



2017 Annual Report

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CSR Initiative of the year and Digital Insurance Initiative of the year 2017

From Insurance Asia award, Singapore

KTAXA receive the CSR initiative and Digital initiative of the year awards in Asia and Banking & Finance awards 2017. Both awards are internationally honored and base on selection of insurance business across Asia.

Top Five vote of Investment Houses 2016; Thailand Local Currency Bonds

From The Asset Benchmark Research

This award recognizes excellence in financial services and is organized by the Asset Publishing and Research Ltd. The criteria used to assess the winners is based on the number of votes received by their Astute Investors from the leading sales people and traders from the banks and brokerage firms. A total of around 500 investors from many financial organizations across 8 countries in Asia received nominations.

Best Life Insurance Company in Thailand

From Global Business Outlook, London

This award its innovation, digital expertise, professional development and commitment to corporate responsibility across all sectors, private and public. This is another pride and prestige for KTAXA in global level recognition.

Pride of AXA 2016 - LINE and Krungthai-AXA Digital Ecosystem

From AXA Group

Our Thailand Life business has worked together with LINE to develop a digital ecosystem that recognises the growing usage of LINE in Thailand. With over 33 million users in Thailand, so tapping into this niche market has been an innovative and clever strategy. Krungthai-AXA Life Insurance is the first mover by using new digital tools to support business growth and to create the best customer experiences

Global Award for Good Practices in the Employment of Persons with Disabilities Year 2016

From State Secretariat for the Rights of the Person with Disability (SEDPCD) of the São Paulo State Government, Brazil in collaboration with United Nations Development Programme

According to 10th anniversary of the United Nations Convention on the Rights of Persons with Disabilities (CRPD), KTAXA was selected as the global best practice for inclusion of People with Disabilities (Management Categories). It was honoured to receive the award at UN Head Quarter, in New York, United States of America.

Social Contribution for Disabled People Award (3rd Year) Year 2016

From Department of Empowerment of People with Disabilities, Ministry of Social Development and Human Security

KTAXA was awarded to affirm its commitments to create inclusive society for people with disabilities by employment, accessibility of workplace and also the activities raising awareness which is Run2gether (Super Mini-Marathon for PWD to run in pair with able bodies.)

4 Core Values



Customer First



Courage



Integrity



One Heart

Corporate Responsibility



Customers

Krungthai-AXA promotes responsible customer relations through clear and transparent communication and marketing of our products, and by managing the claims process responsibly. We offer insurance, savings and investment products and services which also encourage and reward environmentally responsible behaviors, as well as help reduce social exclusion.



Employees

Krungthai-AXA strives to be a responsible employer, placing employee engagement at the heart of its business strategy. Achieving this means creating a workplace built on AXA's Values that fosters diversity and equal opportunities for all, promotes employee participation, encourages professional development, and supports employee well-being.



Community

As a responsible corporate citizen, Krungthai-AXA strives to play a positive role in society, by building a culture that promotes employee volunteering, and through corporate giving to support the communities in which we operate. We are also committed to sharing our business expertise by helping to build better understanding of the risks faced by individuals and society at large.



Environment

Krungthai-AXA is committed to reducing its direct impact on the environment by actively managing our waste, emissions, and our consumption of natural resources. We are also aware of the role we can play in promoting environmental awareness amongst our stakeholders, contributing to improve the understanding of global environmental risks, and committing to support the fight against climate change and other environmental protection efforts.



Shareholders

Krungthai-AXA's responsibility towards our shareholders includes ensuring the long-term viability of the company through sound and transparent corporate governance and a culture of business ethics, supported by Krungthai-AXA's Standards and Code of Ethics. Acknowledging the impact our business has on society at large, we also strive to integrate social and environmental issues into our governance, risk management processes, and investment strategy.



Suppliers

As a financial services company, many of our impacts on society are linked not to our own "production" processes, but to our choice of suppliers, from purchasing paper to contracting service providers for insurance claims. In making these choices, we integrate social and environmental criteria in the selection and management of our suppliers.

Message from the Chairman



Krungthai-AXA Life Insurance PCL (KTAXA) is pleased to inform our shareholders regarding the Company's performance of 2017.

In 2018, we will continue to empower people to live a better life by focusing on customer centricity and integrating new technology initiatives to provide better solutions for our valued clients, anytime, anywhere. Our investment and health business will continue to play a vital role and be a key driver of KTAXA's core strategy, as we aim to become the leading provider of Wealth and Health insurance in the market.

Furthermore, KTAXA is also undergoing a "Brand Refresh" which entails reshaping the look and feel of our identity. We have listened to our clients and partners and the refreshed brand will reflect both an alignment to our clients' needs and our mandate to empower people to live a better life. The refreshed brand identity will be more human, modern, and simple and will be evident in our advertisements, stories, and overall identity.

In the past year, KTAXA's total invested assets were Bt235 billion with the investment portfolio mix remaining relatively stable, with 7% equities, 83% bonds, 3% property funds, 1% short-term deposits, and 6% others. KTAXA's new business performance resulted Bt12.36 billion Annualised Premiums Earned and Gross Written Premium at Bt63.37 billion. The Annualised Premiums Earned was from a mix of distribution channels i.e. Bancassurance generated Bt5.82 billion, Agency Bt6.28 billion, Corporate Solutions delivered Bt250 million and e-Business delivered Bt15 million.

On behalf of the Board of Directors, I would like to thank you customers, shareholders, its employees, the executives and employees for the support and trust in KTAXA for the past years. KTAXA will strive to develop the life insurance industry under 'ONE AXA' strategy by incorporating with AXA Insurance and AXA partners, together with the development in innovation and technology to serve the customers' needs and community throughout the journey.

