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2017

BAHT

	CONSOLIDATED FINANCIAL STATEMENTS							Total equity
	Notes	Issued and paid-up share capital	Premium on share capital	Retained earnings		Other components of equity		
				Appropriated Legal reserve	Unappropriated	Changes in fair value of available-for-sale securities	Share of other comprehensive income in an associate	
Beginning balance as at January 1, 2016		250,000,000	3,512,183,950	50,000,000	2,519,162,651	(115,308,475)	813,620,633	7,029,658,759
Comprehensive income (loss)		-	-	-	611,025,254	27,323,482	(125,694,483)	512,654,253
Dividends paid	29.1	-	-	-	(250,000,000)	-	-	(250,000,000)
Interim dividends	29.2	-	-	-	(250,000,000)	-	-	(250,000,000)
<b>Ending balance as at December 31, 2016</b>		<u>250,000,000</u>	<u>3,512,183,950</u>	<u>50,000,000</u>	<u>2,630,187,905</u>	<u>(87,984,993)</u>	<u>687,926,150</u>	<u>7,042,313,012</u>
Beginning balance as at January 1, 2017		250,000,000	3,512,183,950	50,000,000	2,630,187,905	(87,984,993)	687,926,150	7,042,313,012
Comprehensive income (loss)		-	-	-	458,108,805	48,963,537	582,073,950	1,089,146,292
Dividends paid	29.3	-	-	-	(250,000,000)	-	-	(250,000,000)
Interim dividends	29.4	-	-	-	(187,500,000)	-	-	(187,500,000)
<b>Ending balance as at December 31, 2017</b>		<u>250,000,000</u>	<u>3,512,183,950</u>	<u>50,000,000</u>	<u>2,650,796,710</u>	<u>(39,021,456)</u>	<u>1,270,000,100</u>	<u>7,693,959,304</u>

Notes to the financial statements form an integral part of these statements

# STATEMENTS OF CHANGES IN EQUITY

**SRI AYUDHYA CAPITAL PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

BAHT

	Notes	SEPARATE FINANCIAL STATEMENTS					Total equity
		Issued and paid-up share capital	Premium on share capital	Retained earnings		Other components of equity	
				Appropriated	Unappropriated		
				Legal reserve		Changes in fair value of available-for-sale securities	
Beginning balance as at January 1, 2016		250,000,000	3,512,183,950	50,000,000	1,978,319,759	(121,226,210)	5,669,277,499
Comprehensive income		-	-	-	505,476,371	30,516,688	535,993,059
Dividends paid	29.1	-	-	-	(250,000,000)	-	(250,000,000)
Interim dividends	29.2	-	-	-	(250,000,000)	-	(250,000,000)
<b>Ending balance as at December 31, 2016</b>		<u>250,000,000</u>	<u>3,512,183,950</u>	<u>50,000,000</u>	<u>1,983,796,130</u>	<u>(90,709,522)</u>	<u>5,705,270,558</u>
Beginning balance as at January 1, 2017		250,000,000	3,512,183,950	50,000,000	1,983,796,130	(90,709,522)	5,705,270,558
Comprehensive income		-	-	-	433,147,064	49,667,378	482,814,442
Dividends paid	29.3	-	-	-	(250,000,000)	-	(250,000,000)
Interim dividends	29.4	-	-	-	(187,500,000)	-	(187,500,000)
<b>Ending balance as at December 31, 2017</b>		<u>250,000,000</u>	<u>3,512,183,950</u>	<u>50,000,000</u>	<u>1,979,443,194</u>	<u>(41,042,144)</u>	<u>5,750,585,000</u>

Notes to the financial statements form an integral part of these statements

# STATEMENTS OF CASH FLOWS

## SRI AYUDHYA CAPITAL PUBLIC COMPANY LIMITED AND SUBSIDIARY

### STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

BAHT

	Notes	CONSOLIDATED		SEPARATE	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		2017	2016	2017	2016
<b>CASH FLOWS PROVIDED BY (USED IN)</b>					
<b>OPERATING ACTIVITIES</b>					
Direct premium received		2,911,354,288	3,152,635,138	-	-
Cash paid from reinsurance		(233,507,233)	(326,319,361)	-	-
Interest income		41,058,817	54,675,187	8,509,457	6,974,089
Dividend income		46,533,152	52,643,409	46,526,928	52,627,329
Other income		1,920,011	3,571,293	35,907,798	29,701,608
Loss incurred from direct insurance		(1,517,671,414)	(1,334,064,725)	-	-
Commission and brokerage paid from direct insurance		(412,188,453)	(467,473,558)	-	-
Other underwriting expenses		(465,867,271)	(455,345,812)	-	-
Operating expenses		(393,741,071)	(303,713,726)	(101,924,721)	(77,181,513)
Income tax expense		(12,460,923)	(42,514,796)	(1,843,450)	(4,104,888)
Investment in securities		78,034,674	109,464,542	169,711,863	96,167,711
Deposits at bank with maturity					
over 3 months and deposits used as collateral		6,377,908	34,436,722	9,686,734	(360,329)
Loans		114,257	449,633	7,327	21,697
Cash received from subscriptions receivable		-	9,267,941	-	9,267,941
Dividend received from an associate	11.2	387,941,826	374,256,761	387,941,826	374,256,761
Net cash provided by operating activities		<u>437,898,568</u>	<u>861,968,648</u>	<u>554,523,762</u>	<u>487,370,406</u>
<b>CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>					
<b>CASH FLOWS PROVIDED BY</b>					
Premises and equipment		<u>2,671,912</u>	<u>12,450,947</u>	<u>1,448,598</u>	<u>6,862,673</u>
Cash provided by investing activities		<u>2,671,912</u>	<u>12,450,947</u>	<u>1,448,598</u>	<u>6,862,673</u>
<b>CASH FLOWS USED IN</b>					
Premises and equipment		<u>(13,332,887)</u>	<u>(17,130,865)</u>	<u>(5,822,531)</u>	<u>(551)</u>
Intangible assets		<u>(4,894,828)</u>	<u>(5,485,280)</u>	-	-
Cash used in investing activities		<u>(18,227,715)</u>	<u>(22,616,145)</u>	<u>(5,822,531)</u>	<u>(551)</u>
Net cash provided by (used in) investing activities		<u>(15,555,803)</u>	<u>(10,165,198)</u>	<u>(4,373,933)</u>	<u>6,862,122</u>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>					
Dividends paid		<u>(437,500,000)</u>	<u>(500,000,000)</u>	<u>(437,500,000)</u>	<u>(500,000,000)</u>
Net cash used in financing activities		<u>(437,500,000)</u>	<u>(500,000,000)</u>	<u>(437,500,000)</u>	<u>(500,000,000)</u>
Net increase (decrease) in cash and cash equivalents		(15,157,235)	351,803,450	112,649,829	(5,767,472)
Cash and cash equivalents as at January 1,		<u>1,417,050,104</u>	<u>1,065,246,654</u>	<u>68,444,715</u>	<u>74,212,187</u>
Cash and cash equivalents as at December 31,	5	<u>1,401,892,869</u>	<u>1,417,050,104</u>	<u>181,094,544</u>	<u>68,444,715</u>

Notes to the financial statements form an integral part of these statements

# NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

SRI AYUDHYA CAPITAL PUBLIC COMPANY LIMITED AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

## 1. GENERAL INFORMATION AND OPERATION OF THE COMPANY AND ITS SUBSIDIARY

### 1.1 The Company

Sri Ayudhya Capital Public Company Limited (“the Company”) was registered in The Stock Exchange of Thailand. The main business is an investment holding company. The head office is located at Ploenchit Tower, 7th floor, 898 Ploenchit Road, Lumpini, Pathumwan, Bangkok.

The Company has a subsidiary company, Sri Ayudhya General Insurance Public Company Limited which operate non-life insurance business, holding by 99.99%.

### 1.2 The subsidiary

Sri Ayudhya General Insurance Public Company Limited (“subsidiary”) is a limited company incorporated in Thailand on September 21, 1982. The main business is non-life insurance and the Company was awarded its license to operate all classes of non-life insurance on September 24, 1982 and the subsidiary has registered to be Public Company Limited on October 3, 2011. The Company’s office was registered at Ploenchit Tower, 18th floor, 898 Ploenchit Road, Lumpini, Pathumwan, Bangkok.

## 2. BASIS FOR PREPARATION OF THE CONSOLIDATED AND THE SEPARATE FINANCIAL STATEMENTS

2.1 The Company and its subsidiary (“the Group”) maintains its accounting records in Thai Baht and prepares its statutory financial statements in the Thai language in conformity with Thai Financial Reporting Standards and practices generally accepted in Thailand.

2.2 The Group’s financial statements have been prepared in accordance with the Thai Accounting Standard (“TAS”) No. 1 (Revised 2016) “Presentation of Financial Statements”, which was effective for financial periods beginning on or after January 1, 2017 onward, and the Regulation of The Stock Exchange of Thailand (SET) dated October 2, 2017, regarding the preparation and submission of financial statements and reports for the financial position and results of operations of the listed companies B.E. 2560 and the Notification of the Office of Insurance Commission regarding the Rules, Procedures, Conditions and Periods for Preparing and Submitting Financial Statements and Reports on the Operations of the Non-Life Insurance Business B.E. 2559 dated March 4, 2016.

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

2.4 These consolidated financial statements include the financial statements of Sri Ayudhya Capital Public Company Limited and Sri Ayudhya General Insurance Public Company Limited which 99.99% owned by the Company (see Note 11). Significant transactions and balances between the Company and the subsidiary have been eliminated.

The accounting period and significant accounting policies used for the financial statements of the subsidiary is the same as those of the Company.

2.5 Thai Financial Reporting Standards affecting the presentation and disclosure in the current period financial statements  
During the period, the Group has adopted the revised and new financial reporting standards issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after January 1, 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 Group's financial statements.

2.6 Thai Financial Reporting Standards announced in the Royal Gazette but not yet effective

The Federation of Accounting Professions has issued the Notification regarding 56 Thai Financial Reporting Standards ("TFRSs") that will be effective for the financial statements for the period beginning on or after January 1, 2018 onwards, which has been announced in the Royal Gazette on September 26, 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 Group's management will adopt such TFRSs in the preparation of the Group's financial statements when it becomes effective. The Group's management has assessed the impact of these TFRSs and considered that the adoption of these financial reporting standards does not have any significant impact on the financial statements of the Group in the period of initial application.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Insurance contract classification

At the initial date, the Group classified contract as insurance contract by determine that the significant risk has been transferred, in the event (scenario) that an insured would require company to pay significant additional benefits in term of commercial content. Once a contract has been classified as insurance contract, it remains an insurance contract until all right and obligations are expired. Other contract which the Group has entered with the insured may not be classified as an insurance contract when the significant insurance risk has been transferred. Other contracts are reclassified as investment contracts (if any).

#### 3.2 Recognition of revenues and expenses

##### Premium written

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

##### Reinsurance premium

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

##### Commissions and brokerages income

Commissions and brokerages income are recognized as income on an accrual basis.



**Interest and dividends income**

Interest income is recognized as income on an accrual basis. Dividends income are recognized as income on the declaration date.

**Commissions and brokerages and other expenses**

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

**3.3 Cash and cash equivalents**

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

**3.4 Premium due and uncollected and allowance for doubtful debt**

Premium due and uncollected are stated at net realizable value. The Group records allowance for doubtful accounts for the estimated collection losses on premium due and uncollected. Such estimated losses are based on the subsidiary's collection experience and the analysis of aging of each premium due and uncollected.

**3.5 Reinsurance assets**

Reinsurance assets are stated at net realizable value. The Group records allowance for doubtful accounts for the estimated collection losses on reinsurance assets. Such estimated losses are based on the subsidiary's collection experience and the analysis of aging of each reinsurance assets.

**3.6 Due to and due from reinsurers**

Due to and due from reinsurers is recognized in the statement of financial position representing reinsurance receivables and payables. The net amount is represented in the statement of financial position when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**3.7 Investment in securities**

Securities classified as available-for-sale are stated at fair value. Gain or loss on the change in fair value is recognized as other components of equity.

Securities classified as general investments are stated at cost.

Debt securities classified as held-to-maturity are stated at amortized cost.

In case of impairment in value of investment has occurred, the resultant loss for all classification of investments is recognized in the statement of profit or loss and other comprehensive income.

Premiums and discounts on debt securities are amortized and accreted to income as adjustments to interest income by using the effective interest rate method.

The costs of securities sold are determined by the weighted average method.

Fair value of marketable securities are based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. Fair value of debt instruments is determined based on the price quoted by the Thai Bond Market Association. Fair value of unit trusts is determined from their net asset value.

### 3.8 Investments in a subsidiary and an associate

Investments in a subsidiary and an associate as presented in the separate financial statements are accounted for under the cost method net of allowance for impairment loss (if any). Investments in an associate as presented in the consolidated financial statements are accounted for under the equity method.

### 3.9 Loans

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

### 3.10 Premises and equipment

Land is stated at cost. Premises and equipment are stated at cost, net of accumulated depreciation.

Depreciation is calculated by the straight-line method, based on the estimated useful lives of the assets as follows:

Building	5 years
Office equipment, furniture and fixtures	5 years
Vehicles	5 years

### 3.11 Intangible assets

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

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

Computer software	5 years
Bancassurance agreement	10 years

### 3.12 Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of profit or loss and other comprehensive income. The recoverable amount is determined as the higher of fair value less costs to sell or the asset value in use.

### 3.13 Insurance liabilities

#### 3.13.1 Unearned premium reserve

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

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

#### 3.13.2 Loss reserve and outstanding claims

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

#### 3.13.3 Unexpired risks reserve

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

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

### 3.14 Foreign currency transactions

Transactions during the year denominated in foreign currencies are translated into Baht at the rates of exchange prevailing at the transaction dates. Monetary assets and liabilities at the statement of financial position date denominated in foreign currencies is translated into Baht at the reference exchange rates established by the Bank of Thailand at that date. Gains and losses on exchange arising on settlements and translation are recognized as income or expense when incurred.

### 3.15 Employee benefits

#### 3.15.1 Provident fund

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

#### 3.15.2 Employee benefit obligations

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

### 3.16 Long-term leases

Lease in which substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating lease. Rentals applicable to such operating leases are charged to the statement of profit or loss and other comprehensive income over the lease term.

### 3.17 Income tax expense

Income tax expense is based on the taxable profit multiplied by the tax rate that has been enacted at the statement of financial position date and adjusted by the effect of deferred income tax accounting.

Deferred income tax is provided on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, using the tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

### 3.18 Basic earnings per share

Basic earnings per share are calculated by dividing net income by the number of weighted average ordinary shares outstanding at the end of the year. In the case of a capital increase, the number of shares is equal to the weighted average according to the time of the subscription received for the increase in issued and paid-up share capital. As at December 31, 2017 and 2016, the Group does not have any common share equivalents outstanding which would have had a dilutive effect on earnings per share.

### 3.19 Use of management's judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with Thai Financial Reporting Standards (TFRSs) requires the Company's management to exercise various judgments in order to determine the accounting policies, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the year. Although these estimates are based on management's reasonable consideration of current events, actual results may differ from these estimates.

#### Key sources of estimation uncertainty

##### 3.19.1 Loss reserves

The Group is required to estimate loss reserves and outstanding claims that arise from the Group's insurance products. These reserves represent the expected cost to settle claims occurring prior to, but still outstanding as of, the reporting period. The Group establishes its reserves by product line and extent of coverage. The reserves consist of reserves for reported losses and reserves for incurred but not reported (IBNR) losses.

The Group's reserves for reported losses are based on estimates of future payments to settle reported insurance claims with an undiscounted basis. IBNR reserves are established to recognize by using historical information and statistical models, based on standard actuarial claims projection techniques.

##### 3.19.2 Fair value measurement and valuation processes

Some asset measured at Level 2 of the fair value in the statements of financial position as of the end of reporting period such as Government and State Enterprise and Private Enterprises debt securities will be valued on the basis of quoted values and other data provided by Thai-BMA and first utilize valuation inputs from actively traded securities, such as bid prices when quoted market prices are unavailable, the pricing will be estimated by discounting expected future cash flows using market interest rate and/or prices for a similar instrument from Thai-BMA at the measurement date.

Information about valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 36.2.6.1.