Mr. Sirote Swasdipanich

Chairman of Krungthai-AXA Life Insurance Public Company Limited

Company's Information

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

Registered Shareholders as at 31 March 2017

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

Number of directors



Gender gap pay



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

Nationality Diversity



**4 nationalities are
represented on the Board**

Directors' average age



Years old

Remuneration for Directors as of Year 2017

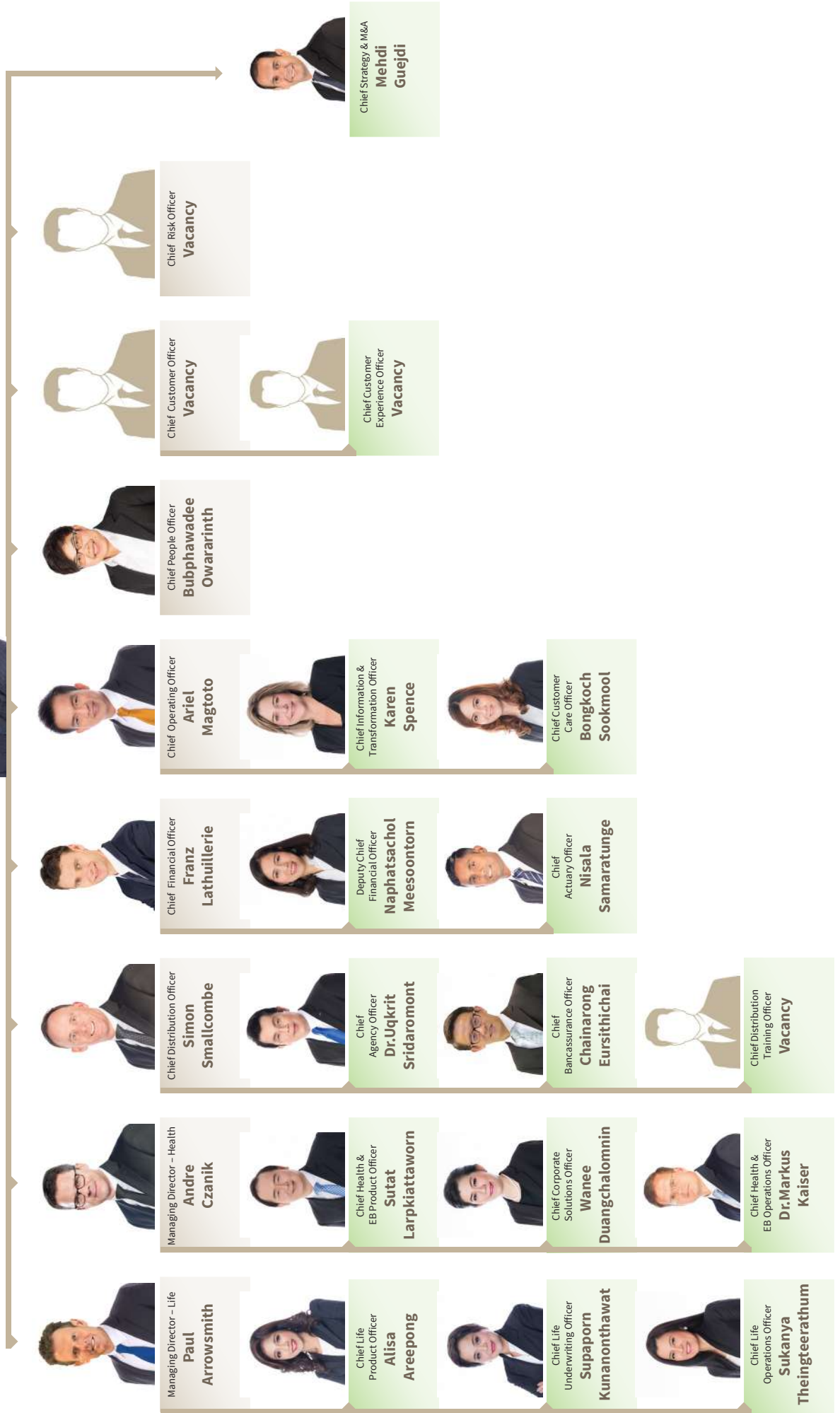
ON 31 DECEMBER 2017

Name and Nationality	Position within the Board of Directors	Directors' fee paid for 2017	Bonus for 2017	First appointment/ Term of office
Mr. Sirote Swasdipanich Thai Nationality	<ul style="list-style-type: none"> Chairman of the Board of Directors Chairman of the Nomination and Remuneration Committee Chairman of the Audit and Compliance Committee 	960,000	489,600	April 2013/2019 Annual General Meeting
Ms. Ratchada Piyatassikul Thai Nationality	<ul style="list-style-type: none"> Director of the Board of Directors Member of the Risk Management Committee 	60,000	30,600	April 2017/2019 Annual General Meeting
Mr. Luechai Chaiparinya Thai Nationality	<ul style="list-style-type: none"> Director of the Board of Directors 	40,000	20,400	July 2017 Board of Directors/April 2018 Annual General Meeting
Mr. Rawin Boonyanusasna Thai Nationality	<ul style="list-style-type: none"> Director of the Board of Directors Member of the Investment Committee 	60,000	30,600	April 2017/2019 Annual General Meeting
Mrs. Praralee Ratanaprasartporn Thai Nationality	<ul style="list-style-type: none"> Director of the Board of Directors Member of the Nomination and Remuneration Committee 	60,000	30,600	April 2017 /2018 Annual General Meeting
Professor Dr. Kriengsak Chareonwongsak Thai Nationality	<ul style="list-style-type: none"> Director of the Board of Directors Chairman of the Risk Management Committee Member of the Audit and Compliance Committee Member of the Investment Committee Member of the Nomination and Remuneration Committee 	400,000	204,000	October 2016 Board of Directors/April 2018 Annual General Meeting
Mr. Chinavais Sarasas Thai Nationality	<ul style="list-style-type: none"> Director of the Board of Directors 	60,000	30,600	April 2017/2020 Annual General Meeting
Mr. Akarat Na Ranong Thai Nationality	<ul style="list-style-type: none"> Director of the Board of Directors Member of the Risk Management Committee Member of the Investment Committee 	40,000	20,400	July 2017 Board of Directors /April 2018 Annual General Meeting
Mr. David John Korunic* Croatian Nationality	<ul style="list-style-type: none"> Director of the Board of Directors Member of the Risk Management Committee 	-	-	April 2013/2019 Annual General Meeting
Mrs. Prettaya Sutchasila* Thai Nationality	<ul style="list-style-type: none"> Director of the Board of Directors 	-	-	Resigned on 2 February 2018
Mr. Frederic Jacques Claude Tardy* French Nationality	<ul style="list-style-type: none"> Director of the Board of Directors 	-	-	Resigned on 2 February 2018
Mrs. Doina Palici-Chehab* German and French Nationality	<ul style="list-style-type: none"> Director of the Board of Directors Chairman of the Investment Committee Member of the Audit and Compliance Committee Member of the Risk Management Committee Member of the Nomination and Remuneration Committee 			Resigned on 2 February 2018
Mr. Etienne Bouas-Laurent* French Nationality	<ul style="list-style-type: none"> Director of the Board of Directors Chairman of the Investment Committee Member of the Audit and Compliance Committee Member of the Risk Management Committee Member of the Nomination and Remuneration Committee 			Resigned on 26 July 2017
Ms. Poramasiri Manolamai* Thai Nationality	<ul style="list-style-type: none"> Director of the Board of Directors 			Resigned on 15 September 2017

Former Directors

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

Organisation Chart



Independent Auditor's Report

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

My opinion

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

What I have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

Responsibilities of management for the financial statements

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

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

The audit committee assists management in discharging their responsibilities for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level

of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

PricewaterhouseCoopers ABAS Ltd.

Anothai Leekitwattana

Certified Public Accountant (Thailand) No. 3442

Bangkok

26 March 2018

Krungthai-AXA Life Insurance Public Company Limited
Statutory Financial Statements
31 December 2017

	Notes	31 December 2017 Baht Thousand	31 December 2016 Baht Thousand
Assets			
Cash and cash equivalents	9	3,927,956	2,974,132
Accrued investment income		1,434,727	1,175,662
Premium due and uncollected - net	10	1,942,447	1,994,935
Reinsurance assets	11	15,355	20,119
Derivative assets	12	1,645,927	870,733
Investments			
Investments in securities	13	221,861,693	186,609,603
Policy loans	14	8,757,030	6,065,408
Assets held to cover linked liabilities	15	2,671,292	472
Leasehold improvements and equipment - net	16	498,978	524,779
Intangible assets - net	17	230,426	197,465
Agency security fund		639,472	562,710
Accounts receivable - Investments		741,206	140,159
Other assets	19	213,648	462,439
Total assets		244,580,157	201,598,616

..... Directors

The notes on pages 19 to 51 form an integral part of these financial statements.

Krungthai-AXA Life Insurance Public Company Limited
Statement of Financial Position (Cont'd)
As at 31 December 2017

	Notes	31 December 2017 Baht Thousand	31 December 2016 Baht Thousand
Liabilities and shareholders' equity			
Liabilities			
Insurance liabilities	20	207,329,415	172,777,316
Amount due to reinsurers	21	171,473	187,236
Derivative liabilities	12	146,254	793,872
Income tax payable		252,793	414,406
Employee benefits obligation	22	82,557	60,792
Agency security fund		639,472	562,710
Deferred tax liabilities - net	18	3,094,694	1,609,034
Accrued expenses	30	2,260,814	2,028,734
Accounts payable - Investments		631,826	183,869
Other liabilities	23	2,209,267	1,193,362
Total liabilities		216,818,565	179,811,331
Equity			
Share capital			
Registered			
135,500,000 ordinary shares of Baht 10 per share		1,355,000	1,355,000
Issued and fully paid-up			
135,500,000 ordinary shares of Baht 10 per share		1,355,000	1,355,000
Retained earnings			
Appropriated - legal reserve		135,500	135,500
Unappropriated		13,948,055	13,834,410
Other component of equity		12,323,037	6,462,375
Total equity		27,761,592	21,787,285
Total liabilities and equity		244,580,157	201,598,616

The notes on pages 19 to 51 form an integral part of these financial statements.

Krungthai-AXA Life Insurance Public Company Limited
Statement of Financial Position (Cont'd)
As at 31 December 2017

	Notes	2017 Baht Thousand	2016 Baht Thousand
Revenues			
Gross written premiums		63,636,715	55,944,234
<u>Less</u> Ceded premium		(261,530)	(226,575)
Net written premiums		63,375,185	55,717,659
<u>Less</u> Increase of unearned premium reserve from prior year		(296,119)	(440,025)
Net premium earned after reinsurance		63,079,066	55,277,634
Fee and commission income		178,046	159,131
Net investment income	30	7,887,079	6,693,290
Gains on investments in securities		353,457	359,641
Fair value gains		122,826	52,673
Other income		50,967	28,070
Total revenues		71,671,441	62,570,439
Expenses			
Change in long-term technical reserve		32,935,102	28,227,497
Gross benefits and claim paid		21,400,356	16,247,093
<u>Less</u> Benefits and claim paid recovery from reinsurers		(150,519)	(86,199)
Net benefits and claim paid		21,249,837	16,160,894
Commissions and brokerages	30	8,176,493	7,555,510
Other underwriting expenses		804,290	796,493
Operating expenses	25, 30	3,849,913	3,454,927
Other expenses		9,848	18,469
Total expenses		67,025,483	56,213,790
Profit before tax		4,645,958	6,356,649
Income tax	27	(882,313)	(1,241,998)
Net income		3,763,645	5,114,651

The notes on pages 19 to 51 form an integral part of these financial statements.

Krungthai-AXA Life Insurance Public Company Limited
Statement of Financial Position (Cont'd)
As at 31 December 2017

	Notes	2017 Baht Thousand	2016 Baht Thousand
Other comprehensive incomes (losses)			
<u>Items that will be reclassified subsequently to profit or loss</u>			
Unrealised gains (losses) on changes in value of available-for-sale investments		7,145,038	(546,446)
Gains (losses) on cash flow hedges		549,961	(144,978)
Items in other comprehensive income transferred to profit or loss		(353,457)	(359,641)
Income tax on items that will be reclassified subsequently to profit or loss		(1,468,308)	210,213
Total items that will be reclassified subsequently to profit or loss		5,873,234	(840,852)
<u>Items that will not be reclassified subsequently to profit or loss</u>			
Actuarial loss on employee benefits obligation		(12,572)	(3,067)
Income tax on item that will not be reclassified subsequently to profit or loss		-	-
Total items that will not be reclassified subsequently to profit or loss		(12,572)	(3,067)
Other comprehensive income (loss) for the year, net of tax		5,860,662	(843,919)
Total comprehensive income for the year		9,624,307	4,270,732
Basic earnings per share (Baht)	29		
Basic earning per share		27.78	37.75

The notes on pages 19 to 51 form an integral part of these financial statements.

Krungthai-AXA Life Insurance Public Company Limited
Statement of Financial Position (Cont'd)
As at 31 December 2017

	Notes	Issued and paid-up share capital Baht Thousand	Retained earnings Baht Thousand	Unrealised gains (losses) on changes in value of available-for-sale investments Baht Thousand	Gain (loss) on cash flow hedge Baht Thousand	Actuarial gain(loss) on employee benefits obligation Baht Thousand	Total Baht Thousand
Beginning balance as at 1 January 2016							
Net profit		1,355,000	12,605,259	7,158,291	141,208	6,795	21,266,553
Dividends paid		-	5,114,651	-	-	-	5,114,651
Unrealised losses on changes in fair value of available-for-sale investments	24	-	(3,750,000)	-	-	-	(3,750,000)
Loss on cash flow hedge		-	-	(437,157)	-	-	(437,157)
Actuarial loss on employee benefits obligation		-	-	-	(115,982)	-	(115,982)
Items in other comprehensive income transferred to profit or loss		-	-	(287,713)	-	(3,067)	(3,067)
		-	-	-	-	-	(287,713)
Ending balance as at 31 December 2016							
Net profit		1,355,000	13,969,910	6,433,421	25,226	3,728	21,787,285
Dividends paid		-	3,763,645	-	-	-	3,763,645
Unrealised gain on changes in fair value of available-for-sale investments	24	-	(3,650,000)	-	-	-	(3,650,000)
Gain on cash flow hedge		-	-	5,716,030	-	-	5,716,030
Actuarial loss on employee benefits obligation		-	-	-	439,969	-	439,969
Items in other comprehensive income transferred to profit or loss		-	-	(282,765)	-	(12,572)	(12,572)
		-	-	-	-	-	(282,765)
Ending balance as at 31 December 2017							
		1,355,000	14,083,555	11,866,686	465,195	(8,844)	27,761,592

The notes on pages 19 to 51 form an integral part of these financial statements.

Krungthai-AXA Life Insurance Public Company Limited
Statement of Financial Position (Cont'd)
As at 31 December 2017

Notes	2017 Baht Thousand	2016 Baht Thousand
Cash flows provided by (used in) operating activities		
Written premium from direct insurance	62,418,743	55,066,413
Amount paid to reinsurance	(164,319)	(331,067)
Interest income	6,784,670	5,898,209
Dividend income	843,344	696,193
Other income	167,054	105,333
Gross benefits and claim paid from direct insurance	(19,977,017)	(14,872,046)
Commissions and brokerages	(7,920,790)	(7,840,014)
Other underwriting expenses	(804,290)	(796,494)
Operating expenses	(3,865,771)	(3,021,788)
Other expenses	(2,001)	(4,401)
Income tax expense	(1,026,574)	(1,185,996)
Cash received from sales investment in securities	62,616,372	57,395,362
Cash paid to purchase investment in securities	(92,879,077)	(85,126,201)
Loans	(1,421,162)	(988,442)
Deposits at banks	270	20,011
Net cash flows provided by operating activities	4,769,452	5,015,072
Net cash flows provided by operating activities		
<u>Cash inflows</u>		
Leasehold improvements and equipment	8,972	1,291
Net cash provided by investing activities	8,972	1,291
<u>Cash outflows</u>		
Leasehold improvements and equipment	(117,274)	(467,961)
Computer software	(57,326)	(10,442)
Net cash used in investing activities	(174,600)	(478,403)
Net cash flows used in investing activities	(165,628)	(477,112)

The notes on pages 19 to 51 form an integral part of these financial statements.

Krungthai-AXA Life Insurance Public Company Limited
Statement of Financial Position (Cont'd)
As at 31 December 2017

Notes	2017 Baht Thousand	2016 Baht Thousand
Cash flows used in financing activities		
<u>Cash outflows</u>		
Dividends paid to shareholders	(3,650,000)	(3,771,458)
Net cash flows used in financing activities	(3,650,000)	(3,771,458)
Net increase in cash and cash equivalents	953,824	766,502
Cash and cash equivalents at beginning of the year	2,974,132	2,207,630
Cash and cash equivalents at end of the year	3,927,956	2,974,132
Non-cash transactions		
The Company had the significant non-cash transactions as follows:		
Payable from purchase leasehold improvements and computer software	53,679	63,020

The notes on pages 19 to 51 form an integral part of these financial statements.

Krungthai-AXA Life Insurance Public Company Limited

Notes to Financial Statements

For the year ended 31 December 2017

1 General information

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

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

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

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

The financial statements have been approved by the Company’s management on 26 March 2018.

2 Basis of preparation

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

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

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

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

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

3 Accounting policies

3.1 Revised financial reporting standards, and related interpretations

- 1) New financial reporting standards, revised accounting standards and revised financial reporting standards that are effective for the periods beginning on or after 1 January 2017 and are relevant to the Company are as follows:
 - a) Financial reporting standards, which significantly changed and relevant to the Company are as follows:

TAS 1 (revised 2016)	Presentation of financial statements
TAS 16 (revised 2016)	Property, plant and equipment
TAS 19 (revised 2016)	Employee benefits
TAS 38 (revised 2016)	Intangible assets

TAS 1 (revised 2016), the amendments provide clarifications on a number of issues, including:

- Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals - line items specified in TAS 1 may need to be disaggregated where this is relevant to an understanding of the entity’s financial position or performance. There is also new guidance on the use of subtotals.
- Notes to the financial statement - confirmation that the notes do not need to be presented in a particular order.
- Other Comprehensive Income (OCI) arising from investments accounted for under the equity method - the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

The Company assesses that the revision of this standard does not have a significant impact on the Company’s financial statements.

Krungthai-AXA Life Insurance Public Company Limited

Notes to Financial Statements

For the year ended 31 December 2017

3 Accounting policies (Cont'd)

3.1 Revised financial reporting standards, and related interpretations (Cont'd)

TAS 16 (revised 2016), key amendments are the amendments clarify that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The Company assesses that the revision of this standard does not have a significant impact on the Company's financial statements

TAS 19 (revised 2016), the amendments clarify that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise. The Company assesses that the revision of this standard does not have a significant impact on the Company's financial statements

TAS 38 (revised 2016), the amendments include a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome if either the intangible asset is expressed as a measure of revenue (i.e. where a measure of revenue is the limiting factor on the value that can be derived from the asset), or it can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated. The Company assesses that the revision of this standard does not have a significant impact on the Company's financial statements

a) Financial reporting standards which are changed with insignificant impact

There are 47 financial reporting standards which are changed and the management assesses that they do not have significant impact on the Company's financial statements.