### 3.20 Fair value measurements

In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if a producer or supplier of a marketable good would take those characteristics into the consideration the price that would be received to sell and asset or paid to transfer a liability at the measurement date, regardless of

whether that price is directly observable or estimated using another valuation technique. Fair value for disclosure in the financial statements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

#### 4. ADDITIONAL INFORMATION FOR CASH FLOWS

4.1 Non-cash items of premises and equipment for the years ended December 31, 2017 and 2016 consisted of the following:

	Consolidated	
	financial statements	
	2017	2016
	Baht	Baht
Other payable - fixed assets as at January 1,	-	800,681
<u>Add</u> Purchases of fixed assets	13,364,318	16,330,184
<u>Less</u> Cash paid for purchase of fixed assets	(13,332,887)	(17,130,865)
Other payable - fixed assets as at December 31,	31,431	-

4.2 Non-cash items of intangible assets for the years ended December 31, 2017 and 2016 consisted of the following:

	Consolidated	
	financial statements	
	2017	2016
	Baht	Baht
Other payable - fixed assets as at January 1,	20,000	-
<u>Add</u> Purchases of intangible assets	4,874,828	5,505,280
<u>Less</u> Cash paid for purchase of intangible assets	(4,894,828)	(5,485,280)
Other payable - intangible assets as at December 31,	-	20,000

#### 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2017 and 2016 consisted of the following:

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
	Baht	Baht	Baht	Baht
Cash	290,000	270,000	10,000	10,000
Cheque on hand	6,546,748	5,928,705	-	-
Deposits at bank - at call	436,891,540	198,555,378	151,087,626	33,439,013
Deposits at bank - maturity not over 3 months	-	28,214,757	-	-
Short-term investments	958,164,581	1,184,081,264	29,996,918	34,995,702
Cash and cash equivalents	1,401,892,869	1,417,050,104	181,094,544	68,444,715

## 6. PREMIUM DUE AND UNCOLLECTED - NET

Premium due and uncollected - net as at December 31, 2017 and 2016 consisted of the following:

	Consolidated financial statements	
	As at December 31,	As at December 31,
	2017 Baht	2016 Baht
Within credit terms	181,203,746	175,614,323
Less than 30 days	25,575,689	20,840,414
31 - 60 days	10,480,196	6,780,953
61 - 90 days	3,458,805	5,808,252
Over 90 days	21,860,248	12,840,486
Total premium due and uncollected	242,578,684	221,884,428
<u>Less</u> Allowance for doubtful accounts	<u>(4,451,244)</u>	<u>(4,451,244)</u>
Premium due and uncollected - net	<u>238,127,440</u>	<u>217,433,184</u>

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

## 7. REINSURANCE ASSETS

Reinsurance assets as at December 31, 2017 and 2016 consisted of the following:

	Consolidated financial statements	
	As at December 31,	As at December 31,
	2017 Baht	2016 Baht
<b>Insurance reserve refundable from reinsurers</b>		
Loss reserves	367,077,629	454,209,715
Unearned premium reserve		
- Unearned reinsurance premium reserve	524,960,285	596,066,203
Total reinsurance assets (see Note 16)	<u>892,037,914</u>	<u>1,050,275,918</u>

## 8. DUE FROM REINSURERS

Due from reinsurers as at December 31, 2017 and 2016 consisted of the following:

	Consolidated financial statements	
	2017 Baht	2016 Baht
	Deposit on reinsurance	94
Due from reinsurers	55,744,800	58,568,773
Total	<u>55,744,894</u>	<u>58,568,876</u>

Aging analyzes for due from reinsurers as at December 31, 2017 and 2016 were as follows:

	Consolidated	
	financial statements	
	2017	2016
	Baht	Baht
Within credit terms	39,482,885	46,192,562
Not over 12 months	15,896,728	10,536,556
Over 1 year to 2 years	63,887	1,837,675
Over 2 years	301,300	1,980
Total due from reinsures	<u>55,744,800</u>	<u>58,568,773</u>

## 9. INVESTMENTS IN SECURITIES

Investment in securities as at December 31, 2017 and 2016 consisted of the following:

	Consolidated financial statements			
	As at December 31, 2017		As at December 31, 2016	
	Cost/ Amortized cost	Fair value	Cost/ Amortized cost	Fair value
	Baht	Baht	Baht	Baht
<b>Held-for-trading securities</b>				
Equity securities	92,565,357	93,669,855	-	-
<u>Add</u> Unrealized gain	1,104,498	-	-	-
Total held for-trading-securities	<u>93,669,855</u>	<u>93,669,855</u>	-	-
<b>Available-for-sale securities</b>				
Government and state enterprise securities	466,421,445	469,328,404	488,902,498	494,225,155
Equity securities	2,168,388,135	2,116,704,356	2,241,424,775	2,126,120,877
Total	2,634,809,580	2,586,032,760	2,730,327,273	2,620,346,032
<u>Less</u> Unrealized losses	(48,776,820)	-	(109,981,241)	-
Total available-for-sale securities	<u>2,586,032,760</u>	<u>2,586,032,760</u>	<u>2,620,346,032</u>	<u>2,620,346,032</u>
<b>Held-to-maturity securities</b>				
Government securities used as collateral	1,493,571,430		1,497,711,448	
Deposits at bank with maturity over 3 months	190,842,850		197,902,544	
Deposits at bank used as collateral	246,584,549		245,902,763	
Premium saving certificates used as collateral	25,700,000		12,850,000	
Total held-to-maturity securities	<u>1,956,698,829</u>		<u>1,954,366,755</u>	
<b>General investment</b>				
Equity securities	20,996,951		20,996,951	
<u>Less</u> Allowance for impairment	(1,507,119)		(1,507,119)	
Total general investment	<u>19,489,832</u>		<u>19,489,832</u>	
Total investment in securities - net	<u>4,655,891,276</u>		<u>4,594,202,619</u>	

	Separate financial statements			
	As at December 31, 2017		As at December 31, 2016	
	Cost/ Amortized cost Baht	Fair value Baht	Cost/ Amortized cost Baht	Fair value Baht
<b>Available-for-sale securities</b>				
Government and state enterprise securities	132,144,848	133,031,823	132,277,540	134,604,175
Equity securities	2,113,220,545	2,061,030,890	2,216,048,042	2,100,334,504
Total	2,245,365,393	2,194,062,713	2,348,325,582	2,234,938,679
<u>Less</u> Unrealized losses	(51,302,680)	-	(113,386,903)	-
<b>Total available-for-sale securities</b>	<u>2,194,062,713</u>	<u>2,194,062,713</u>	<u>2,234,938,679</u>	<u>2,234,938,679</u>
<b>Held-to-maturity securities</b>				
Deposits at bank with maturity over 3 months	12,552,665		22,239,399	
Deposits at bank used as collateral	44,000,000		44,000,000	
<b>Total held-to-maturity securities</b>	<u>56,552,665</u>		<u>66,239,399</u>	
<b>General investment</b>				
Equity securities	19,505,281		19,505,281	
<u>Less</u> Allowance for impairment	(1,507,119)		(1,507,119)	
<b>Total general investment</b>	<u>17,998,162</u>		<u>17,998,162</u>	
<b>Total investment in securities - net</b>	<u>2,268,613,540</u>		<u>2,319,176,240</u>	

Debt securities classified by the remaining maturity as at December 31, 2017 were as follows:

	Consolidated financial statements			
	Maturities			Total
	Within 1 year Baht	1 - 5 years Baht	Over 5 years Baht	
<b>Available-for-sale debt securities</b>				
Government and state enterprise securities	240,480,652	225,940,793	-	466,421,445
<u>Add</u> Unrealized gains	714,109	2,192,850	-	2,906,959
Total	241,194,761	228,133,643	-	469,328,404
<b>Total available-for-sale debt securities</b>	<u>241,194,761</u>	<u>228,133,643</u>	<u>-</u>	<u>469,328,404</u>
<b>Held-to-maturity debt securities</b>				
Government and state enterprise securities used as collateral	1,493,571,430	-	-	1,493,571,430
<b>Total held-to-maturity debt securities</b>	<u>1,493,571,430</u>	<u>-</u>	<u>-</u>	<u>1,493,571,430</u>
<b>Total debt securities - net</b>	<u>1,734,766,191</u>	<u>228,133,643</u>	<u>-</u>	<u>1,962,899,834</u>



Debt securities classified by the remaining maturity as at December 31, 2016 were as follows:

	Consolidated financial statements			
	Maturities			Total
	Within 1 year	1 - 5 years	Over 5 years	
Baht	Baht	Baht	Baht	
<b>Available-for-sale debt securities</b>				
Government and state enterprise securities	201,306,056	287,596,442	-	488,902,498
<u>Add</u> Unrealized gains	647,980	4,674,677	-	5,322,657
Total	201,954,036	292,271,119	-	494,225,155
<b>Total available-for-sale debt securities</b>	<b>201,954,036</b>	<b>292,271,119</b>	<b>-</b>	<b>494,225,155</b>
<b>Held-to-maturity debt securities</b>				
Government and state enterprise securities				
used as collateral	1,497,711,448	-	-	1,497,711,448
<b>Total held-to-maturity debt securities</b>	<b>1,497,711,448</b>	<b>-</b>	<b>-</b>	<b>1,497,711,448</b>
<b>Total debt securities - net</b>	<b>1,699,665,484</b>	<b>292,271,119</b>	<b>-</b>	<b>1,991,936,603</b>

Debt securities classified by the remaining maturity as at December 31, 2017 were as follows:

	Separate financial statements			
	Maturities			Total
	Within 1 year	1 - 5 years	Over 5 years	
Baht	Baht	Baht	Baht	
<b>Available-for-sale debt securities</b>				
Government and state enterprise securities	100,339,491	31,805,357	-	132,144,848
<u>Add</u> Unrealized gains	446,256	440,719	-	886,975
Total	100,785,747	32,246,076	-	133,031,823
<b>Total debt securities - net</b>	<b>100,785,747</b>	<b>32,246,076</b>	<b>-</b>	<b>133,031,823</b>

Debt securities classified by the remaining maturity as at December 31, 2016 were as follows:

	Separate financial statements			
	Maturities			Total
	Within 1 year	1 - 5 years	Over 5 years	
Baht	Baht	Baht	Baht	
<b>Available-for-sale debt securities</b>				
Government and state enterprise securities	30,218,691	102,058,849	-	132,277,540
<u>Add</u> Unrealized gains	188,283	2,138,352	-	2,326,635
Total	30,406,974	104,197,201	-	134,604,175
<b>Total debt securities - net</b>	<b>30,406,974</b>	<b>104,197,201</b>	<b>-</b>	<b>134,604,175</b>

As at December 31, 2017 and 2016, certain investment in securities of the Group are pledged and used for assets reserved with the Registrar (see Note 31).

As at December 31, 2017 and 2016, premium saving certificates of its subsidiary were used as collateral for insured driver amounting to Baht 3.55 million and Baht 4.10 million, respectively (see Note 32.1) (Company: Nil).

As at December 31, 2017 and 2016, deposits at bank of the Group were pledged as collateral for credit facilities for bank overdrafts and loans in the form of promissory notes amounting to Baht 40 million and Baht 10 million, respectively. (Company: Baht 20 million and Baht 10 million, respectively) (see Note 32.2).

## 10. LOANS

Loans of the Group were loans to employees with personal collateral in accordance with the welfare policy of the Company and its subsidiary consisted of the following:

Types of loans	Credit line of loans	Interest rate per year
General loans	Not exceed Baht 100,000 per person	3.85
Loans for residential from the flooding crisis	Not exceed Baht 100,000 per person	2.00

## 11. INVESTMENT IN A SUBSIDIARY AND AN ASSOCIATE

### 11.1 Investment in an associate in the consolidated financial statements

As at December 31, 2017 and 2016, the Company had investment in an associated company accounted for under equity method in the consolidated financial statements as follows:

Company name	Nature of business	Consolidated financial statements					
		Percentage of shareholding		Cost		Carrying value under equity method	
		2017	2016	2017	2016	2017	2016
		percent	percent	Baht	Baht	Baht	Baht

#### Associated company

Allianz Ayudhya Assurance

Public Company Limited                      Life Insurance    20.17    20.17    1,487,263,618    1,487,263,618    3,355,004,219    2,830,474,645

As at December 31, 2017 and 2016, an associate had total assets and total liabilities as follows:

Baht: million

	As at	As at
	December 31, 2017	December 31, 2016
Total assets	178,024.98	161,095.54
Total liabilities	161,630.95	147,302.10

For the years ended December 31, 2017 and 2016, an associate had total revenues, net income and net of other comprehensive income as follows:

Baht: million

	For the years ended	
	December 31,	
	2017	2016
Total revenues	38,021.79	36,611.15
Net income	1,644.45	1,926.01
Items that will not be reclassified subsequently to profit or loss		
Defined benefit plan actuarial gain loss	(7.94)	(17.40)
Income tax relating to items that will not be reclassified subsequently	1.59	3.48
Other comprehensive income loss - net of income tax	(6.35)	(13.92)
Items that will be reclassified subsequently to profit or loss		
Net change in fair value of derivative instruments	24.65	(271.62)
Net change in fair value of available-for-sale securities	3,621.20	(509.90)
Income tax relating to items that will be reclassified subsequently	(759.96)	158.33
Other comprehensive income (loss) - net of income tax	2,885.89	(623.19)

The consolidated statement of profit or loss and other comprehensive income for the years ended December 31, 2017 and 2016 recognized share of profit, resulting from portion of holding of investment in an associate as follows:

Baht: million

	For the years ended	
	December 31,	
	2017	2016
Share of profit of investment in an associate	331.68	388.47
Items that will not be reclassified subsequently to profit or loss		
Share of other comprehensive loss in an associate	(1.60)	(3.51)
Income tax relating to items that will not be reclassified subsequently	0.32	0.70
Share of other comprehensive loss in an associate - net of income tax	(1.28)	(2.81)
Items that will be reclassified subsequently to profit or loss		
Share of other comprehensive income (loss) in an associate	735.35	(157.63)
Income tax relating to items that will be reclassified subsequently	(153.28)	31.94
Share of other comprehensive income (loss) in an associate - net of income tax	582.07	(125.69)

Reconciliation of the above summarized financial information to the carrying amount of the interest in an associate recognized in the consolidated financial statements was as follows:

Baht: million

	As at	
	December 31,	
	2017	2016
Net assets of an associate	16,394.03	13,793.44
Proportion of the Group's ownership interest in an associate (%)	20.17	20.17
	3,306.60	2,782.07
Investment amount over net assets at investment date	48.40	48.40
Carrying amount of the Group's interest in an associate	3,355.00	2,830.47

## 11.2 Investments in a subsidiary and an associate in the separate financial statements

As at December 31, 2017 and 2016, investments in a subsidiary and an associate were as follows:

Company's name	Paid-up capital		Separate financial statements					
			Shareholding percentage		Cost		Dividend	
	2017	2016	2017	2016	2017	2016	2017	2016
	Baht	Baht	percent	percent	Baht	Baht	Baht	Baht
<b>Associated company</b>								
Allianz Ayudhya								
Assurance Public Company Limited	2,950,000,000	2,950,000,000	20.17	20.17	1,487,263,618	1,487,263,618	387,941,826	374,256,761
<b>Subsidiary company</b>								
Sri Ayudhya General								
Insurance Public Company Limited	1,800,000,000	1,800,000,000	99.99	99.99	1,823,578,981	1,823,578,981	-	-

Ordinary shareholders' meeting of an associate passed a resolution for dividend payment which had been endorsed by the Office of Insurance Commission as follows:

The resolution of ordinary shareholders' meeting for dividend payment			The endorsement of Office of Insurance Commission for dividend payment			Total dividend receive (Baht million)	Received date
Date	Dividend per share (Baht)	Total (Baht million)	Date	Dividend per share (Baht)	Total (Baht million)		
April 20, 2017	6.52	1,923.40	June 29, 2017	6.52	1,923.40	387.94	July 14, 2017
April 27, 2016	6.58	1,941.10	June 13, 2016	6.29	1,855.55	374.26	July 8, 2016

## 12. PREMISES AND EQUIPMENT

Premises and equipment as at December 31, 2017 and 2016 consisted of the following:

	Consolidated financial statements											
	Cost					Accumulated depreciation					Beginning	Ending
	As at	Increase	Disposal /	Transfer in/	As at	As at	Depreciation	Disposal /	As at	balance of	Ending	
	January 1, 2017		Write off	(transfer out)	December 31, 2017	January 1, 2017		Write off	December 31, 2017	premises and equipment - net as at January 1, 2017	balance of premises and equipment - net as at December 31, 2017	
	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	
Land	1,610,500	-	-	-	1,610,500	-	-	-	-	1,610,500	1,610,500	
Building	773,500	-	-	-	773,500	(773,498)	-	-	(773,498)	2	2	
Office equipment	69,119,642	2,410,267	(6,117,326)	-	65,412,583	(55,784,003)	(5,679,216)	6,102,413	(55,360,806)	13,335,639	10,051,777	
Furniture and fixtures	52,975,122	749,828	(99,769)	1,883,583	55,508,764	(25,654,013)	(8,463,655)	99,756	(34,017,912)	27,321,109	21,490,852	
Vehicles	40,782,931	8,320,640	(9,788,178)	-	39,315,393	(22,516,432)	(5,952,995)	9,236,409	(19,233,018)	18,266,499	20,082,375	
Office equipment and furniture and fixtures - under installation	-	1,883,583	-	(1,883,583)	-	-	-	-	-	-	-	
<b>Total</b>	<b>165,261,695</b>	<b>13,364,318</b>	<b>(16,005,273)</b>	<b>-</b>	<b>162,620,740</b>	<b>(104,727,946)</b>	<b>(20,095,866)</b>	<b>15,438,578</b>	<b>(109,385,234)</b>	<b>60,533,749</b>	<b>53,235,506</b>	