2) Revised financial reporting standards are effective for annual periods beginning on or after 1 January 2018 which have significant changes and are relevant to the Company. The Company has not yet adopted these revised standards.

TAS 7 (revised 2017)	Statement of cash Flows
TAS 12 (revised 2017)	Income taxes

TAS 7 (revised 2017), the amendments require additional disclosure of changes in liabilities arising from financing activities. This includes changes arising from cash and non-cash.

TAS 12 (revised 2017), the amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profits.

The Company's management assessed and considered that the above revised standards will not have a material impact on the Company.

3.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

Krungthai-AXA Life Insurance Public Company Limited

Notes to Financial Statements

For the year ended 31 December 2017

3 Accounting policies (Cont'd)

3.3 Cash and cash equivalents

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

3.4 Premium due and uncollected and allowance for doubtful accounts

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

3.5 Investments in securities

Basis of investment classification

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

Carrying value of investments

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

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

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

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

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

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

3.6 Derivative financial instruments

3.6.1 Derivative financial instruments and hedging activities

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

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

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

(1) Fair value hedge

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

(2) Cash flow hedge

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

Krungthai-AXA Life Insurance Public Company Limited

Notes to Financial Statements

For the year ended 31 December 2017

3 Accounting policies (Cont'd)

3.6 Derivative financial instruments (Cont'd)

3.6.1 Derivative financial instruments and hedging activities (Cont'd)

(3) Net investment in foreign operation hedge

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

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

3.6.2 Embedded derivatives

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

3.7 Policy loans

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

3.8 Assets held to cover linked liabilities

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

3.9 Leasehold improvements and equipment

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

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

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

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

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

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

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

Krungthai-AXA Life Insurance Public Company Limited

Notes to Financial Statements

For the year ended 31 December 2017

3 Accounting policies (Cont'd)

3.10 Computer Software

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

3.11 Accounting for leases - where the Company is lessee

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

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

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

3.12 Insurance and investment contract

3.12.1 Product classification

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

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

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

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

3.12.2 Liability adequacy testing

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

3.12.3 Long term and short term insurance contracts

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

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

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

Krungthai-AXA Life Insurance Public Company Limited

Notes to Financial Statements

For the year ended 31 December 2017

3 Accounting policies (Cont'd)

3.12 Insurance and investment contract (Cont'd)

3.12.4 Measurement of insurance contracts and investment contracts with DPF

Long-term technical reserves

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

Claim liabilities

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

Premium liabilities: Unearned premium reserves

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

Premium liabilities: Unexpired risk reserve

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

Unpaid policy benefits

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

Due to insured

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

Universal life and unit linked product

The reserve for account value of the universal life policies and unit linked product represents 100% of the account value.

3.12.5 Reinsurance

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

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

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

Krungthai-AXA Life Insurance Public Company Limited

Notes to Financial Statements

For the year ended 31 December 2017

3 Accounting policies (Cont'd)

3.13 Provisions

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

3.14 Employee benefits

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

a) Defined benefit plans

Retirement benefits

Under Labour Laws applicable in Thailand and Company's employment policy, all employees completing 120 days of service are entitled to severance pay on termination or retrenchment without cause or upon retirement age of 60. The severance pay will be at the rate according to number of years of service as stipulated in the Labor Law which is currently at a maximum rate of 300 days of final salary.

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

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

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

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

b) Defined contribution plans

Provident fund

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

Share-based compensation

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

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

3.15 Agency security fund

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

Krungthai-AXA Life Insurance Public Company Limited

Notes to Financial Statements

For the year ended 31 December 2017

3 Accounting policies (Cont'd)

3.16 Financial assets and financial liabilities

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

3.17 Securities lending

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

3.18 Collateral

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

3.19 Basic earnings per share

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

3.20 Related parties

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

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

3.21 Share capital

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

3.22 Legal reserve

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

3.23 Dividends payment

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

3.24 Current and Deferred income taxes

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

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

Krungthai-AXA Life Insurance Public Company Limited

Notes to Financial Statements

For the year ended 31 December 2017

3 Accounting policies (Cont'd)

3.24 Current and Deferred income taxes (Cont'd)

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

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

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

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

3.25 Recognition of revenues and expenses

a) Premiums

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

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

Amounts collected as premiums from insurance contracts with investment features but with sufficient insurance risk to be considered insurance contracts, such as universal life, and unit-linked contracts, are recognised as premiums. Revenue from these contracts consists of policy fees for the cost of insurance, administration, and surrenders during the period. Upfront fees are recognised over the estimated life of the contracts to which they relate. Policy benefits and claims that are charged to expenses include benefit claims incurred in the period in excess of related policyholder contract deposits and interest credited to policyholder deposits.

b) Policy benefits and claims

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

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

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

c) Policy acquisition cost

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

d) Universal life products

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

e) Investment income

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

Dividends on securities are recognised on the dividend declaration date.

Krungthai-AXA Life Insurance Public Company Limited

Notes to Financial Statements

For the year ended 31 December 2017

3 Accounting policies (Cont'd)

3.25 Recognition of revenues and expenses (Cont'd)

f) Other income and expenses

Other income and expenses are recognised on an accrual basis.

4 Risk management

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

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

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

4.1 Insurance risk

4.1.1 Concentration

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

4.1.2 Lapse

Lapse experience on savings products is much lighter than on whole-life and health products. The Company annually reviews its lapse assumptions based on recent experience. Management closely monitors lapse experience and sets the lapse assumptions to be very close with the actual experience. Management also considers the inherent volatility in customer lapse behavior.

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

4.1.3 Expenses

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

4.1.4 Mortality and Morbidity

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

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

Krungthai-AXA Life Insurance Public Company Limited
Notes to Financial Statements
For the year ended 31 December 2017

4 Risk management (Cont'd)

4.2 Financial risk management

4.2.1 Credit risk

The Company is exposed to credit risk primarily with respect to premium due and uncollected. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of premium due and uncollected as stated in the statement of financial position.

4.2.2 Interest rate risk

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

Significant financial assets and liabilities as at 31 December 2017 and 2016 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

Unit: million Baht	2017						
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1-5 years	Over 5 years				
Financial assets							
Cash and cash equivalents	-	-	-	3,928	-	3,928	0.00 - 0.75
Derivative assets	216	446	787	176	21	1,646	1.14 - 7.73
Investments	6,299	50,094	140,969	-	24,500	221,862	0.00 - 7.88
Policy loans	8,757	-	-	-	-	8,757	4.50 - 8.00
	<u>15,272</u>	<u>50,540</u>	<u>141,756</u>	<u>4,104</u>	<u>24,521</u>	<u>236,193</u>	
Financial liabilities							
Derivative liabilities	2	128	12	-	4	146	1.76 - 5.38
	<u>2</u>	<u>128</u>	<u>12</u>	<u>-</u>	<u>4</u>	<u>146</u>	
Unit: million Baht	2016						
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1-5 years	Over 5 years				
Financial assets							
Cash and cash equivalents	-	-	-	2,974	-	2,974	0.00 - 0.75
Derivative assets	-	277	496	39	59	871	4.00 - 8.00
Investments	2,117	38,693	126,961	-	18,839	186,610	0.00 - 7.88
Policy loans	6,065	-	-	-	-	6,065	6.00 - 8.00
	<u>8,182</u>	<u>38,970</u>	<u>127,457</u>	<u>3,013</u>	<u>18,898</u>	<u>196,520</u>	
Financial liabilities							
Derivative liabilities	140	95	536	14	9	794	1.00 - 7.00
	<u>140</u>	<u>95</u>	<u>536</u>	<u>14</u>	<u>9</u>	<u>794</u>	

Krungthai-AXA Life Insurance Public Company Limited

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4 Risk management (Cont'd)

4.2 Financial risk management (Cont'd)

4.2.3 Foreign currency risk

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

4.2.4 Liquidity risk

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

4.2.5 Fair values risk

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

The details of fair value is described in Note 5.

5 Fair values

5.1 Fair value estimation

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

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

5.2 Fair value for assets and liabilities measured at fair value

The following table presents assets and liabilities that are measured at fair value at 31 December 2017.

	Level 1 Baht Thousand	Level 2 Baht Thousand	Level 3 Baht Thousand	Total Baht Thousand
Assets				
Derivatives	-	1,645,927	-	1,645,927
Assets held to cover linked liabilities	2,671,292	-	-	2,671,292
Available-for-sale investments				
Deposit at financial institutions with original maturing more than 3 months	36,162	-	-	36,162
Debt securities	-	195,174,679	-	195,174,679
Equity securities	14,228,550	-	-	14,228,550
Unit Trust	7,670,233	-	-	7,670,233
ETF	2,601,141	-	-	2,601,141
Other securities	-	2,150,928	-	2,150,928
Total Available-for sale financial assets	24,536,086	197,325,607	-	221,861,693
Total assets	27,207,378	198,971,534	-	226,178,912
Liabilities				
Derivatives	-	146,254	-	146,254
Total liabilities	-	146,254	-	146,254

Krungthai-AXA Life Insurance Public Company Limited

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5 Fair values (Cont'd)

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

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

- Financial instruments in level 1

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

- Financial instruments in level 2

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

5.3 Fair value for assets and liabilities for which the fair value is disclosed

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

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

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

6 Critical accounting estimates, assumptions and judgements

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

6.1 Product classification

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

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

6.2 Insurance contract liabilities

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

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

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

6.2 Insurance contract liabilities (Cont'd)

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

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

The judgements exercised in the valuation of insurance contract liabilities affect the amounts recognised in the financial statements as insurance contract benefits and insurance contract liabilities. Further details of the related accounting policy, key risk and variables, and the sensitivities of assumptions to the key variables in respect of insurance contract liabilities are provided in notes 20.3.3.

6.3 Liabilities adequacy testing

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

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

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

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

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

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

6.6 Leasehold improvements and equipment and intangible assets

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

6.7 Deferred income taxes

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

6.8 Employee benefits

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

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For the year ended 31 December 2017

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

6.8 Employee benefits (Cont'd)

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

Other key assumptions for employee benefits obligation are based in part on current market conditions. Additional information is disclosed in Note 22.

7 Capital risk management

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

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

8 Change in accounting policies

On 1 April 2017, the Company has changed the accounting policy for investment in assets held for linked-liabilities from available-for-sale securities to fair value under Fair-value option accounting guideline for insurance companies. The changes in valuation of fair value was changed from recording to other comprehensive income in shareholder's equity to recording to profit or loss.

The Company has changed the accounting policy by applying prospective adjustments. The effects of the changes to the company's statement of comprehensive income for the year ended 31 December 2017 are as follows:

Statement of comprehensive income for the year ended 31 December 2017

Fair value gains increased by Baht 72 million, income tax expenses increased by Baht 14 million and net profit increased by Baht 58 million.

9 Cash and cash equivalents

	2017 Baht Thousand	2016 Baht Thousand
Cash on hand	479	419
Deposits at banks without fixed maturity date	3,927,477	2,973,713
Cash and cash equivalents	3,927,956	2,974,132

As at 31 December 2017, deposits with banks included deposits for Universal Life policies amounting to Baht 11.6 million (2016: Baht 10.1 million).

As at 31 December 2017, there were cash collaterals which financial institutions pledged under derivative contracts with the Company amounting to Baht 1,411 million (2016: Baht 222.6 million).

As at 31 December 2017, there was no pledged cash collateral with financial institutions under derivative contracts (2016: Baht 253 million).

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10 Premium due and uncollected - net

The balances of premium due and uncollected as at 31 December 2017 and 2016 were aged as follows:

	From direct insurance	
	2017 Baht Thousand	2016 Baht Thousand
Not yet due	1,645,444	1,610,483
Overdue under 30 days	223,911	311,419
Overdue over 30 days to 60 days	41,463	38,614
Overdue over 60 days to 90 days	7,331	289
Overdue over 90 days	72,298	82,130
Total premium receivables	1,990,447	2,042,935
Less Allowance for doubtful accounts	(48,000)	(48,000)
Premiums due and uncollected - net	1,942,447	1,994,935

11 Reinsurance assets

	2017 Baht Thousand	2016 Baht Thousand
Amounts due from reinsurer - current	15,355	20,119

12 Derivative

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

	2017 Fair value		2016 Fair value	
	Assets Baht Thousand	Liabilities Baht Thousand	Assets Baht Thousand	Liabilities Baht Thousand
Held for hedge derivatives				
- Applied hedge accounting	690,682	(109,189)	276,402	(242,080)
- Not applied hedge accounting	955,245	(37,065)	594,331	(551,792)
Total derivatives	1,645,927	(146,254)	870,733	(793,872)

The Company has derivative financial instruments as below;

Type	Objective	2017			
		Notional Baht Thousand	Fair value		Net Baht Thousand
Assets Baht Thousand	Liabilities Baht Thousand				
Cross currency interest swap	Manage currency risk of bonds denominated in foreign currency	11,462,745	984,965	(30,619)	954,346
Bond forward (for cash flow hedge)	Manage interest rate risk of bond	13,878,000	636,501	(109,189)	527,312
Foreign exchange forward	Manage currency risk of ETF denominated in foreign currency	2,604,199	21,154	(4,363)	16,791
Foreign exchange forward	Manage currency risk of accounts payable denominated in foreign currency	27,733	-	(2,083)	(2,083)
Credit default swaps	Manage credit risk of credit linked note issuer	630,000	3,307	-	3,307
Total derivative instruments		28,602,677	1,645,927	(146,254)	1,499,673

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12 Derivative (Cont'd)

Type	Objective	2016			
		Notional Baht Thousand	Fair value		Net Baht Thousand
			Assets Baht Thousand	Liabilities Baht Thousand	
Cross currency interest swap	Manage currency risk of bonds denominated in foreign currency	10,205,054	505,623	(542,354)	(36,731)
Bond forward (for cash flow hedge)	Manage interest rate risk of bond	6,157,000	276,403	(242,079)	34,324
Foreign exchange forward	Manage currency risk of ETF denominated in foreign currency	1,017,786	59,144	(3,531)	55,613
Foreign exchange forward	Manage currency risk of accounts payable denominated in foreign currency	363,970	-	(5,908)	(5,908)
Credit default swaps	Manage credit risk of credit linked note issuer	690,000	29,563	-	29,563
Total derivative instruments		18,433,810	870,733	(793,872)	76,861

13 Investments in securities

Investment in securities are as follow:

	2017		2016	
	Cost/ amortised cost Baht Thousand	Fair value Baht Thousand	Liabilities Baht Thousand	Fair value Baht Thousand
Available-for-sale securities				
Government bonds and State Own Enterprise bonds	123,169,226	132,099,487	108,290,030	113,049,758
Foreign Government bonds and State Own Enterprise bonds	390,000	399,095	390,000	388,682
Private enterprises securities	45,753,887	47,972,097	37,859,194	39,187,321
Foreign debt securities	14,454,095	14,704,000	12,859,745	12,973,884
Stocks	12,205,667	14,228,550	10,006,935	10,663,135
Mutual funds	9,031,522	10,271,374	7,128,114	8,174,682
Others	2,036,162	2,187,090	2,035,892	2,172,141
Total	207,040,559	221,861,693	178,569,910	186,609,603
Add Unrealised gains on changes in value of investments	14,821,134	-	8,039,693	-
Total available-for-sale securities	221,861,693	221,861,693	186,609,603	186,609,603

For the year ended 31 December 2017, the Company has recorded interest income and dividend income amounting to Baht 7,037 million and Baht 850 million, respectively. (2016: Baht 5,997 million and Baht 696 million). The amount of which has been recorded as part of net investment income in statements of comprehensive income.