	Consolidated financial statements											
	Cost					Accumulated depreciation					Beginning	Ending
	As at	Increase	Disposal /	Transfer in/	As at	As at	Depreciation	Disposal /	As at	balance of	Ending	
	January 1, 2016		Write off	(transfer out)	December 31, 2016	January 1, 2016		Write off	December 31, 2016	premises and equipment - net as at January 1, 2016	balance of premises and equipment - net as at December 31, 2016	
	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	
Land	1,610,500	-	-	-	1,610,500	-	-	-	-	1,610,500	1,610,500	
Building	773,500	-	-	-	773,500	(773,498)	-	-	(773,498)	2	2	
Office equipment	67,652,309	3,036,029	(1,568,696)	-	69,119,642	(51,159,200)	(6,163,191)	1,538,388	(55,784,003)	16,493,109	13,335,639	
Furniture and fixtures	44,626,477	1,165,654	(2,302,642)	9,485,633	52,975,122	(19,513,099)	(8,146,089)	2,005,175	(25,654,013)	25,113,378	27,321,109	
Vehicles	65,314,632	6,475,000	(31,006,701)	-	40,782,931	(37,053,175)	(7,237,189)	21,773,932	(22,516,432)	28,261,457	18,266,499	
Office equipment and furniture and fixtures - under installation	3,832,132	5,653,501	-	(9,485,633)	-	-	-	-	-	3,832,132	-	
<b>Total</b>	<b>183,809,550</b>	<b>16,330,184</b>	<b>(34,878,039)</b>	<b>-</b>	<b>165,261,695</b>	<b>(108,498,972)</b>	<b>(21,546,469)</b>	<b>25,317,495</b>	<b>(104,727,946)</b>	<b>75,310,578</b>	<b>60,533,749</b>	

	Separate financial statements									
	Cost					Accumulated depreciation			Beginning balance of premises and equipment - net as at January 1, 2017	Ending balance of premises and equipment - net as at December 31, 2017
	As at January 1, 2017	Increase	Disposal / Write off	As at December 31, 2017	As at January 1, 2017	Depreciation	Disposal / Write off	As at December 31, 2017		
	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht
Land	1,610,500	-	-	1,610,500	-	-	-	-	1,610,500	1,610,500
Building	773,500	-	-	773,500	(773,498)	-	-	(773,498)	2	2
Office equipment	2,894,208	62,531	(29,191)	2,927,548	(2,494,570)	(214,222)	29,190	(2,679,602)	399,638	247,946
Furniture and fixtures	4,455,947	-	-	4,455,947	(3,938,707)	(307,524)	-	(4,246,231)	517,240	209,716
Vehicles	8,707,825	5,760,000	(6,300,000)	8,167,825	(8,618,623)	(441,624)	6,299,999	(2,760,248)	89,202	5,407,577
<b>Total</b>	<b>18,441,980</b>	<b>5,822,531</b>	<b>(6,329,191)</b>	<b>17,935,320</b>	<b>(15,825,398)</b>	<b>(963,370)</b>	<b>6,329,189</b>	<b>(10,459,579)</b>	<b>2,616,582</b>	<b>7,475,741</b>

	Separate financial statements									
	Cost					Accumulated depreciation			Beginning balance of premises and equipment - net as at January 1, 2016	Ending balance of premises and equipment - net as at December 31, 2016
	As at January 1, 2016	Increase	Disposal / Write off	As at December 31, 2016	As at January 1, 2016	Depreciation	Disposal / Write off	As at December 31, 2016		
	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht
Land	1,610,500	-	-	1,610,500	-	-	-	-	1,610,500	1,610,500
Building	773,500	-	-	773,500	(773,498)	-	-	(773,498)	2	2
Office equipment	3,091,091	-	(196,883)	2,894,208	(2,442,677)	(230,873)	178,980	(2,494,570)	648,414	399,638
Furniture and fixtures	4,459,777	551	(4,381)	4,455,947	(3,608,311)	(334,776)	4,380	(3,938,707)	851,466	517,240
Vehicles	24,014,602	-	(15,306,777)	8,707,825	(15,728,284)	(993,562)	8,103,223	(8,618,623)	8,286,318	89,202
<b>Total</b>	<b>33,949,470</b>	<b>551</b>	<b>(15,508,041)</b>	<b>18,441,980</b>	<b>(22,552,770)</b>	<b>(1,559,211)</b>	<b>8,286,583</b>	<b>(15,825,398)</b>	<b>11,396,700</b>	<b>2,616,582</b>

As at December 31, 2017 and 2016, certain premises and equipment of the Group at cost of Baht 56.38 million and Baht 62.16 million, respectively, were fully depreciated but still in use (Company: Baht 7.79 million and Baht 14.07 million, respectively).

### 13. INTANGIBLE ASSETS

Intangible assets as at December 31, 2017 and 2016 consisted of the following:

	Consolidated financial statements										
	Cost				Accumulated amortization					Beginning balance of intangible assets - net as at January 1, 2017	Ending balance of intangible assets - net as at December 31, 2017
	As at January 1, 2017	Increase	Write off	Transfer in/ (transfer out)	As at December 31, 2017	As at January 1, 2017	Amortization	Write off	As at December 31, 2017		
Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	
Purchase/subsequently acquire											
Computer software	74,709,942	433,827	(9,993,080)	6,061,045	71,211,734	(65,224,558)	(3,002,271)	9,992,982	(58,233,847)	9,485,384	12,977,887
Computer software in process	27,266,905	4,441,001	-	(6,061,045)	25,646,861	-	-	-	-	27,266,905	25,646,861
Bancassurance agreement	100,000,000	-	-	-	100,000,000	(61,593,208)	(9,991,787)	-	(71,584,995)	38,406,792	28,415,005
Total	201,976,847	4,874,828	(9,993,080)	-	196,858,595	(126,817,766)	(12,994,058)	9,992,982	(129,818,842)	75,159,081	67,039,753

	Consolidated financial statements										
	Cost				Accumulated amortization					Beginning balance of intangible assets - net as at January 1, 2016	Ending balance of intangible assets - net as at December 31, 2016
	As at January 1, 2016	Increase	Write off	Transfer in/ (transfer out)	As at December 31, 2016	As at January 1, 2016	Amortization	Write off	As at December 31, 2016		
Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	
Purchase/subsequently acquire											
Computer software	70,876,094	1,077,298	-	2,756,550	74,709,942	(61,223,661)	(4,000,897)	-	(65,224,558)	9,652,433	9,485,384
Computer software in process	25,595,473	4,427,982	-	(2,756,550)	27,266,905	-	-	-	-	25,595,473	27,266,905
Bancassurance agreement	100,000,000	-	-	-	100,000,000	(51,574,046)	(10,019,162)	-	(61,593,208)	48,425,954	38,406,792
Total	196,471,567	5,505,280	-	-	201,976,847	(112,797,707)	(14,020,059)	-	(126,817,766)	83,673,860	75,159,081

	Separate financial statements								
	Cost				Accumulated amortization			Beginning balance of intangible assets - net as at January 1, 2017	Ending balance of intangible assets - net as at December 31, 2017
	As at January 1, 2017	Increase	Transfer in/ (transfer out)	As at December 31, 2017	As at January 1, 2017	Amortization	As at December 31, 2017		
	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht
Purchase/subsequently acquire									
Computer software	40,800	-	-	40,800	(40,776)	-	(40,776)	24	24
Total	40,800	-	-	40,800	(40,776)	-	(40,776)	24	24

	Separate financial statements								
	Cost				Accumulated amortization			Beginning balance of intangible assets - net as at January 1, 2016	Ending balance of intangible assets - net as at December 31, 2016
	As at January 1, 2016	Increase	Transfer in/ (transfer out)	As at December 31, 2016	As at January 1, 2016	Amortization	As at December 31, 2016		
	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht
Purchase/subsequently acquire									
Computer software	40,800	-	-	40,800	(40,776)	-	(40,776)	24	24
Total	40,800	-	-	40,800	(40,776)	-	(40,776)	24	24

As at December 31, 2017 and 2016, certain intangible assets of the Group at cost of Baht 52.83 million and Baht 59.70 million, respectively, were fully amortized but still in use (Company : Baht 0.04 million).

#### 14. DEFERRED TAX ASSETS

Deferred tax assets as at December 31, 2017 and 2016 were as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
	Baht	Baht	Baht	Baht
Deferred tax assets	167,168,301	185,959,305	6,481,717	19,451,317



Movements of deferred tax assets for the years ended December 31, 2017 and 2016 consisted of tax effects from the following items:

	Consolidated financial statements			
	As at January 1, 2017	Transactions recognized in profit or loss	Transaction recognized in other comprehensive income or loss	As at December 31, 2017
	Baht	Baht	Baht	Baht
Allowance for doubtful accounts				
- premium due and uncollected	890,249	-	-	890,249
Allowance for doubtful accounts				
- Other receivable	566,723	-	-	566,723
Unearned premium reserve	79,616,346	6,429,113	-	86,045,459
Unrealized loss on the change in fair value of investment in available-for-sale securities	22,677,381	-	(12,416,845)	10,260,536
Loss reserve - net	56,698,768	(10,626,403)	-	46,072,365
Incurred but not reported claims	15,817,937	(451,458)	-	15,366,479
Employee benefit obligations	10,944,106	853,510	880,146	12,677,762
Allowance for impairment of general investment	301,424	-	-	301,424
Reinsurance payable	4,066,528	(3,635,028)	-	431,500
Total	191,579,462	(7,430,266)	(11,536,699)	172,612,497
<b>Deferred tax liabilities</b>				
Unrealized gain on the change in value of investment in available-for-sale securities	(681,133)	-	175,961	(505,172)
Unrealized gain on transfer of investments	(4,939,024)	-	-	(4,939,024)
	(5,620,157)	-	175,961	(5,444,196)
<b>Deferred tax assets</b>	185,959,305	(7,430,266)	(11,360,738)	167,168,301

	Consolidated financial statements			
	As at January 1, 2016  Baht	Transactions recognized in profit or loss  Baht	Transaction recognized in other comprehensive income or loss  Baht	As at December 31, 2016  Baht
Allowance for doubtful accounts				
- premium due and uncollected	978,711	(88,462)	-	890,249
Allowance for doubtful accounts				
- Other receivable	256,500	310,223	-	566,723
Unearned premium reserve	93,809,945	(14,193,599)	-	79,616,346
Unrealized loss on the change in fair value of investment in available-for-sale securities	30,306,553	-	(7,629,172)	22,677,381
Loss reserve - net	79,390,874	(22,692,106)	-	56,698,768
Incurred but not reported claims	14,942,828	875,109	-	15,817,937
Employee benefit obligations	9,615,681	995,280	333,145	10,944,106
Allowance for impairment of general investment	301,424	-	-	301,424
Reinsurance payable	2,736,469	1,330,059	-	4,066,528
Total	<u>232,338,985</u>	<u>(33,463,496)</u>	<u>(7,296,027)</u>	<u>191,579,462</u>
<b>Deferred tax liabilities</b>				
Unrealized gain on the change in value of investment in available-for-sale securities	(1,479,434)	-	798,301	(681,133)
Unrealized gain on transfer of investments	(4,939,024)	-	-	(4,939,024)
	<u>(6,418,458)</u>	<u>-</u>	<u>798,301</u>	<u>(5,620,157)</u>
<b>Deferred tax assets</b>	<u>225,920,527</u>	<u>(33,463,496)</u>	<u>(6,497,726)</u>	<u>185,959,305</u>

	Separate financial statements			
	As at January 1, 2017	Transactions recognized in profit or loss	Transaction recognized in other comprehensive income or loss	As at December 31, 2017
	Baht	Baht	Baht	Baht
Unrealized loss on the change in fair value of investment in available-for-sale securities	22,677,381	-	(12,416,845)	10,260,536
Employee benefit obligations	1,411,536	(712,464)	159,709	858,781
Allowance for impairment of general investment	301,424	-	-	301,424
<b>Total</b>	<b>24,390,341</b>	<b>(712,464)</b>	<b>(12,257,136)</b>	<b>11,420,741</b>
<b>Deferred tax liabilities</b>				
Unrealized gain on transfer of investments	(4,939,024)	-	-	(4,939,024)
	(4,939,024)	-	-	(4,939,024)
<b>Deferred tax assets</b>				
	19,451,317	(712,464)	(12,257,136)	6,481,717

	Separate financial statements			
	As at January 1, 2016	Transactions recognized in profit or loss	Transaction recognized in other comprehensive income or loss	As at December 31, 2016
	Baht	Baht	Baht	Baht
Unrealized loss on the change in fair value of investment in available-for-sale securities	30,306,553	-	(7,629,172)	22,677,381
Loss reserve - net	19,574,963	(19,574,963)	-	-
Employee benefit obligations	1,901,222	(626,849)	137,163	1,411,536
Allowance for impairment of general investment	301,424	-	-	301,424
<b>Total</b>	<b>52,084,162</b>	<b>(20,201,812)</b>	<b>(7,492,009)</b>	<b>24,390,341</b>
<b>Deferred tax liabilities</b>				
Unrealized gain on transfer of investments	(4,939,024)	-	-	(4,939,024)
	(4,939,024)	-	-	(4,939,024)
<b>Deferred tax assets</b>				
	47,145,138	(20,201,812)	(7,492,009)	19,451,317

Income tax expense for the years ended December 31, 2017 and 2016 consisted of the following:

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
	Baht	Baht	Baht	Baht
Income tax expense from taxable income per income tax return	14,592,490	11,700,469	1,254,537	1,656,491
Deferred tax expenses relating to the origination and reversal of temporary differences	7,430,266	33,463,496	712,464	20,201,812
Income tax expense per the statements of profit or loss and other comprehensive income	22,022,756	45,163,965	1,967,001	21,858,303

Reconciliation of effective tax rate for the years ended December 31, 2017 and 2016 are as follows:

	Consolidated financial statements			
	2017		2016	
	Tax Rate (%)	Amount (Baht)	Tax Rate (%)	Amount (Baht)
Income before income tax expense		484,932,901		660,328,969
Income tax using the corporation tax rate	20.00	96,986,580	20.00	132,065,794
Tax effect of non-deductible expenses (benefits)	(15.46)	(74,963,824)	(13.16)	(86,901,829)
Income tax expense per the statements of profit or loss and other comprehensive income	4.54	22,022,756	6.84	45,163,965

	Separate financial statements			
	2017		2016	
	Tax Rate (%)	Amount (Baht)	Tax Rate (%)	Amount (Baht)
Income before income tax expense		435,752,901		527,883,324
Income tax using the corporation tax rate	20.00	87,150,580	20.00	105,576,665
Tax effect of non-deductible expenses (benefits)	(19.55)	(85,183,579)	(15.86)	(83,718,362)
Income tax expense per the statements of profit or loss and other comprehensive income	0.45	1,967,001	4.14	21,858,303

## 15. OTHER ASSETS

Other assets as at December 31, 2017 and 2016 consisted of the following:

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
	Baht	Baht	Baht	Baht
Other receivables	17,489,219	16,230,246	-	-
<u>Less</u> Allowance for doubtful accounts	<u>(2,833,615)</u>	<u>(2,833,615)</u>	-	-
	<u>14,655,604</u>	<u>13,396,631</u>	-	-
Revenue Department receivable	30,069,359	120,675	575,624	120,675
Refundable corporate income tax	13,826,983	13,097,739	-	-
Prepaid expenses	9,000,909	18,164,774	339,606	1,267,369
Due from rice field insurance scheme	20,975,483	-	-	-
Others	<u>10,988,409</u>	<u>8,631,529</u>	<u>7,006,037</u>	<u>18,793,210</u>
Total other assets	<u>99,516,747</u>	<u>53,411,348</u>	<u>7,921,267</u>	<u>20,181,254</u>

## 16. INSURANCE CONTRACT LIABILITIES

Insurance contract liabilities as at December 31, 2017 and 2016 consisted of the following:

	Consolidated financial statements		
	As at December 31, 2017		
	Insurance contract liabilities	Reinsurance liabilities	Net
	Baht	Baht	Baht
Loss reserves			
Loss incurred and agreed	560,141,842	(326,882,217)	233,259,625
Loss incurred but not reported	117,027,807	(40,195,412)	76,832,395
Premium reserve			
Unearned Premium reserve	<u>1,391,825,555</u>	<u>(524,960,285)</u>	<u>866,865,270</u>
Total	<u>2,068,995,204</u>	<u>(892,037,914)</u>	<u>1,176,957,290</u>

	Consolidated financial statements		
	As at December 31, 2016		
	Insurance contract liabilities Baht	Reinsurance liabilities (see Note 7) Baht	Net Baht
Loss reserves			
Loss incurred and agreed	694,871,314	(409,067,995)	285,803,319
Loss incurred but not reported	124,231,405	(45,141,720)	79,089,685
Premium reserve			
Unearned Premium reserve	1,430,785,906	(596,066,203)	834,719,703
Total	<u>2,249,888,625</u>	<u>(1,050,275,918)</u>	<u>1,199,612,707</u>

#### 16.1 Insurance reserve for short term insurance contract

##### 16.1.1 Loss reserves

Loss reserves as at December 31, 2017 and 2016 consisted of the following:

	Consolidated financial statements		
	2017		
	Gross Baht	Reinsurance Baht	Net Baht
Balance as at beginning year	819,102,719	(454,209,715)	364,893,004
Loss incurred and loss adjustment expenses during the year	1,475,254,921	(685,567,921)	789,687,000
Changing on estimated loss and assumptions used in calculating loss reserve	(86,673,882)	85,563,658	(1,110,224)
Loss paid during the year	<u>(1,530,514,109)</u>	<u>687,136,349</u>	<u>(843,377,760)</u>
Balance as at ending year	<u>677,169,649</u>	<u>(367,077,629)</u>	<u>310,092,020</u>

	Consolidated financial statements		
	2016		
	Gross Baht	Reinsurance Baht	Net Baht
Balance as at beginning year	928,841,720	(451,220,018)	477,621,702
Loss incurred and loss adjustment expenses during the year	1,577,788,345	(640,149,912)	937,638,433
Changing on estimated loss and assumptions used in calculating loss reserve	(262,313,018)	141,886,886	(120,426,132)
Loss paid during the year	<u>(1,425,214,328)</u>	<u>495,273,329</u>	<u>(929,940,999)</u>
Balance as at ending year	<u>819,102,719</u>	<u>(454,209,715)</u>	<u>364,893,004</u>

	Separate financial statements		
	2016		
	Gross Baht	Reinsurance Baht	Net Baht
Balance as at beginning year	97,874,811	-	97,874,811
Changing on estimated loss and assumptions used in calculating loss reserve	(97,874,811)	-	(97,874,811)
Balance as at ending year	-	-	-

On March 15, 2016, the supreme court had passed a verdict to dismissal for case, caused by a loss claim incurred by an insured company. Therefore, the Company reversed such insurance contract liabilities to be an other income in the statement of profit or loss and other comprehensive income for the years ended December 31, 2016 of Baht 97.87 million.

#### 16.1.2 Unearned premium reserve

	Consolidated financial statements		
	2017		
	Gross Baht	Reinsurance Baht	Net Baht
As at January 1,	1,430,785,906	(596,066,203)	834,719,703
Premium written for the year	2,953,655,613	(1,266,311,577)	1,687,344,036
Earned premium for the year	(2,992,615,964)	1,337,417,495	(1,655,198,469)
As at December 31,	1,391,825,555	(524,960,285)	866,865,270

	Consolidated financial statements		
	2016		
	Gross Baht	Reinsurance Baht	Net Baht
As at January 1,	1,472,282,393	(540,939,707)	931,342,686
Premium written for the year	3,082,391,856	(1,286,529,458)	1,795,862,398
Earned premium for the year	(3,123,888,343)	1,231,402,962	(1,892,485,381)
As at December 31,	1,430,785,906	(596,066,203)	834,719,703

#### 16.1.3 Unexpired risk reserve

As at December 31, 2017 and 2016, no additional reserve for unexpired risk reserve has been established as the unexpired risk reserve estimated by the Group amounting to Baht 759.41 million gross and Baht 532.23 million net of reinsurance (As at December 31, 2016 : amounting to Baht 816.17 million and Baht 549.26 million, respectively), is lower than the unearned premium reserve.

## 16.2 Claims development tables

### 16.2.1 Analysis of claims development - gross

As at December 31, 2017

Unit: Baht

Accident year / reported year	2013	2014	2015	2016	2017	Total
Estimate of ultimates :						
- End of accident year	1,416,734,959	1,212,296,655	1,254,927,855	1,577,788,345	1,475,254,921	
- One year later	1,497,057,339	1,348,431,604	1,354,581,249	1,495,751,219		
- Two year later	1,462,331,512	1,297,549,606	1,345,364,241			
- Three year later	1,385,429,508	1,260,772,359				
- Four year later	1,385,744,558					
Absolute estimated loss						
reserve and outstanding claim	1,385,744,558	1,260,772,359	1,345,364,241	1,495,751,219	1,475,254,921	6,962,887,298
Accumulative claim paid	(1,378,001,335)	(1,205,581,583)	(1,265,582,357)	(1,453,581,123)	(1,003,060,662)	(6,305,807,060)
Total Loss reserves	<u>7,743,223</u>	<u>55,190,776</u>	<u>79,781,884</u>	<u>42,170,096</u>	<u>472,194,259</u>	<u>657,080,238</u>
Loss reserves before year 2013						<u>20,089,411</u>
Total Loss reserves						<u><u>677,169,649</u></u>

As at December 31, 2016

Unit: Baht

Accident year / reported year	2012	2013	2014	2015	2016	Total
Estimate of ultimates :						
- End of accident year	1,204,292,382	1,416,734,959	1,212,296,655	1,254,927,855	1,577,788,345	
- One year later	1,153,078,733	1,497,057,339	1,348,431,604	1,354,581,249		
- Two year later	1,114,151,515	1,462,331,512	1,297,549,606			
- Three year later	1,119,195,998	1,385,429,508				
- Four year later	1,112,106,240					
Absolute estimated loss						
reserve and outstanding claim	1,112,106,240	1,385,429,508	1,297,549,606	1,354,581,249	1,577,788,345	6,727,454,948
Accumulative claim paid	(1,104,732,463)	(1,371,250,805)	(1,243,398,193)	(1,224,925,754)	(993,772,560)	(5,938,079,775)
Total Loss reserves	<u>7,373,777</u>	<u>14,178,703</u>	<u>54,151,413</u>	<u>129,655,495</u>	<u>584,015,785</u>	<u>789,375,173</u>
Loss reserves before year 2012						<u>29,727,546</u>
Total Loss reserves						<u><u>819,102,719</u></u>



## 16.2.2 Analysis of claims development - net

As at December 31, 2017

Unit: Baht

Accident year / reported year	2013	2014	2015	2016	2017	Total
Estimate of ultimates :						
- End of accident year	831,008,228	768,730,145	776,824,943	937,638,433	789,687,000	
- One year later	915,914,174	827,187,455	843,209,923	910,224,015		
- Two year later	887,549,891	802,549,106	839,193,110			
- Three year later	885,718,931	803,571,388				
- Four year later	886,603,163					
Absolute estimated loss						
reserve and outstanding claim	886,603,163	803,571,388	839,193,110	910,224,015	789,687,000	4,229,278,676
Accumulative claim paid	(884,831,421)	(798,644,921)	(811,308,236)	(890,628,308)	(539,117,940)	(3,924,530,826)
Total Loss reserves	1,771,742	4,926,467	27,884,874	19,595,707	250,569,060	304,747,850
Loss reserves before year 2013						5,344,170
Total Loss reserves						310,092,020

As at December 31, 2016

Unit: Baht

Accident year / reported year	2012	2013	2014	2015	2016	Total
Estimate of ultimates :						
- End of accident year	807,818,286	831,008,228	768,730,145	776,824,943	937,638,433	
- One year later	725,600,791	915,914,174	827,187,455	843,209,923		
- Two year later	720,391,059	887,549,891	802,549,106			
- Three year later	728,685,312	885,718,931				
- Four year later	727,808,322					
Absolute estimated loss						
reserve and outstanding claim	727,808,322	885,718,931	802,549,106	843,209,923	937,638,433	4,196,924,715
Accumulative claim paid	(726,611,623)	(883,050,019)	(799,440,519)	(797,154,420)	(639,596,424)	(3,845,853,005)
Total Loss reserves	1,196,699	2,668,912	3,108,587	46,055,503	298,042,009	351,071,710
Loss reserves before year 2012						13,821,294
Total Loss reserves						364,893,004

## 17. DUE TO REINSURERS

Due to reinsurers as at December 31, 2017 and 2016 consisted of the following:

	Consolidated	
	financial statements	
	2017	2016
	Baht	Baht
Premium ceded payables	418,789,363	402,551,575
Amount withheld on reinsurance	249,069,496	303,140,910
Total due to reinsurers	667,858,859	705,692,485

## 18. EMPLOYEE BENEFIT OBLIGATIONS

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

The expenses that were recorded in the statement of profit or loss and other comprehensive income for employee benefit obligations for the years ended December 31, 2017 and 2016 consisted of the following:

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
	Baht	Baht	Baht	Baht
Current service cost	8,683,866	8,472,072	768,044	613,604
Interest cost	1,682,128	1,543,920	103,036	92,664
Actuarial (gain) loss				
- From financial assumptions changes	(577,091)	3,041,239	(19,005)	123,820
- From demographic assumptions changes	5,565,075	(196,884)	124,508	(1,232)
- From experience adjustments	(587,256)	(1,178,633)	693,042	563,225
Total employee benefit expenses	<u>14,766,722</u>	<u>11,681,714</u>	<u>1,669,625</u>	<u>1,392,081</u>

For the years ended December 31, 2017 and 2016, the Group recognized actuarial loss in the consolidated statement of profit or loss and other comprehensive income as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
	Baht	Baht	Baht	Baht
Actuarial loss	4,400,728	1,665,722	798,545	685,813
Deferred tax	<u>(880,146)</u>	<u>(333,145)</u>	<u>(159,709)</u>	<u>(137,163)</u>
Actuarial loss on defined employee benefit plans				
- net of income tax	<u>3,520,582</u>	<u>1,332,577</u>	<u>638,836</u>	<u>548,650</u>

Movements in the present value of the employee benefit obligations as at December 31, 2017 and 2016 were as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
	Baht	Baht	Baht	Baht
Present value of obligation at the beginning of the years	79,070,596	72,833,452	7,057,680	9,787,112
Current service cost of the years	8,683,866	8,472,072	768,044	613,604
Interest cost	1,682,128	1,543,920	103,036	92,664
Actuarial loss	4,400,728	1,665,722	798,545	685,813
Benefit paid during the years	(7,014,101)	(5,444,570)	(4,433,401)	(3,794,820)
Transfer benefit to subsidiary company	-	-	-	(326,693)
Present value of obligation at the ending of the years	<u>86,823,217</u>	<u>79,070,596</u>	<u>4,293,904</u>	<u>7,057,680</u>

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

	The Company		The subsidiary	
	2017	2016	2017	2016
Financial assumptions				
Discount rate (%)	2.24	2.19	2.37	2.27
Expected rate of salary increase (%)	5	5	5	5
Demographic assumptions				
Turnover rate (%) subject to range of age of employees	3, 10, 17	4, 10, 17	3, 10, 17	4, 10, 17
Retirement age (years)	60	60	60	60

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

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
	Baht	Baht	Baht	Baht
Financial assumptions				
Discount rate - 1 % increase	(7,909,920)	(7,250,918)	(279,892)	(380,685)
Discount rate - 1 % decrease	9,119,845	8,376,955	307,989	421,074
Expected rate of salary - 1% increase	8,678,532	8,060,423	295,046	405,184
Expected rate of salary - 1% decrease	(7,700,355)	(7,138,214)	(273,986)	(374,378)
Demographic assumptions				
Turnover rate - 1% increase	(8,273,002)	(7,614,713)	(290,128)	(396,072)
Turnover rate - 1% decrease	2,493,617	2,402,944	14,419	31,381
Life expectancy - 1 year increase	444,222	603,620	12,195	28,012
Life expectancy - 1 year decrease	(441,501)	(598,127)	(12,195)	(27,855)

## 19. OTHER LIABILITIES

Other liabilities as at December 31, 2017 and 2016 consisted of the following:

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
	Baht	Baht	Baht	Baht
Other payables - promotion expense	26,245,481	25,632,769	-	-
Amount received in advance - premium	23,912,531	29,334,767	-	-
Payable from purchase of securities	15,242,115	-	15,242,115	-
Revenue Department payable	6,934,042	17,068,162	656,050	1,443,917
Undue output VAT	1,797,639	2,782,325	-	-
Others	14,487,444	13,114,056	-	-
Total other liabilities	<u>88,619,252</u>	<u>87,932,079</u>	<u>15,898,165</u>	<u>1,443,917</u>

## 20. LEGAL RESERVE

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

As at December 31, 2017 and 2016, the Company has legal reserve by 10% of the authorized capital.

## 21. FINANCIAL INFORMATION BY SEGMENT

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

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

For the years ended December 31, 2017 and 2016, there was no revenue from a single external customer contributed 10% or more to the Group's total revenue.

The financial information of the Group for the years ended December 31, 2017 and 2016 were presented by business segment as follows:

Unit: Baht

	Consolidated financial statements							
	For the years ended December 31,							
	Non-life insurance business		Investment business		Elimination of inter-segment		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenue from external	2,071,697,983	2,263,133,009	493,649,782	480,421,783	(387,941,826)	(374,256,761)	2,177,405,939	2,369,298,031
Share of profit of investment in an associate	-	-	331,678,207	388,469,249	-	-	331,678,207	388,469,249
Other income	2,860,828	105,156,272	25,710,905	32,816,973	(24,614,102)	(33,651,739)	3,957,631	104,321,506
Total revenues	2,074,558,811	2,368,289,281	851,038,894	901,708,005	(412,555,928)	(407,908,500)	2,513,041,777	2,862,088,786
Insurance business expenses	1,680,120,687	1,844,102,238	-	-	-	-	1,680,120,687	1,844,102,238
Directors and key management personnel's remuneration	39,539,812	37,720,859	28,284,081	44,436,231	-	-	67,823,893	82,157,090
Other expenses	249,454,693	270,358,216	55,323,705	38,794,012	(24,614,102)	(33,651,739)	280,164,296	275,500,489
Income tax expense	20,055,755	23,305,662	1,967,001	21,858,303	-	-	22,022,756	45,163,965
Net income	85,387,864	192,802,306	765,464,107	796,619,459	(387,941,826)	(374,256,761)	462,910,145	615,165,004

Assets and liabilities of the Group as at December 31, 2017 and 2016 were presented by business segment as follows:

Unit: Baht

	Consolidated financial statements							
	As at December 31,							
	Non-life insurance business		Investment business		Elimination of inter-segment		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Total Assets	5,250,479,330	5,389,205,370	5,828,414,420	5,263,013,461	(23,922,777)	(35,568,266)	11,054,970,973	10,616,650,565
Total Liabilities	3,331,917,389	3,552,445,705	33,667,800	38,110,857	(4,573,520)	(16,219,009)	3,361,011,669	3,574,337,553

## 22. OPERATING EXPENSES

Operating expenses for the years ended December 31, 2017 and 2016 consisted of the following:

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
	Baht	Baht	Baht	Baht
Employee benefit expenses, excluded underwriting and loss adjustment expenses	129,155,783	147,624,282	30,092,628	47,388,198
Premises and equipment expense, excluded underwriting expenses	114,649,528	117,951,048	7,884,329	9,132,255
Taxes and duties	1,498,909	1,449,131	32,355	35,171
Bad debt and allowance for doubtful accounts	-	1,108,802	-	-
Directors' remuneration	16,559,355	17,746,940	11,312,880	11,162,900
Marketing and promotion expenses	14,377,742	13,446,342	-	-
Other operating expense	71,746,872	58,331,034	34,285,594	15,511,719
Total operating expenses	347,988,189	357,657,579	83,607,786	83,230,243

## 23. EMPLOYEE EXPENSES

Employee expenses for the years ended December 31, 2017 and 2016 consisted of the following:

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
	Baht	Baht	Baht	Baht
Salary and wage	199,136,438	197,206,124	17,885,336	22,498,625
Social fund expenses	3,700,929	3,754,094	65,250	83,250
Employee benefit expenses	10,365,994	10,015,992	871,080	706,268
Provident fund (see Note 30)	10,794,335	10,703,158	607,386	845,620
Other benefits	64,688,005	78,087,921	10,663,576	23,254,435
Total employee expenses	288,685,701	299,767,289	30,092,628	47,388,198

## 24. GAIN ON INVESTMENT

Gain on investment for the years ended December 31, 2017 and 2016 consisted of the following:

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
	Baht	Baht	Baht	Baht
Gain on sale of investment in available-for-sale securities				
- ordinary shares	27,574,014	16,081,794	27,574,014	16,081,794
- unit trusts	26,295,916	32,607,415	26,295,916	32,607,415
Unrealized gain of held-for-trading securities-ordinary shares	1,104,498	-	-	-
Total gain on investment in securities	<u>54,974,428</u>	<u>48,689,209</u>	<u>53,869,930</u>	<u>48,689,209</u>

## 25. EFFECT FROM INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

Effect from income tax relating to components of other comprehensive income for the years ended December 31, 2017 and 2016, are as follows:

	Consolidated financial statements					
	2017			2016		
	Before tax	Benefit (expense) of tax	Net of tax	Before tax	Benefit (expense) of tax	Net of tax
	Baht	Baht	Baht	Baht	Baht	Baht
<b>Item that will not be reclassified subsequently to profit or loss</b>						
Actuarial loss on deficit employee benefit plans	(4,400,728)	880,146	(3,520,582)	(1,665,722)	333,145	(1,332,577)
Share of other comprehensive income (loss) in an associate	(1,600,947)	320,189	(1,280,758)	(3,508,966)	701,793	(2,807,173)
<b>Item that will be reclassified subsequently to profit or loss</b>						
Change in fair value of available-for-sale securities	61,204,421	(12,240,884)	48,963,537	34,154,353	(6,830,871)	27,323,482
Share of other comprehensive income (loss) in an associate	<u>735,354,361</u>	<u>(153,280,411)</u>	<u>582,073,950</u>	<u>(157,629,211)</u>	<u>31,934,728</u>	<u>(125,694,483)</u>
Total	<u>790,557,107</u>	<u>(164,320,960)</u>	<u>626,236,147</u>	<u>(128,649,546)</u>	<u>26,138,795</u>	<u>(102,510,751)</u>

	Separate financial statements					
	2017			2016		
	Before tax	Benefit (expense) of tax	Net of tax	Before tax	Benefit (expense) of tax	Net of tax
	Baht	Baht	Baht	Baht	Baht	Baht
<b>Item that will not be reclassified subsequently to profit or loss</b>						
Actuarial loss on deficit employee benefit plans	(798,545)	159,709	(638,836)	(685,813)	137,163	(548,650)
<b>Item that will be reclassified subsequently to profit or loss</b>						
Change in fair value of available-for-sale securities	<u>62,084,223</u>	<u>(12,416,845)</u>	<u>49,667,378</u>	<u>38,145,860</u>	<u>(7,629,172)</u>	<u>30,516,688</u>
Total	<u>61,285,678</u>	<u>(12,257,136)</u>	<u>49,028,542</u>	<u>37,460,047</u>	<u>(7,492,009)</u>	<u>29,968,038</u>

## 26. BASIC EARNINGS PER SHARE

Basic earnings per share for the years ended December 31, 2017 and 2016 were as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
	Baht	Baht	Baht	Baht
Net profit (Baht)	462,910,145	615,165,004	433,785,900	506,025,021
Issued and paid-up share capital (shares)	250,000,000	250,000,000	250,000,000	250,000,000
Basic earnings per share (Baht)	1.85	2.46	1.74	2.02

## 27. TRANSACTIONS WITH RELATED PARTIES

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

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

Companies	Relationship	Type of Business
Sri Ayudhya General Insurance Plc.	Some common shareholders and directors	Insurance
Bank of Ayudhya Plc.	Some common shareholders and directors	Banking
Krungsri Securities Plc.	Some common shareholders	Finance
Krungsri Asset Management Co., Ltd.	Some common shareholders	Fund Management
Ayudhya Development Leasing Co., Ltd.	Some common shareholders	Hire-purchase and leasing
Siam City Cement Plc.	Some common shareholders and directors	Construction Materials
Bangkok Broadcasting & T.V. Co., Ltd.	Some common shareholders and directors	Television Business
Great Luck Equity Co., Ltd.	Some common shareholders	Advertising
Super Asset Co., Ltd.	Some common shareholders and directors	Investments
BBTV Equity Co., Ltd.	Some common shareholders and directors	Office Space Rental
CKS Holding Co., Ltd.	Some common shareholders and directors	Investments
Allianz Ayudhya Assurance Plc.	Some common shareholders and directors	Life Insurance
Grand Canal Land Plc.	Some common shareholders and directors	Advertising
Krungsri Ayudhya AMC Ltd.	Some common shareholders	Asset Management
Siam Realty and Services Security Co., Ltd.	Some common shareholders	Services
Ayudhya Capital Auto Lease Plc.	Some common shareholders	Hire-purchase and auto leasing
Krungsriayudhya Card Co., Ltd.	Some common shareholders	Services
Eastern Star Real Estate Plc.	Some common shareholders and directors	Property
Tummy Tech Co., Ltd	Some directors	Consulting

## 27.1 Investments

As at December 31, 2017

Company	Consolidated and Separate financial statements	
	Investment Baht	Dividend Baht
<b>Investment - ordinary shares</b>		
Siam City Cement Plc.	-	103,414
	<u>-</u>	<u>103,414</u>

Companies	Consolidated and Separate financial statements	
	Investment Baht	Dividend Baht
<b>Investment - unit trusts</b>		
Unit trusts managed by		
Krungsri Asset Management Co., Ltd.		
- Krungsri Star Plus Fund	159,010,866	-
- Krungsri Cash Management Fund	985,926,171	-
- Krungsri Star Equity Dividend Fund	31,892,634	2,615,535
- Krungsri Dividend Stock Fund	153,961,824	14,358,666
- Krungsri Dynamic Dividend Fund	16,466,280	1,128,000
- Krungsri Flexible Dividend Fund	82,040,964	2,960,352
- Krungsri Financial Focus Dividend Fund	8,370,302	1,538,514
- Krungsri Global High Payout Fund	22,806,502	-
- Krungsri Europe Equity Fund	18,297,686	-
- Krungsri Global Small-Mid Cap Equity Dividend Fund	10,389,557	443,350
- Krungsri Global Healthcare Equity Dividend Fund	37,708,573	2,309,216
	<u>1,526,871,359</u>	<u>25,353,633</u>



As at December 31, 2016

Companies	Consolidated and Separate financial statements			
	Paid-up share capital	Shareholding	Investment	Dividend
	Baht	%	Baht	Baht
<b>Investment - ordinary shares</b>				
Siam City Cement Plc.	2,300,000,000	0.003	1,904,000	105,000
			<u>1,904,000</u>	<u>105,000</u>

Companies	Consolidated and Separate financial statements	
	Investment Baht	Dividend Baht

**Investment - unit trusts**

Unit trusts managed by

Krungsri Asset Management Co., Ltd.

- Krungsri Star Plus Fund	511,520,668	-
- Krungsri Cash Management Fund	677,114,671	-
- Krungsri Star Equity Dividend Fund	26,576,560	2,996,967
- Krungsri Dividend Stock Fund	139,310,514	14,358,666
- Krungsri Dynamic Dividend Fund	12,663,000	312,000
- Krungsri Flexible Dividend Fund	67,801,669	11,601,381
- Krungsri Financial Focus Dividend Fund	7,342,790	644,029
- Krungsri Global High Payout Fund	21,792,512	-
- Krungsri Europe Equity Fund	15,593,618	-
- Krungsri Global Small-Mid Cap Equity Dividend Fund	9,314,483	295,567
- Krungsri Global Healthcare Equity Dividend Fund	36,792,276	1,154,608
	<u>1,525,822,761</u>	<u>31,363,218</u>

27.2 Significant balances and transactions were as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	As at December 31		As at December 31	
	2017	2016	2017	2016
	Baht	Baht	Baht	Baht
Deposits at financial institution				
Bank of Ayudhya Plc.	643,460,030	379,947,661	195,087,627	53,496,254
Premium due and uncollected				
Bank of Ayudhya Plc.	719,701	542,014	-	-
Ayudhya Development Leasing Co., Ltd.	-	7,607	-	-
Siam City Cement Plc.	1,497,431	1,949,465	-	-
Bangkok Broadcasting & T.V. Co., Ltd.	100,689	205,804	-	-
CKS Holding Co., Ltd.	-	53,407	-	-
Allianz Ayudhya Assurance Plc.	24,718	33,851	-	-
Grand Canal Land Plc.	241,713	263,199	-	-
Siam Realty and Services Security Co., Ltd.	64,556	93,955	-	-
Ayudhya Capital Auto Lease Plc.	7,144	500	-	-
Eastern Star Real Estate Plc.	19,976	362,886	-	-
	<u>2,675,928</u>	<u>3,512,688</u>	<u>-</u>	<u>-</u>
Accrued interest income				
Bank of Ayudhya Plc.	1,132,158	1,339,551	197,392	245,203
Krungsri Securities Plc.	2,849	-	-	-
Accrued income				
Sri Ayudhya General Insurance Plc.	-	-	4,573,520	16,219,009
Rental and facilities deposits				
BBTV Equity Co., Ltd.	6,260,089	5,718,926	1,427,293	1,303,093
Bank of Ayudhya Plc.	2,000	6,000	2,000	6,000
	<u>6,262,089</u>	<u>5,724,926</u>	<u>1,429,293</u>	<u>1,309,093</u>
Premium written received in advance				
Bank of Ayudhya Plc.	8,936,218	10,425,587	-	-
Deposits for purchase of securities				
Krungsri Securities Plc.	1,000,000	-	-	-
Accrued expense - custodian fee				
Bank of Ayudhya Plc.	40,726	16,065	15,829	-
Accrued expense - commissions and brokerages				
Bank of Ayudhya Plc.	11,237,215	13,700,281	-	-
Accrued expense - other underwriting expenses				
Bank of Ayudhya Plc.	18,850,646	20,279,107	-	-

	Consolidated financial statements	
	For the years ended December 31,	
	2017 Baht	2016 Baht
Premium written		
Bank of Ayudhya Plc.	14,782,782	12,531,774
Krungsri Securities Plc.	30,462	50,918
Krungsri Asset Management Co., Ltd.	1,266,662	1,230,034
Ayudhya Development Leasing Co., Ltd.	31,880	95,568
Siam City Cement Plc.	46,598,032	48,619,416
Bangkok Broadcasting & T.V. Co., Ltd.	10,003,618	10,679,051
Great Luck Equity Co., Ltd.	40,624	47,458
Super Assets Co., Ltd.	87,853	74,509
BBTV Equity Co., Ltd.	875,711	902,683
CKS Holding Co., Ltd.	73,170	144,519
Allianz Ayudhya Assurance Plc.	424,792	451,478
Grand Canal Land Plc.	225,000	245,000
Krungsri Ayudhya AMC Co., Ltd.	401,429	477,838
Siam Realty and Services Security Co., Ltd.	1,974,032	1,838,218
Ayudhya Capital Auto Lease Plc.	100,246	109,162
Krungsriayudhya Card Co., Ltd.	75,852	165,891
Eastern Star Real Estate Plc.	793,295	745,500
Tummy Tech Co., Ltd.	13,925	-
	<u>77,799,365</u>	<u>78,409,017</u>

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

	Consolidated financial statements	
	For the years ended December 31,	
	2017 Baht	2016 Baht
Commissions and brokerages		
Bank of Ayudhya Plc.	154,979,446	183,999,834
Other underwriting expenses		
Bank of Ayudhya Plc.	94,821,037	122,493,991

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

	Consolidated financial statements		Separate financial statements	
	For the years ended December 31,		For the years ended December 31,	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht
Interest income				
Bank of Ayudhya Plc.	3,088,251	3,753,874	508,970	694,694
Krungsri Securities Plc	2,849	-	-	-
Management fees				
Sri Ayudhya General Insurance Plc.	-	-	24,074,102	33,171,739

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

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

	Consolidated financial statements		Separate financial statements	
	For the years ended December 31,		For the years ended December 31,	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht
Commission paid				
Krungsri Securities Plc.	392,327	467,199	219,021	467,199
Management fees				
Krungsri Securities Plc	-	438,566	-	438,566
Custodian fees				
Bank of Ayudhya Plc.	325,005	188,984	51,007	13,380

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

	Consolidated financial statements		Separate financial statements	
	For the years ended December 31,		For the years ended December 31,	
	2017 Baht	2016 Baht	2017 Baht	2016 Baht
Rental and service fees				
BBTV Equity Co., Ltd.	23,811,482	22,945,037	5,506,200	5,299,200
Management fees				
Sri Ayudhya General Insurance Plc.	-	-	540,000	480,000

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

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

## 28. DIRECTORS AND KEY MANAGEMENT PERSONNEL'S REMUNERATION

The Group had salaries, bonuses, directors allowances and other benefits of its directors and key management personnel recognized as expenses for the years ended December 31, 2017 and 2016, as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
	Baht	Baht	Baht	Baht
Directors and key management personnel's remuneration				
Short-term benefits	63,661,935	77,114,928	26,160,509	41,971,850
Post-employment benefits	3,037,310	2,065,943	1,410,905	732,851
Directors' remuneration	1,124,648	2,976,219	712,667	1,731,530
	<u>67,823,893</u>	<u>82,157,090</u>	<u>28,284,081</u>	<u>44,436,231</u>

Directors' remuneration for the years ended December 31, 2017 and 2016 were approved by the ordinary shareholders' meeting of the Company held on April 24, 2017 and April 26, 2016, respectively.

Furthermore, directors' remuneration of the subsidiary for the years ended December 31, 2017 and 2016 were approved by the ordinary shareholders' meeting of the subsidiary held on April 24, 2017 and April 25, 2016, respectively.

## 29. DIVIDENDS

29.1 On April 26, 2016, the ordinary shareholders' meeting of the Company passed a resolution to pay the dividend of Baht 2.00 per share from the operating result of 2015 for 250 million shares, totaling Baht 500 million, of which Baht 1.00 per share totaling Baht 250 million was paid as an interim dividend for the first half year of 2015 on September 7, 2015. Consequently, the dividend remained of Baht 1.00 per share, totaling Baht 250 million was paid on May 9, 2016.

29.2 On August 15, 2016, the Board of Directors' meeting passed a resolution to pay an interim dividend for the operating result from January 1 to June 30, 2016 of Baht 1.00 per share for 250 million shares, totaling Baht 250 million. Such dividend was paid on September 13, 2016.

29.3 On April 24, 2017, the ordinary shareholders' meeting of the Company passed a resolution to pay the dividend of Baht 2.00 per share from the operating result of 2016 for 250 million shares, totaling Baht 500 million, of which Baht 1.00 per share totaling Baht 250 million was paid as an interim dividend for the first half year of 2016 on September 13, 2016. Consequently, the dividend remained of Baht 1.00 per share, totaling Baht 250 million was paid on May 8, 2017.

29.4 On August 11, 2017, the Board of Directors' meeting passed a resolution to pay an interim dividend for the operating result from January 1 to June 30, 2017 of Baht 0.75 per share for 250 million shares, totaling Baht 187.50 million. Such dividend was paid on September 8, 2017.

### 30. PROVIDENT FUND

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

Year of services	Percentage (%)
Less than 5 years	5
5 years and above	7

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

For the years ended December 31, 2017 and 2016, the Group's contributions recorded as expenses were Baht 10.79 million and Baht 10.70 million, respectively (Company: Baht 0.61 million and Baht 0.85 million, respectively) (see Note 23).

### 31. SECURITIES PLEDGED AND ASSETS RESERVED WITH THE REGISTRAR

As at December 31, 2017 and 2016, certain investment in securities of the Group were pledged and used for assets reserved with the Registrar (see Note 9) in accordance with the Insurance Act and the Notification of the Office of Insurance Commission regarding "Rates, Rules and Procedures for pledge of unearned premium reserve of Non-Life Insurance Company B.E. 2557", respectively as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
	Baht	Baht	Baht	Baht
Investment in securities used to secure the facilities collateral with the Office of Insurance Commission				
Securities pledged with the registrar				
Deposits at banks	28,000,000	28,000,000	14,000,000	14,000,000
Assets reserved with the registrar				
Government and state enterprise securities	383,972,882	385,690,150	133,031,823	134,604,175
Total investment in securities of pledged	411,972,882	413,690,150	147,031,823	148,604,175

On January 13, 2012, the Company requested to return deposits with the Registrar from the Notification of the Office of Insurance Commission. According to, the Company returned insurance license on October 17, 2011 and this license had been terminated since December 20, 2011. Subsequently on November 1, 2012, the Notification of the Office of Insurance Commission refused the appeal because the Company has contingent liabilities about insurance policies under considering by court. Such creditors of insurance policies have a preferential right on unearned premium reserve of the Company which deposit placed with the Office of Insurance Commission according to section 26 of Non-life Insurance Act B.E. 2535. Therefore, the Office of Insurance Commission has not yet returned such securities to the Company.