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13 Investments in securities (Cont'd)

The details of debt securities classified as available-for-sale as at 31 December 2017 and 2016 are aged as follows:

	Cost									
	2017					2016				
	Maturing within					Maturing within				
	1 year Baht Thousand	1 - 5 years Baht Thousand	5 years Baht Thousand	Total Baht Thousand		1 year Baht Thousand	1 - 5 years Baht Thousand	5 years Baht Thousand	Total Baht Thousand	
Available-for-sale securities										
Government bonds and State Own Enterprise bonds*	5,638,865	20,515,503	97,014,858	123,169,226		2,093,203	18,777,202	87,419,625	108,290,030	
Foreign Government bonds and State Own Enterprise bonds	-	-	390,000	390,000		-	-	390,000	390,000	
Private enterprises securities	470,193	19,625,767	25,657,927	45,753,887		23,035	13,952,903	23,883,256	37,859,194	
Foreign debt securities	167,489	5,498,001	8,788,605	14,454,095		-	2,250,872	10,608,873	12,859,745	
Total	6,276,547	45,639,271	131,851,390	183,767,208		2,116,238	34,980,977	122,301,754	159,398,969	
Add: Unrealised gains on change in value of investments	22,310	2,267,642	9,117,519	11,407,471		810	1,646,698	4,553,168	6,200,676	
Total available-for-sale securities	6,298,857	47,906,913	140,968,909	195,174,679		2,117,048	36,627,675	126,854,922	165,599,645	

* As at 31 December 2017, bonds of Baht 47,565 million (2016: Baht 35,127 million) have been deposited as a security with the registrar in accordance with the Life Insurance Act (No. 2) B.E 2551 (Note 31).

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14 Policy loans

As at 31 December 2017 and 2016, the balance of loans and accrued interest are aged as follows:

	Policy used as collateral					
	2017			2016		
	Principal Baht Thousand	Accrued interest income Baht Thousand	Total Baht Thousand	Principal Baht Thousand	Accrued interest income Baht Thousand	Total Baht Thousand
Not yet due	8,757,030	220,171	8,977,201	6,065,408	89,332	6,154,740
Loans	8,757,030	220,171	8,977,201	6,065,408	89,332	6,154,740

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

15 Assets held to cover linked liabilities

As at 31 December 2017 and 2016, assets held to cover linked liabilities are designated as fair value option. The detail are as follows:

	2017 Baht Thousand	2016 Baht Thousand
Investment in mutual fund - Debt securities	250,215	77
Investment in mutual fund - Equity	646,775	139
Investment in mutual fund - Balanced fund	1,682,365	256
Investment in mutual fund - Foreign investment fund	73,596	-
Others	18,341	-
Total	2,671,292	472

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

	2017 Baht Thousand	2016 Baht Thousand
Beginning balance of the year	472	-
Additions	2,714,323	464
Disposals	(115,759)	-
Unrealised gain in profit or loss	72,256	8
Ending balance of the year	2,671,292	472

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16 Leasehold improvements and equipment - net

	2017										
	Cost					Accumulated depreciation					Leasehold improvements and equipment ending balance
	Beginning balance Baht Thousand	Additions Baht Thousand	Disposals/transfer Baht Thousand	Ending balance Baht Thousand	Beginning balance Baht Thousand	Depreciation charges Baht Thousand	Disposals/transfer Baht Thousand	Ending balance Baht Thousand	improvements and equipment beginning balance Baht Thousand	Leasehold improvements and equipment ending balance Baht Thousand	
Leasehold improvements	372,845	77,806	-	450,651	(34,669)	(52,134)	-	(86,803)	338,176	363,848	
Equipment	329,911	62,408	(16,907)	375,412	(181,911)	(68,920)	9,047	(241,784)	148,000	133,628	
Leasehold work in process	38,603	60,452	(97,553)	1,502	-	-	-	-	38,603	1,502	
Total	741,359	200,666	(114,460)	827,565	(216,580)	(121,054)	9,047	(328,587)	524,779	498,978	

	2016										
	Cost					Accumulated depreciation					Leasehold improvements and equipment ending balance
	Beginning balance Baht Thousand	Additions Baht Thousand	Disposals/transfer Baht Thousand	Ending balance Baht Thousand	Beginning balance Baht Thousand	Depreciation charges Baht Thousand	Disposals/transfer Baht Thousand	Ending balance Baht Thousand	improvements and equipment beginning balance Baht Thousand	Leasehold improvements and equipment ending balance Baht Thousand	
Leasehold improvements	161,325	339,342	(127,822)	372,845	(132,609)	(21,483)	119,423	(34,669)	28,716	338,176	
Equipment	290,697	116,120	(76,906)	329,911	(194,427)	(57,430)	69,946	(181,911)	96,270	148,000	
Leasehold work in process	-	438,979	(400,376)	38,603	-	-	-	-	-	38,603	
Total	452,022	894,441	(605,104)	741,359	(327,036)	(78,913)	189,369	(216,580)	124,986	524,779	

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17 Intangible assets - net

	2017										
	Cost					Accumulated Amortization					Intangible assets ending Balance Baht Thousand
	Beginning balance Baht Thousand	Additions Baht Thousand	Disposals/transfer Baht Thousand	Ending balance Baht Thousand	Beginning balance Baht Thousand	Amortization charges Baht Thousand	Disposals/transfer Baht Thousand	Ending balance Baht Thousand	Intangible assets beginning balance Baht Thousand		
Developed in-house											
Computer software	318,703	88,873	-	407,576	(194,294)	(60,980)	-	(255,274)	124,409	152,302	
Work-in-process	54,423	86,833	(79,496)	61,760	-	-	-	-	54,423	61,760	
Total	373,126	175,706	(79,496)	469,336	(194,294)	(60,980)	-	(255,274)	178,832	214,062	
Buying											
Computer software	142,210	5,789	-	147,999	(123,577)	(8,058)	-	(131,635)	18,633	16,364	
Total	142,210	5,789	-	147,999	(123,577)	(8,058)	-	(131,635)	18,633	16,364	
Grand total	515,336	181,495	(79,496)	617,335	(317,871)	(69,038)	-	(386,909)	197,465	230,426	

	2016										
	Cost					Accumulated Amortization					Intangible Assets Ending Balance Baht Thousand
	Beginning balance Baht Thousand	Additions Baht Thousand	Disposals/transfer Baht Thousand	Ending balance Baht Thousand	Beginning balance Baht Thousand	Amortization charges Baht Thousand	Disposals/transfer Baht Thousand	Ending balance Baht Thousand	Intangible assets beginning balance Baht Thousand		
Developed in-house											
Computer software	282,677	36,026	-	318,703	(150,774)	(43,520)	-	(194,294)	131,903	124,409	
Work-in-process	20,368	77,907	(43,852)	54,423	-	-	-	-	20,368	54,423	
Total	303,045	113,933	(43,852)	373,126	(150,774)	(43,520)	-	(194,294)	152,271	178,832	
Buying											
Computer software	139,107	3,103	-	142,210	(115,739)	(7,838)	-	(123,577)	23,368	18,633	
Total	139,107	3,103	-	142,210	(115,739)	(7,838)	-	(123,577)	23,368	18,633	
Grand total	442,152	117,036	(43,852)	515,336	(266,513)	(51,358)	-	(317,871)	175,639	197,465	

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18 Deferred income tax assets (liabilities) - net

	2017	2016
	Baht Thousand	Baht Thousand
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	190,581	146,650
	190,581	146,650
Deferred tax liabilities:		
Deferred tax liability to be settled after more than 12 months	(3,285,275)	(1,755,684)
	(3,285,275)	(1,755,684)
Deferred tax liabilities - net	(3,094,694)	(1,609,034)

Deferred income tax is calculating from the liability method on temporary differences and using tax rate of 20 percent (2016: 20 percent).

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18 Deferred income tax assets (liabilities) - net

	Allowance for doubtful debt-premium due and uncollected Baht Thousand	Reserve for claim incurred but not reported Baht Thousand	(Gain) loss on changes in value of available-for-sale investment Baht Thousand	(Gain) loss on cash flow hedge Baht Thousand	(Gain) loss on swap Baht Thousand	Others Baht Thousand	Total Baht Thousand
Deferred tax assets (liabilities)							
As at 1 January 2017	62,822	61,346	(1,746,702)	(6,306)	(60)	19,866	(1,609,034)
Increased/(decrease) in profit or loss (Note 27)	(53,222)	8,034	-	(122,120)		11,610	(155,698)
Increased/(decrease) in other comprehensive income (loss)	-	-	(1,219,970)	(109,992)	-	-	(1,329,962)
As at 31 December 2017	9,600	69,380	(2,966,672)	(116,298)	(122,180)	31,476	(3,094,694)
Deferred tax assets (liabilities)							
As at 1 January 2016	77,669	117,853	(1,927,919)	(35,302)	25,207	15,091	(1,727,401)
Increased/(decrease) in profit or loss (Note 27)	(14,847)	(56,507)	-	-	(25,267)	4,775	(91,846)
Increased/(decrease) in other comprehensive income (loss)	-	-	181,217	28,996	-	-	210,213
As at 31 December 2016	62,822	61,346	(1,746,702)	(6,306)	(60)	-	(1,609,034)