### 32. RESTRICTED ASSETS AND COMMITMENT

32.1 As at December 31, 2017 and 2016, the subsidiary has Premium saving certificates amount of Baht 3.55 million and Baht 4.10 million, respectively were used as collateral in case where the insured driver is an alleged offender (see Note 9).

32.2 As at December 31, 2017 and 2016, the Group has the undrawn committed borrowing facilities which is pledged as collateral by deposit at bank of the Group in the same amount of credit limit as follows:

Baht: '000

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
	Baht	Baht	Baht	Baht
Overdraft facilities (see Note 9)	40,000	40,000	20,000	20,000
Borrowing facilities (Domestic Bill) (see Note 9)	10,000	10,000	10,000	10,000

### 33. CONTRIBUTION TO NON-LIFE GUARANTEE FUND

The subsidiary has accumulated funding amount which was paid into contribution to non-life guarantee fund as at December 31, 2017 and 2016 amounting to Baht 47.93 million and Baht 40.70 million, respectively.

### 34. LONG-TERM LEASES AND SERVICE AGREEMENTS

Long-term leases and service agreements as at December 31, 2017 and 2016 consisted of the following:

Type of leases	Consolidated financial statements		
	As at December 31, 2017		
	Remaining periods		Total rental
	Within	Over 1 year	payments for the
	1 year	to 5 years	remaining periods
	Baht	Baht	Baht
Building			
- related company	7,538,155	8,794,514	16,332,669
- others	6,349,892	6,673,817	13,023,709
Service - related company	7,538,155	8,794,514	16,332,669
Equipment - related company	10,050,874	11,726,019	21,776,893
	<u>31,477,076</u>	<u>35,988,864</u>	<u>67,465,940</u>

Type of leases	Consolidated financial statements		
	As at December 31, 2016		
	Remaining periods		Total rental payments for the remaining periods
Within 1 year	Over 1 year to 5 years		
	Baht	Baht	Baht
Building			
- related company	5,266,240	-	5,266,240
- others	2,824,576	3,350,124	6,174,700
Service - related company	4,222,070	-	4,222,070
Equipment - related company	4,490,640	-	4,490,640
	<u>16,803,526</u>	<u>3,350,124</u>	<u>20,153,650</u>

Type of leases	Separate financial statements		
	As at December 31, 2017		
	Remaining periods		Total rental payments for the remaining periods
Within 1 year	Over 1 year to 5 years		
	Baht	Baht	Baht
Building - related company	1,738,800	2,028,600	3,767,400
Service - related company	1,738,800	2,028,600	3,767,400
Equipment - related company	2,318,400	2,704,800	5,023,200
	<u>5,796,000</u>	<u>6,762,000</u>	<u>12,558,000</u>

Type of leases	Separate financial statements		
	As at December 31, 2016		
	Remaining periods		Total rental payments for the remaining periods
Within 1 year	Over 1 year to 5 years		
	Baht	Baht	Baht
Building - related company	927,360	-	927,360
Service - related company	927,360	-	927,360
Equipment - related company	1,236,480	-	1,236,480
	<u>3,091,200</u>	<u>-</u>	<u>3,091,200</u>

For the years ended December 31, 2017 and 2016, the Group recorded the rental and service fees under operating agreements as expense in statement of profit or loss and other comprehensive income as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
	Baht	Baht	Baht	Baht
Rental and service fees	31,980,303	30,717,247	5,506,200	5,299,200



## 35. CONTINGENT LIABILITIES AND COMMITMENT

35.1 As at December 31, 2017 and 2016, lawsuits have been brought against the subsidiary, as insurer, from which the subsidiary estimates losses totaling Baht 24.65 million and Baht 22.31 million, respectively. The subsidiary's management believes that such estimation is adequate to losses and does not expect the outcome of the litigation to result in losses that differ from the recorded liability by amounts that would be material to the subsidiary's operating results.

35.2 As at December 31, 2017 and 2016, the subsidiary had a capital commitment to pay computer program development expenses in amount of approximately Baht 10.57 million and Baht 14.03 million, respectively.

## 36. INSURANCE AND FINANCIAL RISK MANAGEMENT

### 36.1 Insurance risk

#### 36.1.1 Insurance risk management policy

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

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

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

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

#### Product Design and Development and Price Structure

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

#### Underwriting strategy

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

#### Reinsurance strategy

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

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

### 36.1.2 Sensitivity analysis

The sensitivity analysis is performed on the net loss reserve and outstanding claims, based on changes in assumptions that may affect the level of liabilities. Effect of risk that changes in assumptions as at December 31, 2017 and 2016 are as follows:

	Consolidated financial statements	
	2017	
	Increase (decrease) in insurance contract liabilities Baht	Increase (decrease) in profit and equity Baht

#### Gross

Loss ratio - 10% increase	151,843,464	(151,843,464)
Loss ratio - 10% decrease	(128,888,448)	128,888,448

#### Net

Loss ratio - 10% increase	87,812,749	(87,812,749)
Loss ratio - 10% decrease	(72,032,703)	72,032,703

	Consolidated financial statements	
	2016	
	Increase (decrease) in insurance contract liabilities Baht	Increase (decrease) in profit and equity Baht

#### Gross

Loss ratio - 10% increase	177,471,690	(177,471,690)
Loss ratio - 10% decrease	(171,630,557)	171,630,557

#### Net

Loss ratio - 10% increase	105,996,227	(105,996,227)
Loss ratio - 10% decrease	(100,155,093)	100,155,093

### 36.1.3 Concentration of insurance risks

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

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

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

	Consolidated financial statements				
	Fire Baht	Marine Baht	Motor Baht	Miscellaneous Baht	Total Baht
<b>31 December 2017</b>					
Gross	82,741,919	126,127,595	189,490,760	278,809,375	677,169,649
Net of reinsurance	38,869,765	32,255,855	126,368,958	112,597,442	310,092,020
<b>31 December 2016</b>					
Gross	167,827,247	135,773,421	201,831,592	313,670,459	819,102,719
Net of reinsurance	54,416,186	27,617,674	131,269,639	151,589,505	364,893,004

### 36.2 Financial risk

#### 36.2.1 Accounting policies

Details of significant accounting policies and methods adopted, including criteria for recognition of revenues and expenses relating to financial assets and financial liabilities are disclosed in Note 3.

#### 36.2.2 Liquidity risk

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

The analysis of the liquidity risk from insurance contracts which estimate base on an analysis of payment histories.

Unit: Baht

	Consolidated financial statements			
	Payment periods			
	Less than 1 year	1 - 5 years	5 - 10 years	Total
<b>31 December 2017</b>				
Insurance contract liabilities				
Loss reserves and outstanding claims	440,354,325	223,617,869	13,197,455	677,169,649
<b>31 December 2016</b>				
Insurance contract liabilities				
Loss reserves and outstanding claims	507,843,686	294,876,979	16,382,054	819,102,719

### 36.2.3 Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group, including the opportunity to drop in credit rating of counterparty.

Management determines a credit policy to control credit risk on a regularly basis by consider financial performance of customer. At the end of reporting period, the Group does not have significant credit risk transaction. The highest credit risk of financial assets are disclosed in the statement of financial position at the end of reporting date. However, the Group has many client base, the management does not expect to effect from significant loss by uncollected amount.

The Group has the criteria for acceptable reinsurers by considering the reputation and acknowledgement both international and national, and including selection of reinsurance with strong financial background based on financial rating from reliable credit rating agency.

As at December 31, 2017 and 2016, the Group has receivable from reinsurance contracts of Baht 55.74 million and Baht 58.57 million, respectively, consists of local reinsurers in amount of Baht 29.96 million and Baht 31.98 million, respectively, which maintain Capital Adequacy Ratio according to Office of Insurance Commission criteria. In addition, the 94.92% and 90.97% of Foreign reinsurers in amount of Baht 25.78 million and Baht 26.59 million have financial rating not lower than A.

### 36.2.4 Interest rate risk

Interest rate risk refers to changes in interest rates will affect the interest income from investments. The Company's and its subsidiary's investments include both short-term and long-term investments that have floating rate and fixed rates. The Company and its subsidiary manage the risk by considering the risk of investments together with the return on such investments.

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

	Consolidated financial statements			
	Balance as at			
	December 31, 2017		December 31, 2016	
	Variable interest rate Baht	Fixed interest rate Baht	Variable interest rate Baht	Fixed interest rate Baht
Cash and cash equivalents				
Saving accounts	421,919,537	-	192,335,146	-
Deposits at bank with maturity not over 3 months	-	-	-	28,214,757
Short-term investments	-	958,164,581	-	1,184,081,264
Investment in securities				
Available-for-sale securities				
Government and state enterprise securities	-	469,328,404	-	494,225,155
Private enterprise debt securities			-	-
Held-to-maturity investment				
Government and state enterprise securities used as collateral	-	1,493,571,430	-	1,497,711,448
Deposits at bank with maturity over 3 months	190,842,850	-	197,902,544	-
Deposits at bank used as collateral	-	246,584,549	-	245,902,763
Premium saving certificates used as collateral	-	25,700,000	-	12,850,000
Total	<u>612,762,387</u>	<u>3,193,348,964</u>	<u>390,237,690</u>	<u>3,462,985,387</u>

	Separate financial statements			
	Balance as at			
	December 31, 2017		December 31, 2016	
	Variable interest rate Baht	Fixed interest rate Baht	Variable interest rate Baht	Fixed interest rate Baht
Cash and cash equivalents				
Saving accounts	152,231,167	-	33,567,087	-
Short-term investments	-	29,996,918	-	34,995,702
Investment in securities				
Available-for-sale securities				
Government and state enterprise securities	-	133,031,823	-	134,604,175
Held-to-maturity investment				
Deposits at bank with maturity over 3 months	12,552,665	-	22,239,399	-
Deposits at bank used as collateral	-	44,000,000	-	44,000,000
<b>Total</b>	<b>164,783,832</b>	<b>207,028,741</b>	<b>55,806,486</b>	<b>213,599,877</b>

The financial instruments carrying interest at fixed rates were classified below on the basis of the length of time from the statement of financial position date to the date specified for the fixing of a new rate, or to the maturity date (whichever is sooner) as follows:

	Consolidated financial statements				
	As at December 31, 2017				Average interest rate %
	Period specified for fixing new interest rate				
	Within 1 year Baht	1-5 years Baht	Over 5 years Baht	Total Baht	
Cash and cash equivalents					
Short-term investments	958,164,581	-	-	958,164,581	1.19
Investment in securities					
Available-for-sale securities					
Government and state enterprise securities	241,194,761	228,133,643	-	469,328,404	2.41
Held-to-maturity securities					
Government and state enterprise securities used as collateral	1,493,571,430	-	-	1,493,571,430	1.22
Deposits at bank used as collateral	246,584,549	-	-	246,584,549	1.34
Premium saving certificates used as collateral	12,700,000	13,000,000	-	25,700,000	0.94
<b>Total</b>	<b>2,952,215,321</b>	<b>241,133,643</b>	<b>-</b>	<b>3,193,348,964</b>	

	Consolidated financial statements				
	As at December 31, 2016				Average interest rate
	Period specified for fixing new interest rate				
	Within 1 year Baht	1-5 years Baht	Over 5 years Baht	Total Baht	%
Cash and cash equivalents					
Deposits at bank with maturity not					
over 3 months	28,214,757	-	-	28,214,757	1.30
Short-term investments	1,184,081,264	-	-	1,184,081,264	1.50
Investment in securities					
Available-for-sale securities					
Government and state enterprise securities	201,954,036	292,271,119	-	494,225,155	2.65
Held-to-maturity securities					
Government and state enterprise securities					
used as collateral	1,497,711,448	-	-	1,497,711,448	1.43
Deposits at bank used as collateral	231,902,763	14,000,000	-	245,902,763	1.48
Premium saving certificates used					
as collateral	12,850,000	-	-	12,850,000	1.50
<b>Total</b>	<b>3,156,714,268</b>	<b>306,271,119</b>	<b>-</b>	<b>3,462,985,387</b>	

	Separate financial statements				
	As at December 31, 2017				Average interest rate
	Period specified for fixing new interest rate				
	Within 1 year Baht	1-5 years Baht	Over 5 years Baht	Total Baht	%
Cash and cash equivalents					
Short-term investment	29,996,918	-	-	29,996,918	1.25
Investment in securities					
Available-for-sale securities					
Government and state enterprise securities	100,785,747	32,246,076	-	133,031,823	3.05
Held-to-maturity securities					
Deposits at bank used as collateral	44,000,000	-	-	44,000,000	0.90
<b>Total</b>	<b>174,782,665</b>	<b>32,246,076</b>	<b>-</b>	<b>207,028,741</b>	

	Separate financial statements				
	As at December 31, 2016				
	Period specified for fixing new interest rate				Average interest rate
	Within 1 year	1-5 years	Over 5 years	Total	
Baht	Baht	Baht	Baht	%	
Cash and cash equivalents					
Short-term investment	34,995,702	-	-	34,995,702	1.50
Investment in securities					
Available-for-sale securities					
Government and state enterprise securities	30,406,974	104,197,201	-	134,604,175	3.31
Held-to-maturity securities					
Deposits at bank used as collateral	44,000,000	-	-	44,000,000	0.90
Total	109,402,676	104,197,201	-	213,599,877	

#### 36.2.5 Equity risk

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

#### 36.2.6 Fair value measurements

Considerable judgment is necessarily required in estimation of fair value of financial assets or financial liabilities. Accordingly, the estimated fair value presented herein is not necessarily indicative of the amount that could be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value. The following methods and assumptions were used by the Company in estimating fair values of financial instruments.



### 36.2.6.1 Financial assets or financial liabilities measured at fair value

Certain financial assets or financial liabilities of the Group are measured at fair value at the end of reporting period. The following table gives information about how the fair values of these financial assets or financial liabilities are determined:

	Consolidated financial statements			
	Fair Value		Fair value hierarchy	Valuation techniques and key inputs
	As at December 31,			
	2017	2016		
Baht	Baht			

#### Financial assets

Government and state enterprise securities	469,328,404	494,225,155	Level 2	Discounted cash flow using yield rates of the last working day of the reporting period as quoted by the Thai Bond Market Associate
Equity securities	524,419,315	287,388,985	Level 1	Latest bid prices of the last working day of the reporting period as quoted on the Stock Exchange of Thailand
Equity securities	1,685,954,896	1,838,731,892	Level 2	The unit trust's net asset value of the last working day of the reporting period

	Separate financial statements			
	Fair Value		Fair value hierarchy	Valuation techniques and key inputs
	As at December 31,			
	2017	2016		
Baht	Baht			

#### Financial assets

Government and state enterprise securities	133,031,823	134,604,175	Level 2	Discounted cash flow using yield rates of the last working day of the reporting period as quoted by the Thai Bond Market Associate
Equity securities	401,164,710	287,388,985	Level 1	Latest bid prices of the last working day of the reporting period as quoted on the Stock Exchange of Thailand
Equity securities	1,659,866,180	1,812,945,519	Level 2	The unit trust's net asset value of the last working day of the reporting period

### 36.2.6.2 Financial assets or financial liabilities not measured at fair value

Cash and cash equivalents, Accrued investment income, Premium due and uncollected, Reinsurance assets, Loans, Insurance contract liabilities and Due to reinsurers; the fair values approximate their carrying values due to the relatively short period to maturity.

The transactions disclosed in the following tables, are considered that the carrying amounts recognized in the consolidated and separate financial statements are different from their fair values. Valuation technique is net present value of expected cash inflow as follows:

	Fair value hierarchy	Consolidated financial statements			
		As at December 31, 2017		As at December 31, 2016	
		Carrying amount Baht	Fair value Baht	Carrying amount Baht	Fair value Baht

#### Financial assets

Held-to-maturity securities	Level 2	1,956,698,829	1,956,696,999	1,954,366,755	1,954,728,250
-----------------------------	---------	---------------	---------------	---------------	---------------

	Fair value hierarchy	Separate financial statements			
		As at December 31, 2017		As at December 31, 2016	
		Carrying amount Baht	Fair value Baht	Carrying amount Baht	Fair value Baht

#### Financial assets

Held-to-maturity securities	Level 2	56,552,665	56,552,665	66,239,399	66,239,399
-----------------------------	---------	------------	------------	------------	------------

The fair value of general investment which are insignificant value are determined based on their carrying value.

### 36.3 Capital management

The Company's objective in managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

Monitoring the capital level of the Company is conducted in accordance with Notifications of the Office of Insurance Commission.

As at December 31, 2017 and 2016, the Company's capital level is maintained according such notifications.

### 37. EVENTS AFTER THE REPORTING PERIOD

37.1 On February 15, 2018, the Board of Directors' meeting of the associate agreed to propose dividend payment of Baht 5.57 per share on 295 million shares amounting to Baht 1,643.15 million to the 2018 annual general meeting of the shareholders of the associate and subject to the Office of Insurance Commission's endorsement.