Krungthai-AXA Life Insurance Public Company Limited
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19 Other assets

Other assets as at 31 December 2017 and 2016 comprise:

	2017 Baht Thousand	2016 Baht Thousand
Other debtors	68,117	48,767
Security and deposits	42,964	45,973
Prepaid expenses	61,976	48,771
Cash collateral paid to derivative contracts	-	253,000
Others	40,591	65,928
Total	213,648	462,439

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

20 Insurance liabilities

	2017 Baht Thousand	2016 Baht Thousand
Long-term technical reserves		
- Long-term technical reserve	193,739,568	163,439,474
- Account value of unit linked insurance	2,672,500	472
Total long-term technical reserves	196,412,068	163,439,946
Short-term technical reserves		
Claim liabilities		
- Reported claims	389,992	398,519
- Claims incurred but not reported	296,646	256,542
Total Claim liabilities	686,638	655,061
Premium liabilities		
- Unearned premium reserve	1,920,799	1,661,637
Unpaid policy benefits	7,334,019	6,416,382
Due to insured	975,891	604,290
Total	207,329,415	172,777,316

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

20.1 Claim Development Table

20.1.1 Claim development table before reinsurance

Incident Year / Reported Year	Unit: Baht Thousand						
	2012	2013	2014	2015	2016	2017	Total
Estimated claim:							
- At the end of the year	912,912	1,480,304	2,337,551	3,143,689	4,284,834	4,916,892	
- After 1 year	1,001,793	1,596,669	2,538,406	3,317,392	4,528,342	-	
- After 2 years	1,002,573	1,602,257	2,542,206	3,317,392	-	-	
- After 3 years	1,002,624	1,603,025	2,545,345	-	-	-	
- After 4 years	1,002,678	1,603,025	-	-	-	-	
- After 5 years	1,002,678	-	-	-	-	-	
Ultimate claim	1,002,678	1,597,480	2,545,345	3,311,125	4,529,042	5,224,650	
Cumulative claim paid	(1,002,678)	(1,597,121)	(2,543,358)	(3,308,262)	(4,523,704)	(4,548,559)	
Claim liabilities	-	359	1,987	2,863	5,338	676,091	686,638

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20 Insurance liabilities (Cont'd)

20.1 Claim Development Table (Cont'd)

20.1.2 Claim development table, net

Incident Year / Reported Year							Unit: Baht Thousand	
	2012	2013	2014	2015	2016	2017	Total	
Estimated claim:								
- At the end of the year	708,846	1,465,708	2,322,686	3,135,630	4,277,332	4,909,046		
- After 1 year	797,151	1,580,022	2,521,600	3,308,818	4,519,672	-		
- After 2 years	797,931	1,585,611	2,525,385	3,308,818	-	-		
- After 3 years	797,981	1,586,379	2,531,126	-	-	-		
- After 4 years	798,035	1,586,379	-	-	-	-		
- After 5 years	798,035	-	-	-	-	-		
Ultimate claim	798,035	1,577,517	2,531,126	3,298,152	4,520,372	5,216,805		
Cumulative claim paid	(798,035)	(1,577,159)	(2,529,145)	(3,295,295)	(4,515,051)	(4,541,434)		
Claim liabilities	-	358	1,981	2,857	5,321	675,371	685,888	

20.2 Long-term technical reserves

	2017 Baht Thousand	2016 Baht Thousand
Mortality, Morbidity, and Survival rate	163,439,946	135,192,395
Policy reserve increase for new policies and inforce policies	45,857,039	37,545,474
Policy reserve decrease from benefits paid to life policyholders for lapse, cancel, etc	(12,884,917)	(9,297,923)
Ending balance of the year	196,412,068	163,439,946

The assumptions used in actuarial estimation are as follows;

	2017 %	2016 %
Mortality, Morbidity, and Survival rate	100% of TMO86, TMO97, TMO08, Annuity table 2009	100% of TMO86, TMO97, TMO08, Annuity table 2009
Discount rate	2% - 6%	2% - 6%
Benefit paid to insured	100% of guarantee benefit	100% of guarantee benefit
Ending balance of the year	196,412,068	163,439,946

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

	2017 Baht Thousand	2016 Baht Thousand
Expected repayment within 1 year	18,351,815	15,440,777
Expected repayment between 1-5 years	124,701,343	107,406,336
Expected repayment over 5 years	362,165,481	342,713,331
Total	505,218,639	465,560,444

Krungthai-AXA Life Insurance Public Company Limited
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20 Insurance liabilities (Cont'd)

20.3 Short-term technical reserves

20.3.1 Claim liabilities

The movement details are belows:

	2017 Baht Thousand	2016 Baht Thousand
Beginning balance of the year	655,061	840,674
Claim incurred for the year	3,509,165	3,035,600
Changes in claim reserves assumptions for the year	40,104	(281,688)
Claim paid for the year	(3,517,692)	(2,939,525)
Ending balance of the year	686,638	655,061

20.3.2 Aging of claim liabilities' repayment

	2017 Baht Thousand	2016 Baht Thousand
Expected repayment within 1 year	686,638	655,061
Total	686,638	655,061

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

	Change in Assumptions %	Impact to claim reserve and uncollected loss adjustment expense Baht Thousand	Impact on profit (loss) Baht Thousand	Impact on equity Baht Thousand
Expected loss ratio	10%	30,947	(30,947)	(30,947)
	(10)%	(30,947)	30,947	30,947

20.3.4 Unearned premium reserve

	2017 Baht Thousand	2016 Baht Thousand
Beginning balance of the year	1,661,637	1,242,513
Premium written in the year	7,313,790	6,095,698
Earned premium in the year	(7,054,628)	(5,676,574)
Ending balance of the year	1,920,799	1,661,637

20.3.5 Unpaid policy benefits

	2017 Baht Thousand	2016 Baht Thousand
Death benefits	308,889	345,709
Maturity benefits	737	1,546
Surrender	63,306	41,572
Dividends	6,961,087	6,027,555
Total	7,334,019	6,416,382

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21 Amount due to reinsurers

	2017 Baht Thousand	2016 Baht Thousand
Amount withheld on reinsurance treaties	25,263	32,957
Reinsurance payables	146,210	154,279
Total amounts due to reinsurers	171,473	187,236

22 Employee benefits

22.1 Employee benefits obligation

The amounts recognised in profit or loss are as follows:

	2017 Baht Thousand	2016 Baht Thousand
<u>Defined benefits obligation</u>		
Service costs	9,361	12,225
Interest cost	1,847	1,552
Total expenses	11,208	13,777
<u>Commitment from defined benefit plans</u>		
Present value of employee benefits obligations	82,557	60,792
<u>Changes in the present value of employee benefits</u>		
As at 1 January	60,792	47,457
Service costs	9,361	12,225
Interest cost	1,847	1,552
<u>Less</u> Benefits paid	(614)	-
Loss on actuarial remeasurement	12,572	3,067
Other adjustment	(1,401)	(3,509)
As at 31 December	82,557	60,792

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

	2017	2016
Discount rate	1.47% - 3.90%	3.1%
Salary increase rate	6.0% - 10.0%	6.0% - 10.0%
Retirement ages	60 years old	60 years old
Turnover rate	10% - 15%	10% - 15%

Sensitivity analysis on key assumptions changes are as follows:

	Impact on employees benefits obligation					
	Change in assumptions		Increase in assumption		Decrease in assumption	
	2017	2016	2017	2016	2017	2016
Discount rate	1%	1%	-12%	-12%	+14%	+15%
Salary increase rate	1%	1%	+13%	+15%	-11%	-13%
Turnover rate	20%	20%	-17%	-19%	+23%	+27%

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22 Employee benefits (Cont'd)

22.1 Employee benefits obligation (Cont'd)

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

	2017	2016
Weighted average duration of the defined benefit obligation (years)	10	10
Maturity analysis of undiscounted benefits expected to be paid (Baht Thousand)		
Benefits expected to be paid within 1 year	1,102	591
Benefits expected to be paid Between 1 - 5 years	13,453	17,004
Benefits expected to be paid more than 5 years	491,140	306,517

22.2 Share-based compensation

As at 31 December 2017, the Company has share-based compensation in accordance with AXA Group policy using the share of AXA SA, a listed company in Euronext Paris Compartment A, which is one of the ultimate parent companies.