37.2 On February 26, 2018, the Board of Directors' meeting agreed to propose the 2018 annual general meeting of the shareholders of the Company as the following;

37.2.1 To consider and approve the rights offering of warrants to purchase newly issued ordinary shares in the Company, series 1 ("AYUD-W1") in the amount of not exceeding 125 million units, at the ratio of 2 existing ordinary shares to 1 warrant. The term of the AYUD-W1 is 2 years from the date of issuance. The right to purchase newly issued ordinary shares in the Company may be exercised twice a year, on the 15<sup>th</sup> of June and December every year, at the exercise ratio of 1 unit of AYUD-W1 to 1 newly issued ordinary shares, and the exercise price of Baht 39 per share.

37.2.2 To consider and approve the decrease of the Company's registered capital from Baht 500 million to Baht 250 million.

37.2.3 To consider and approve the increase of the Company's registered capital from Baht 250 million to Baht 375 million, by issuing new ordinary shares of 125 million shares with a par value of Baht 1.00 each, and the amendment to clause 4 of the Company's Memorandum of Association to be consistent with the increase of the registered capital, in order to support the exercise of the AYUD-W1.

37.2.4 To consider and approve the allotment of no more than 125 million shares of newly issued ordinary shares with a par value of Baht 1.00 each, in order to support the exercise of the AYUD-W1.

37.3 On February 26, 2018, the Board of Directors' meeting of the subsidiary agreed to propose dividend payment of Baht 0.30 per share from the operating result of 2017 for 180 million shares, totaling Baht 54 million to the 2018 annual general meeting of the shareholders of the subsidiary. Such dividend will be paid on April 9, 2018.

### 38. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved for issuance by the Company's authorized executive director on February 26, 2018.

# FINANCIAL STATEMENTS

## AUDITOR'S REMUNERATION

In 2017, the Company and its subsidiary paid the audit fee of Baht 4,270,000 to the audit company that the auditor was employed as the following details:

	Unit : Baht	
	Company	Subsidiary
Annual audit fee for the year of 2017	530,000	1,610,000
Annual audit fee for 2017 consolidated financial statements	320,000	-
Quarterly fee for review of consolidated financial statements for 3 quarters	480,000	-
Quarterly fee for review of financial statements for 3 quarters	390,000	540,000
Audit fee of Risk-Based Capital report for year end	-	210,000
Fee for review of Risk-Based Capital report for half year	-	190,000
Total	1,720,000	2,550,000

## LEGAL DISPUTES

As at December 31, 2017, the Company and its subsidiary did not engage in any legal disputes against the risk of assets of more than 5% of Total Equity.

# ANALYSIS OF FINANCIAL RATIO

Major financial ratio to reflect financial status and operating result of the Company's core business.

Financial Ratio	Consolidated Financial Statements			
	2017	2016	2015	
<b>Liquidity Ratio</b>				
Current Ratio	(Times)	1.62	1.54	1.49
Premium Due and Uncollected Turnover	(Days)	28	30	34
<b>Profitability Ratio</b>				
Retention Rate	(%)	57.13	58.26	60.50
Loss Incurred Per Earned Premium	(%)	47.64	48.35	45.54
Gross profit margin	(%)	20.33	20.70	28.13
Underwriting Expense Per Earned Premium	(%)	74.89	67.99	66.62
Return on Investment	(%)	5.47	6.05	6.78
Net Premium Written Per Equity	(Times)	0.23	0.26	0.27
Net Profit Per Total Income	(%)	18.42	21.49	23.85
Return on Equity	(%)	6.28	8.74	9.81
<b>Efficiency Ratio</b>				
Return on Assets	(%)	4.26	5.78	6.24
Assets Turnover	(Times)	0.23	0.27	0.26
<b>Financial Ratio</b>				
Debt to Equity Ratio	(Times)	0.44	0.51	0.52
POLICY LIABILITY TO CAPITAL FUND	(Times)	0.26	0.31	0.33
Unearned Premium Reserve Per Equity	(Times)	0.18	0.20	0.21
Unearned Premium Reserve Per Total Assets	(%)	12.59	13.48	13.81
Payout Ratio	(%)	40.54*	81.30	73.80
<b>Data Per Share</b>				
Per Value	Baht	1.00	1.00	1.00
Book Value	Baht	30.78	28.17	28.12
Net Profit	Baht	1.85	2.46	2.71
Dividend	Baht	0.75*	2.00	2.00

\* Interim dividend for the operating result from January 1, 2017 to June 30, 2017

# FINANCIAL RECORDS

Unit : Million Baht

	2017	2016	2015
<b>Statement of Comprehensive Income</b>			
Gross premium written	2,953.66	3,082.39	3,137.85
Premium ceded	1,266.31	1,286.53	1,239.52
Net premium written	1,687.35	1,795.86	1,898.33
Unearned premium reserve	32.15	(96.62)	25.65
Earned premium	1,655.20	1,892.48	1,872.68
Revenues from underwriting	2,023.23	2,215.81	2,260.96
Underwriting expenses	1,680.12	1,844.10	1,743.48
Profit on underwriting before operating expenses	343.11	371.71	517.48
Profit on investment	485.85	541.96	572.33
Other income	3.96	104.32	5.12
Profit on underwriting and investment	832.92	1,017.99	1,094.93
Operating expenses	347.99	357.66	356.98
Profit before income taxes	484.93	660.33	737.95
Corporate income taxes	22.02	45.16	61.04
Net profit	462.91	615.17	676.91
Earnings per share (Baht)	1.85	2.46	2.71
<b>Statement of Financial Position</b>			
Total assets	10,616.65	10,616.65	10,661.26
Premises and equipment	53.24	60.53	75.31
Total Liabilities	3,361.01	3,574.34	3,631.60
Total Shareholders' Equity	7,693.96	7,042.31	7,029.66
Book Value (Baht)	30.78	28.17	28.12
Dividend per share (Baht)	0.75*	2.00	2.00
Return on Equity (%)	6.28	8.74	9.81

\* Interim dividend for the operating result from January 1, 2017 to June 30, 2017

# DIVIDEND POLICY

The Company has a policy to pay dividend to its shareholders at a rate of not less than 60% of net profit after tax annually, but dependent upon performance and shareholders' resolution that will be considered from the Company's consolidated financial statements.

## **SUBSIDIARIES' DIVIDEND PAYOUT POLICY**

Dividend payments by the subsidiary must be approved by a resolution of the shareholders at a general shareholders' meeting and must be in compliance with relevant rules and regulations.

In each case, the subsidiary must allocate to a reserve fund from the annual net profit for the year, not less than 5% of the annual net profit deducted by the total accumulated loss brought forward (if any) until the reserve fund reaches an amount of not less than 10% of the authorized capital.

- **Obligation incurred through the issuance of Common Stocks:**

None

- **Debenture and Promissory Notes:**

The Company has never issued debentures or promissory notes.

# OPERATING RESULTS

## OPERATING RESULTS

Investors are advised to study the consolidated and separate financial statements and summary of operating results, both past and present, together with the notes to the consolidated and separate financial statements and other pertinent information herein.

### 1. 2017 CONSOLIDATED OPERATING RESULTS

#### Income from Operation

The consolidated income for 2017 was recorded at Baht 2,513.04 million, a decrease of Baht 349.05 million or 12.20%, from Baht 2,862.09 million last year, composing of income from underwriting, investments, and others. The main income derived from underwriting. In 2017, total income from underwriting, comprising net earned premiums and fee and commission income totalled Baht 2,023.23 million, a decrease of Baht 192.57 million or 8.69%.

Gross premiums written for 2017 were Baht 2,953.66 million, decreased by Baht 128.74 million, or 4.18% due to adjustments in proportion of premiums of products with high loss ratio. Fire insurance grew 1.34% due to expansion in the number of agents and brokers while premiums in marine & transportation, motor, and miscellaneous insurance segments were down from last year. Commissions and brokerages income for 2017 were Baht 366.03 million, an increase of Baht 44.71 million or 13.83% due to reinsurance commission received for fire, miscellaneous, and motor. The rates of reinsurance commission for these segments were calculated using the sliding scale method, with varying commission rates tied to the claim ratio for that year.

Reinsurance premiums for 2017 amounted to Baht 1,266.31 million, down by Baht 20.22 million, or 1.57% versus previous year, and 42.87% of total direct premiums. Retention was Baht 1,687.34 million. The net written premium ratio per equity dropped slightly in 2017 to 0.23 times of shareholders equity compared to previous year at 0.26 times. Net premiums received in 2017 totaled Baht 1,687.34 million, down by Baht 108.52 million, or 6.04% versus last year, resulting in a decrease in the retention rate to 57.13% versus 58.26% last year. Net premium earned for 2017 was recorded at Baht 1,655.20 million, a decrease of Baht 237.29 million, or 12.54%.

#### Overall Consolidated Expenses

Underwriting expenses in the consolidated statements comprised of losses incurred, insurance claims, loss adjustment expenses, commissions and brokerages, and other expenses on which the commissions and brokerages and other related expenses were variable costs associated directly to revenues from underwriting. Loss incurred and loss adjustment expenses were based on losses incurred by policyholders during the year. In 2017, underwriting expenses were Baht 2,028.11 million versus Baht 2,201.76 million last year, a decrease of Baht 173.65 million or 7.89%. The decrease in expenses is due to net loss incurred which reduced to Baht 788.58 million versus Baht 915.09 million, a decrease of Baht 126.51 million, or 13.83% while commissions and brokerages expenses dropped Baht 40.60 million, or 8.91% due to the reduction in premium written. Other underwriting expenses increased by Baht 3.13 million or 0.66% to due fierce competition in the lackluster market that showed no sign of growth. Operating expenses were Baht 347.99 million, a decrease of Baht 9.67 million, or 2.70% from last year. Personnel expenses decreased from last year by Baht 11.08 million, or 3.70% as a result of a senior executive who retired during the year. Premises and equipment expenses were Baht 114.65 million, a decrease of Baht 3.30 million, or 2.80%. In carrying out the insurance business, the subsidiary continued to invest in IT to increase the speed and level of service, reduce redundancy in processes, save on expenses and time, as well as support new product launches.



The ratio of underwriting expenses in 2017 equaled 74.89% of earned premiums, an increase over last year of 67.99% even though underwriting expenses in commissions and brokerages, and other underwriting expenses dropped Baht 47.14 million or 3.66%. Earned premiums decreased by Baht 237.29 million, or 12.54% resulting in the increase from previous year.

Gross profit margin in 2017 was 20.33% down slightly from last year at 20.70% of net premium written resulting from the reduction in profit on underwriting before deducting operating expenses of Baht 28.59 million, or 7.69% while net premium written were down by Baht 108.52 million, or 6.04%.

In 2017, a one-digit growth is forecasted as the economy continued on the path of recovery. And, although the recovery seemed sporadic, the Thai economy is likely to expand at the estimated 3.5-4.0% backed by stimulus measures from the government to fuel the economy. Investments from both the government and private sectors also showed signs of expansion. Improvements in exports and world economy also helped to bring about growth in the insurance sector. Statistics from the Insurance Premium Rating Bureau showed that in 2017, direct premiums from all categories amounted to Baht 219,606.67 million, up 3.52% versus 2016. The government stimulus package - a personal tax deduction for health insurance paid in the amount not exceeding Baht 15,000 purchased from January 1, 2017 onwards - helped to generate sale and insureds gained the benefits of having insurance protection to help reduce the financial burden on medical expenses. The scheme also helped the government from having to directly pay for medical expenses. On the side of insurers, there were developments of new products and expansion of new distribution channels to cover various target groups. Digital insurance was developed to reduce complexity in buying insurance and technology was used to support operational processes. Insurers responded to the consumer digital lifestyle with innovation to create differentiation, increase product and service quality. Management of costs and expenses is the key to finding the right balance between premium and product to offer while giving importance to customer service over competing only on price. The focus should be on developing service quality and bringing digital system into the whole process from insuring to paying claims, and creating products to fit all stages of life. All of these factors help to drive the growth and sustainability of the insurance sector.

## 2017 UNDERWRITING RESULTS

### Fire Insurance

Gross premiums written in 2017 were Baht 612.82 million, or 20.75% of total premiums. The increase over last year amounted to Baht 8.11 million, or 1.34% while the overall premiums for the fire insurance sector dropped 2.69% versus last year. This was due to the announcement of cancellation of the tariff rate for policy sum insured exceeding with Baht 30 million caused increased competition. However, the Company was able to find new customers and therefore was able to retain the market ranking at no. 6.

Net premiums written in 2017 were Baht 443.91 million, increased by Baht 16.18 million or 3.78% with retention at 72.44% versus 70.73% last year.

Premium reserves for fire insurance in 2017 were Baht 22.71 million, up from last year by Baht 20.15 million or 788.96% resulting in earned premiums of Baht 421.20 million, decreased from last year by Baht 3.97 million, or 0.93%.

Commissions and brokerages income for 2017 were Baht 45.72 million, increased from last year by Baht 16.18 million or 54.75% as claims were down resulting in increased commissions based on the sliding scale calculation method linking the rates to the claim ratio for that year.

2017 Loss incurred for fire insurance amounted to Baht 43.66 million, down from last year by Baht 10.94 million, or 20.03%. The loss ratio for fire this year is equivalent to 10.37% of earned premiums, a drop from last year at 12.84%.

Commissions and brokerages expenses in 2017 for fire insurance totaled Baht 135.46 million, up by Baht 0.86 million or 0.64% due to increase in premiums and fierce competition in a lackluster market that showed no sign of growth.

Other underwriting expenses in 2017 were Baht 97.14 million, a decrease of Baht 2.24 million, or 2.26% due to spending control.

Operating expenses in 2017 were Baht 276.26 million, down by Baht 12.32 million, or 4.27% from last year due to reduction in both net loss incurred, and commission and brokerages expenses, resulting in a profit from underwriting of Baht 190.66 million, an increase of Baht 24.53 million or 14.76%.

A major source of insurance came from agents and brokers, and loan customers of Bank of Ayudhya PCL and other financial institutions.

### **Marine and Transportation Insurance**

Marine and Transportation gross premiums written in 2017 were Baht 327.39 million, and 11.08% share of the Company's total premiums, down by Baht 22.18 million, or 6.34% while the overall premiums in the marine and transportation sector increased by 2.53% .

The Company has a market share ranked at no. 6 in the industry, split into marine hull, with premiums down by 16.60%, and marine cargo, down by 3.88%. This was due to the value of Thai Baht in 2017 that strengthened. Furthermore, the Company screened for quality insurance work while trying to keep the current customers and at the same time trying to develop new brokers and agents.

Net premiums for marine and transportation insurance in 2017 were Baht 104.43 million, a slight drop of Baht 0.09 million, or 0.09% with the Company retaining 31.90% versus 29.90% last year, resulting in a decrease in premiums of Baht 22.08 million, or 9.01%.

Premium reserves in 2017 for the segment increased by Baht 9.89 million, or 308.17% resulting in earned premium of Baht 97.75 million, down from last year by Baht 9.98 million, or 9.27%.

Commissions and brokerages income for marine and transportation totaled Baht 59.40 million in 2017, down by Baht 5.82 million or 8.92% due to reduction in reinsurance premiums.

Net loss incurred in 2017 were Baht 36.20 million, an increase of Baht 5.97 million from last year or 19.76% and the loss ratio was 37.03% of earned premiums, increased 28.06% over last year.

Operating expenses in 2017 for marine and transportation were Baht 113.49 million, up by Baht 7.12 million, or 6.69% from last year due to an increase in both net loss incurred, commission and brokerages, and other expenses, resulting in a profit from underwriting of Baht 43.65 million, a decrease of Baht 22.92 million or 34.43%.

The primary source of business for Marine and Transportation insurance in 2017 came from agents who continued to work with the Company because of speed and efficiency of services.

### **Motor Insurance**

Motor gross premiums written in 2017 were Baht 1,026.53 million, representing 34.75% of total premiums, decreased from last year by Baht 26.56 million, or 2.52% as the Company reduced the portfolio with high loss ratio while the segment of the industry grew 3.80%.

The Company used treaty reinsurance when reinsuring with overseas reinsurers with certain in business obligations. Ceded premium of 2017 for motor insurance was 35.59% of written premiums, retaining Baht 661.20 million, resulting in the decrease of Baht 12.72 million or 1.89%. Net earned premiums for 2017 was Baht 655.66 million, a decrease of Baht 22.76 million, or 3.35% due to an increase in unearned premium reserve of Baht 10.04 million, or 223.04%.

Commission and brokerages income in 2017 for motor insurance was Baht 135.70 million, an increase of Baht 17.91 million, or 15.21%. This is due to the increasing reinsurance premiums and commissions which were based on the sliding scale calculation method with commission rates that were also tied to the claim ratio for that year.