During the year 2017, there is a share-based compensation plan to employee. The details are as below:

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

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

	2017 Baht Thousand	2016 Baht Thousand
As at 1 January	106,585	58,347
Granted/Transferred in	110,233	70,985
Exercised	(11,256)	(22,747)
Forfeited/Transferred out	(19,703)	-
As at 31 December	185,859	106,585

The total recognised compensation in other employee benefits for the year ended 31 December 2017 amount of Baht 43 million (2016: Baht 19 million) and the total compensation liabilities in other liabilities amount of Baht 95 million (2016: Baht 69 million). The company uses projected cash flow technique to calculate the fair value of this share-based payment plan. The key assumptions for valuations are expected share price and employee turn-over rate.

23 Other liabilities

	2017 Baht Thousand	2016 Baht Thousand
Cash collateral received from derivative contracts	1,411,000	222,600
Other liabilities from related party	287,850	707,560
Others	510,417	263,202
Total	2,209,267	1,193,362

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

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24 Dividends

Dividends payable are not accounted for until they have been approved at the Annual General Meeting and the Office of Insurance Commission. At the Annual General Meeting held on 26 April 2017, the shareholders approved the dividend payment regarding the 2016 operating results amounting to Baht 5,045 million (2016: the shareholders approved the dividend payment regarding the 2015 operating results amounting to Baht 4,983 million). On 13 September 2017, the Office of Insurance Commission approved that the Company can pay dividend amounting to Baht 3,650 million (2016: the Office of Insurance Commission approved that the Company can pay dividend amounting to Baht 3,750 million).

25 Operating expenses

	2017 Baht Thousand	2016 Baht Thousand
Employee expenses not relating to underwriting expenses and loss adjustment expenses (Note 26)	1,290,606	1,120,595
Property and equipment expenses not relating to underwriting expenses	662,172	616,065
Tax and duty	11,186	10,983
Bad debt and doubtful accounts	219	5,538
Selling and marketing expenses	299,389	309,351
Service fees	678,268	694,123
Other operating expenses	908,073	698,272
Total operating expenses	3,849,913	3,454,927

26 Employee expenses

	2017 Baht Thousand	2016 Baht Thousand
Salary and wages	941,956	786,724
Social securities	15,784	16,760
Provident fund	54,017	46,738
Other employee benefits	278,849	270,373
Total employee expenses (Note 25)	1,290,606	1,120,595

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

27 Income tax expenses

	2017 Baht Thousand	2016 Baht Thousand
Current tax on profit for the year	726,615	1,150,152
Increase in deferred tax (Note 18)	155,698	91,846
Income taxes for the year	882,313	1,241,998

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

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27 Income tax expenses (Cont'd)

	2017	2016
	Baht Thousand	Baht Thousand
Profit before tax	4,645,958	6,356,649
Income tax rate	20%	20%
Tax calculated at tax rate	929,192	1,271,330
The impact of income/expense not addition/deductible for tax purpose	(46,879)	(29,332)
Income taxes for the year	882,313	1,241,998

The effective tax rate for 2017 is 20% (2016: 20%). There was no significant transaction being income not subject to tax and expenses not deductible for tax purpose.

The additional information related to deferred tax are provided in Note 18.

28 Tax effect from other comprehensive income

	2017			2016		
	Before Tax	Tax benefit	Net of tax	Before Tax	Tax benefit	Net of tax
	Baht Thousand	(expense)	Baht Thousand	Baht Thousand	(expense)	Baht Thousand
Unrealised gain (loss) from available-for-sale securities	7,145,038	(1,429,008)	5,716,030	(546,446)	109,289	(437,157)
Actuarial loss from employment benefit plan	(12,572)	-	(12,572)	(3,067)	-	(3,067)
Unrealised gain (loss) from hedging instruments	549,961	(109,992)	439,969	(144,978)	28,996	(115,982)
Items in other comprehensive transferred to profit or loss	(353,457)	70,692	(282,765)	(359,641)	71,928	(287,713)
Total	7,328,970	(1,468,308)	5,860,662	(1,054,132)	210,213	(843,919)

29 Basic earnings per share

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

	2017	2016
Net profit for the year attributable to ordinary shareholders (Baht Thousand)	3,763,645	5,114,651
Weighted average number of ordinary shares in issue during the year (Thousand Shares)	135,500	135,500
Basic profit per share (Baht)	27.78	37.75

These are no potential dilutive ordinary shares in issue for the years ended 31 December 2017 and 2016.

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30 Related party transactions

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

Balances with related companies:

	Relationship	2017 Baht Thousand	2016 Baht Thousand
Krungthai Bank Public Company Limited	Shareholder		
Bank deposits		2,105,845	1,627,827
Investment in equity security		107,513	223,600
Promissory note		500,000	500,000
Bill of exchange		3,920,023	3,313,208
Accrued interest - Notes		38,258	38,259
Accrued service fees expense		206,157	167,689
AXA Assistance Company Limited	Common Shareholders		
Accrued service fees expense		35,502	28,611
AXA Asia Limited	Common Shareholders		
Other receivables		2,192	581
Other payables		287,850	707,560
Krungthai Asset Management Public Company Limited	Common Shareholders		
Accrued management fee		1,570	1,180
Others	Common Shareholders		
Other receivables		3,202	1,595
National Mutual International Pty. Ltd.	Shareholder		
Other receivables		121	133

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30 Related party transactions (Cont'd)

Transactions with related companies:

	Relationship	2017 Baht Thousand	2016 Baht Thousand
Krungthai Bank Public Company Limited	Shareholder		
Income			
Interest received		110,480	111,714
Dividend income		11,535	11,176
		<u>122,015</u>	<u>122,890</u>
Expenses			
Bank charges		70,903	72,046
Service fees		2,023,642	1,822,952
		<u>2,094,545</u>	<u>1,894,998</u>
Krungthai Card Public Company Limited	Common Shareholders		
Credit card fees		292,371	243,364
AXA Assistance Company Limited	Common Shareholders		
Service fees		188,000	148,460
AXA Asia Limited	Common Shareholders		
Service fees		707,399	730,481
Krungthai Asset Management Public Company Limited	Common Shareholders		
Management fees		26,066	24,950

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

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

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

Key management compensations

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. For the years ended 31 December 2017 and 2016, the Company has recorded salaries, bonuses, post-employment benefits and other expenses relating to key management personnel amounting to Baht 242 million and Baht 127 million, respectively. The amount of which has been recorded as part of operating expense in statements of comprehensive income.

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

31.1 Securities placed with the Registrar

The Company placed securities with the Registrar, Office of Insurance Commission, as required by the Life Insurance Act. (No.2) B.E. 2551. Deposit with Registrar as at 31 December 2017 and 2016 comprises as follows:

	2017 Baht Thousand	2016 Baht Thousand
Government bonds	26,456	25,349

31.2 Securities reserved with the Registrar

	2017 Baht Thousand	2016 Baht Thousand
Government bonds	47,538,682	35,101,661

32 Contingent liabilities and Commitments

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

	2017 Baht Thousand	2016 Baht Thousand
Due within 1 year	158,591	173,331
Due more than 1 year but no later than 5 years	111,348	247,340
Total	269,939	420,671

32.2 As at 31 December 2017, the Company has commitments with a bank in Thailand to purchase future investment in government bonds within year 2023, 2025, 2027, 2031, 2032, 2036, 2037, 2044, 2046, 2061, 2066 and 2067, amounting to Baht 294.70 million, Baht 494.19 million, Baht 502.09 million, Baht 3,852.60 million, Baht 418.10 million, Baht 356.78 million, Baht 514.27 million, Baht 1,561.91 million, Baht 639.52 million, Baht 541.44 million, Baht 3,066.23 million and Baht 2,208.73 million, respectively (as at 31 December 2016: Baht 6,867.63 million).

33 Financial instruments

The Company has entered into derivatives for the Cash flow hedge agreements. The Company has recorded fair value of the derivatives as at 31 December 2017 to be derivatives assets Baht 690.7 million and derivatives liabilities Baht 109.2 million and recognised the unrealised gain (loss) on cash flow hedging transaction under the statement of other comprehensive income (As at 31 December 2016: derivatives assets Baht 276.4 million and derivatives liabilities Baht 242.1 million).