Net loss for 2017 for motor insurance was Baht 428.13 million, a decrease of Baht 14.70 million over last year, or 3.32%. The loss ratio equaled 65.30% of earned premiums while last year's was 65.27%.

Operating expenses in 2017 for motor insurance were Baht 737.53 million, down by Baht 15.88 million, or 2.11% from last year due to a decrease in net loss incurred, commission and brokerages, and other expenses, resulting in a profit from underwriting of Baht 53.84 million, up by Baht 11.04 million or 25.80%.

The primary source of business came from agents, brokers, dealers and financial institutions providing motor leasing. The Company focused on providing efficient and enhanced services for getting insurance and claims at all branches.

### **Miscellaneous Insurance**

In 2017, written miscellaneous premiums totalled Baht 986.92 million, representing 33.41% of total written premiums, a decrease over last year of Baht 88.11 million, or 8.20% while the industry grew 3.96%. The reason for the decrease came from the reduction in PA insurance portfolio with high loss ratio. Competition also increased due to the announcement of cancellation of the tariff rate for policy with sum insured exceeding Baht 30 million.

Net premium written for 2017 totalled Baht 477.81 million, a reduction of Baht 111.89 million from last year, or 18.97%, with the Company retaining 48.41% down from 54.85% last year.

Premium reserves in 2017 increased from last year by Baht 88.68 million, or 96.96% resulting in earned premiums of Baht 480.59 million, down by Baht 200.57 million, or 29.45%.

Commission and brokerages income in 2017 amounted to Baht 127.21 million, increased by Baht 16.44 million, or 14.84%, over last year. This is due to the increasing reinsurance premiums and commissions which were based on the sliding scale calculation method with commission rates tied to the loss ratio for that year.

Net loss for miscellaneous insurance in 2017 amounted to Baht 280.59 million, decreased by Baht 106.84 million, or 27.58%. The loss ratio was 58.38% of earned premiums, versus 56.96% last year, due to a decrease in earned premium this year.

Operating expenses in 2017 for miscellaneous insurance were Baht 552.84 million, down by Baht 145.89 million, or 20.54% from last year due to decreases in net loss incurred, commission and brokerages, and other expenses, while income from underwriting was down by Baht 184.13 million or 23.25% resulting in a profit from underwriting of Baht 54.96 million, down by Baht 41.24 million or 42.87%.

The primary sources of business for miscellaneous insurance included Bank of Ayudhya PCL, financial institutions, agents, brokers, and direct accounts. Bancassurance channel, and partnerships with many financial institutions continued to be important distribution channels for the Company.

### **Investment**

For the first half of 2017, the Stock Exchange of Thailand (SET) index moved within a tight range before continuously climbing during latter part of 2017. At the end of 2017, the SET index ended at 1,753.71, or up 13.66% versus last year's at 1,542.94. The Thai stock market yielded good returns supported by the recovery of FMCG prices, improved exports growth trends, and high liquidity. The economic reform and the increase of large scale infrastructure investment by the government should lend positive results for companies in the SET thus better returns. The Company maintains a positive outlook for long term investment in the stock market. Positive factors such as stable interest rates which continue to be on the low side, and continued strong growth for listed companies reaffirm that the SET is still an attractive investment alternative when compared with other markets within the region. The investment strategy continues to focus on choosing individual stocks, with analysis conducted on the listed companies to invest, both in quality and quantity terms, as well as monitoring performance regularly. The Company believes that this strategy can generate good returns from investment in the market, medium-to-long term. In addition to considering the satisfactory return on investment under acceptable risks, the Company emphasizes on the investment stability, with cautiousness and prudence, for utmost benefit to shareholders.

Net income earned from investment which consisted of interests and dividends during 2017 was Baht 99.20 million, down by Baht 5.61 million versus last year, or 5.35% due to lower interest rates.

Total profit generated from equity investments in 2017 was Baht 54.97 million versus Baht 48.69 million last year, an increase of Baht 6.28 million, or 12.91% resulting from the increase of the Thai stock market index due to foreign investors capitalizing in the market.

The Company invests in life insurance business via Allianz Ayudhya Assurance Public Company Limited; with a 20.17% share, it is categorized as an investment in an associate company and therefore, the equity calculation method is used in the consolidated financial statements. In 2017, the investment generated a share of profit of Baht 331.68 million, a decrease of Baht 56.79 million, or 14.62%, from last year.

At the end of 2017, total investment assets were Baht 9,412.80 million, up Baht 570.95 million or 6.46% with a return on investment of 5.47%, versus 6.05% last year.

In addition, other income for 2017 amounted to Baht 3.96 million down from last year at Baht 104.32 million, a drop of Baht 100.36 million or 96.21% resulting from a reversal of insurance contract liabilities of Baht 97.87 million in 2016, caused by a loss claim incurred by an insured company on September 24, 1997. On March 15, 2016, the Supreme Court had passed a verdict to dismiss this case. Therefore, the Company reversed such insurance contract liabilities to other income in 2016.

## Summary of Operating Result 2017

The consolidated financial statement for 2017 showed a profit before tax of Baht 484.93 million, down from last year at Baht 660.33 million, a reduction of Baht 175.40 million or 26.56%. As a result, the Company's income tax expense for 2017 was Baht 22.02 million, versus last year's Baht 45.16 million, down by Baht 23.14 million, or 51.24%. Net profit after tax was Baht 462.91 million, or Baht 1.85 profit per share. Compared to last year, net profit after tax was Baht 615.17 million, a reduction of Baht 152.26 million or 24.75%.

## 2. FINANCIAL POSITION

### 2.1 Assets

#### (1) Components of assets

The assets of the Company and its subsidiary are comprised of investments in securities, loans, cash and cash equivalents, premises and equipment, intangible assets, premiums due and uncollected, accrued investment income, reinsurance assets, and other assets.

As at December 31, 2017, the Company and its subsidiary had total assets of Baht 11,054.97 million, an increase from last year of Baht 438.32 million, or 4.13%.

Investment in securities as at December 31, 2017, was Baht 4,655.89 million, up by Baht 61.69 million from last year's Baht 4,594.20 million. In 2017, the Company and its subsidiary had investments in available-for-sale securities totalling Baht 2,586.03 million, down by Baht 34.32 million from last year's Baht 2,620.35 million. These available-for-sale securities were comprised of government bonds, Bank of Thailand bonds, treasury bills, stocks, and unit trusts. The investments in held-for-trading securities in 2017 amounted to Baht 93.67 million. Investments in held-to-maturity securities as at the end of 2017 amounted to Baht 1,956.70 million, an increase of Baht 2.33 million versus Baht 1,954.37 million last year.

At the end of 2017, the Company had an unrealized loss on investments in available-for-sale securities of Baht 39.02 million, while at the end of 2016, the Company had an unrealized loss on investment in available-for-sale securities of Baht 87.98 million as the SET index rose during the latter part of 2017. In addition, the Company had a share of profit in the associate company of Baht 1,270 million, an increase of Baht 582.07 million versus Baht 687.93 million last year due to the increase of unrealized profit from investments in available-for-sale securities at the end of 2017.

The Company had employee loans with guarantors in compliance with the Company's staff welfare policy, at the end of 2017, totalling Baht 0.02 million, down by Baht 0.11 million, versus Baht 0.13 million last year.

Cash and cash equivalents at year end 2017 amounted to Baht 1,401.89 million, down by Baht 15.16 million versus Baht 1,417.05 million last year.

Premises and equipment at cost as at the end of 2017 totalled Baht 162.62 million, down by Baht 2.64 million from the previous year's Baht 165.26 million, due to additional investment in IT, office renovation, and purchase of new vehicles to replace the old ones which totalled Baht 13.36 million. Meanwhile, held-for-sale items such as old cars, office equipment, and computers that needed to be replaced were sold, with the original costs referenced at Baht 16 million.

Premiums due and uncollected at the end of 2017 amounted to Baht 238.13 million, versus Baht 217.43 million, an increase of Baht 20.70 million, or 9.52%. The Company's emphasis on improving the efficiency in following up on outstanding premiums and concentrating on collection, is reflected in its strict policy on managing collections. The Company and its subsidiary have also taken stringent legal action against defaulting agents, brokers and clients. Additionally, the Company's internal audit department reviewed outstanding premiums, followed up on collections, payments, and recorded all related items.

In managing outstanding premiums, the Company premium has a clear collection policy that indicates the credit terms for long-outstanding overdue premiums. A monthly meeting on credit control is held regularly to follow up on long-overdue accounts in order to comply with the regulations stipulated by the Office of Insurance Commission (OIC). Once an outstanding account exceeds the specific term of payment, the collection unit will follow up with the appropriate collection procedures as specified by the Company.

## (2) Asset Quality

### a. Assets

As at December 31, 2017, the investments in securities, including bonds, treasury bills, stocks, unit trusts, and deposits at financial institutions with a maturity of over three months totalled Baht 4,655.89 million, which was presented at fair value. Unrealized loss from the changes in fair value of investment net of deferred tax in shareholders equity were Baht 39.02 million.

The Company has investment in the associate at the end of 2017 in the amount of Baht 3,355 million, up by Baht 524.53 million versus Baht 2,830.47 million at the end of 2016, as presented in the consolidated financial statements and are accounted for under the equity method.

### b. Debtors

In 2017, the Company's turnover rate on outstanding premiums was 28 days. A credit term of 30 days is given to insurance customers other than motor. For motor insurance, customers must comply with the 'Cash before Cover' policy, in which, the premium must be paid prior to the effective date of cover.

At the end of 2017, the allowance for doubtful accounts totalled Baht 4.45 million. This estimate of doubtful debt as at year-end was based on the Company's experience in debt collection that the management believed adequate. The basis for calculating the reserve for doubtful accounts is as follows:

Outstanding premiums 6 months to 1 year:	The reserve is set for doubtful accounts at 50%
Outstanding premiums over 1 year:	The reserve is set for doubtful accounts at 100%

## 2.2 Liquidity

### (1) Cash Flow

At the end of 2017, the Company had net cash and cash equivalents totalling Baht 1,401.89 million, down from last year's Baht 1,417.05 million, down by Baht 15.16 million, or 1.07%, with net cash provided by and used in the following activities:

Unit in: Baht Million

Description	2017	2016
Net cash provided by (used in) operating activities	437.90	861.97
Net cash provided by (used in) investment activities	(15.56)	(10.17)
Net cash provided by (used in) financing activities	(437.50)	(500.00)
Net increase (decrease) in cash and cash equivalents	(15.16)	351.80

In 2017, cash flows provided by the operating activities were Baht 437.90 million, from cash flows received of Baht 3,473.33 million and used in the amount of Baht 3,035.43 million. Cash received were from premiums, interests received from cash deposits in financial institutions, bonds, stocks, unit trusts, treasury bills, and mature deposits at financial institutions. Cash flows paid for expenses included reinsurance debtors, claim settlements, operating expenses, and corporate taxes.

Cash flow used for investment activities recorded Baht 15.56 million which included payments for office equipment, office renovations, computer software, and vehicles.

As for cash flows used in financing activities, in 2017, the Company paid dividends totalling Baht 437.50 million, consisted of dividend payment of Baht 1.00 per share for the second half of 2016 in total amount of Baht 250 million; and interim dividend payment of Baht 0.75 per share for the first half year of 2017 in total amount of Baht 187.50 million.

The cash flows provided by and used in these activities as at end of 2017 showed Baht 1,401.89 million in cash and cash equivalents, a decrease of Baht 15.16 million, from last year's Baht 1,417.05 million.

### (2) Liquidity Ratio

As at December 31, 2017, the Company recognized an outstanding liquidity ratio of 1.62 times, indicating that the Company and its subsidiary's existing current assets were sufficient to pay its current liabilities.

## 2.3 Sources of Funds

### (1) Appropriation of Capital Structure

The Company had no change of capital structure during the past year. At the end of 2017, the Company's debt-to-equity ratio was 0.44 times, down from 0.51 times last year.

## **(2) Shareholders' Equity**

The Company's shareholders' equity as at December 31, 2017 was Baht 7,693.96 million, an increase of Baht 651.65 million over last year's Baht 7,042.31 million. Net profit in 2017 amounted to 462.91 million with an unrealized loss from a change in valuation of available-for sale securities of Baht 39.02 million, and a share of other comprehensive income in the associate company Baht 1,270 million, an increase of Baht 582.07 million versus Baht 687.93 million last year. Total dividend payment amounted to Baht 437.50 million came from the dividend paid for the last half of 2016 at Baht 250 million, and for the interim dividend in 2017 at Baht 187.50 million.

## **(3) Liabilities**

The Company had liabilities as at December 31, 2017 were Baht 3,361.01 million, a decrease of Baht 213.13 million from the previous year's Baht 3,574.34 million due to the reduction in cash reserved needed for claim payments, and unearned premium reserves totalling Baht 180.89 million; and premium ceded payables to reinsurers by Baht 37.83 million. The liabilities of the Company and its subsidiary largely arose from its operations comprising of unearned premium reserves, loss reserves, outstanding claim reserves, due to reinsurers, premiums received in advance, accrued commissions, employee benefit obligations, deferred tax liabilities, accrued operations expenses, and accrued corporate income tax.

## **3. MAJOR FACTORS AND INFLUENCES THAT COULD AFFECT THE COMPANY'S OPERATIONS AND FINANCIAL STATUS IN THE FUTURE**

The Company and its subsidiary's policy on risk management is discussed in the Risk Factors section herein.

## **4. MAINTAINING VARIOUS RATIOS IN ACCORDANCE WITH REGULATORY AGENCIES AND KEY RATIOS THAT ARE CHARACTERISTIC OF THE INDUSTRY**

4.1 The Company had statutory reserves of Baht 50 million, equivalent to 10% of its authorized capital, in accordance with the Public Limited Company Act, B.E. 2535, stipulating that the Company must allocate a reserve fund from annual net profits of not less than 5%. This is calculated by the total accumulated loss brought forward (if any) until the reserve fund reaches an amount of not less than 10% of the authorized capital. Such reserve fund is not available for dividend distribution.

4.2 The subsidiary had an allocation of unearned premium reserves in the amount of Baht 1,391.83 million at the end of 2017 in accordance with the announcement of the Office of Insurance Commission (OIC) concerning the allocation of such reserves.

4.3 The loss ratio from regular operations in 2017 was equalled to 47.64% of earned premiums, reduction from last year of 48.35%.

4.4 The Office of Insurance Commission (OIC) issued a regulation concerning funds of non-life insurance companies that use capital adequacy ratios (CARs) for insurance risk, market risk, credit risk, and concentration risk.

CARs that required by OIC's regulation shall not be less than 140%. Since January 1, 2013 onward.

At the end of 2017, the subsidiary had CARs of 1,023.74%



# SET FORM 56-2 INFORMATION GUIDE IN ANNUAL REPORT 2017

No.	Item	Page
1	Company Business	6
	1.1 History and Key Development	6
	1.2 Major Changes Since 2011	6
2	Nature of Business	27
3	Risk Factors	34
4	General Information	8
5	Major Shareholders	38
6	Dividend Policy	173
7	Management Structure	40
	7.1 Organizational Structure	40
	7.2 Board of Directors, Positions, Education, and Related Training	12
	7.3 Company Secretary Information	26
	7.4 Head of Internal Auditor Information	26
	7.5 Shares Held by Members of the Board of Directors	39
	7.6 Management Structure and Scope of Responsibilities	62
	7.7 Sub-committees and Names of Directors/Members in Each Committee	66
	7.8 Qualifications of Independent Directors	62
	7.9 Number of Committee Meetings and Attendance of Each Committee Member	42, 67
	7.10 Remuneration for Directors and Executive Management	46
	7.11 Use of Insider Information	79
8	Report on Good Corporate Governance Practices	52
9	Sustainable Business Development	83
	9.1 Fair Business and Good Corporate Governance	84
	9.2 Anti-corruption	84
	9.3 Respecting Human Rights	85
	9.4 Fair Labor Practices	85
	9.5 Responsibility Towards Consumers	85
	9.6 Community and Society Development	86
	9.7 Innovation and Promulgation of Innovation Derived from CSR Operations	92
10	Internal Control and Risk Management	95
11	Related-Parties Transactions	99
12	Financial Highlights	4
	12.1 Financial Statements	110
13	Operating Results	174

Investors can obtain more information on the issuing Company's annual statement (Form 56-1) displayed in [www.sec.or.th](http://www.sec.or.th) or on the Company's website: [www.ayud.co.th](http://www.ayud.co.th)





**ศรีอยุธยา แคปปิตอล**  
**SRI AYUDHYA CAPITAL**

**Sri Ayudhya Capital Public Company Limited**  
898 Ploenchit Tower, 7th Floor,  
Ploenchit Rd., Lumpini, Pathumwan, Bangkok 10330  
Tel. +66 2657 2970 Fax +66 2657 2971  
[www.ayud.co.th](http://www.ayud.co.th)