

Bangkok Life Assurance Public Company Limited
Report and financial statements
31 December 2008 and 2007

Report of Independent Auditor

To the Shareholders of Bangkok Life Assurance Public Company Limited

I have audited the balance sheet of Bangkok Life Assurance Public Company Limited as at 31 December 2008, and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements of Bangkok Life Assurance Public Company Limited for the year ended 31 December 2007, as presented herein for comparative purposes, were audited by another auditor of our firm who expressed an unqualified opinion on those statements, under his report dated 20 March 2008.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bangkok Life Assurance Public Company Limited as at 31 December 2008 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Nonglak Pumnoi

Certified Public Accountant (Thailand) No. 4172

Ernst & Young Office Limited

Bangkok: 23 February 2009

Bangkok Life Assurance Public Company Limited

Balance sheets

As at 31 December 2008 and 2007

		(Unit: Baht)	
	<u>Note</u>	<u>2008</u>	<u>2007</u>
Assets			
Investments in securities			
Bonds	15, 16	28,448,591,758	24,166,672,624
Notes	9	4,058,365,544	3,667,983,072
Stocks		3,594,042,822	3,515,562,509
Debentures		7,422,861,158	7,421,758,768
Unit trusts		1,334,414,028	1,237,134,068
Total investments in securities	6, 8	<u>44,858,275,310</u>	<u>40,009,111,041</u>
Loans			
Policy loans		1,050,863,163	827,678,104
Mortgage loans		738,241,179	664,643,911
Other loans		12,008,114	9,242,920
Total loans		<u>1,801,112,456</u>	<u>1,501,564,935</u>
Less: Allowance for doubtful accounts		<u>(2,672,673)</u>	<u>(2,539,314)</u>
Loans - net	7, 8	1,798,439,783	1,499,025,621
Cash and deposits at financial institutions	8, 9	2,381,639,639	760,039,978
Property, premise and equipment - net	10	324,608,143	260,935,735
Due from reinsurers		27,915,881	491,443
Premium due and uncollected	11	1,120,875,601	1,042,299,591
Accrued investment income - net		743,422,881	623,731,810
Other assets			
Intangible assets - net	12	21,109,095	16,589,421
Others	8, 13	205,243,186	197,535,330
Total assets		<u><u>51,481,529,519</u></u>	<u><u>44,409,759,970</u></u>

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

Bangkok Life Assurance Public Company Limited**Balance sheets (continued)**

As at 31 December 2008 and 2007

		(Unit: Baht)	
	<u>Note</u>	<u>2008</u>	<u>2007</u>
Liabilities and shareholders' equity			
Life policy reserve		41,891,693,741	34,221,696,714
Unpaid policy benefits	8	3,984,060,369	3,310,972,655
Due to reinsurers	8	76,654,300	85,100,694
Advance premium receipts		1,550,812,113	1,699,242,005
Other liabilities			
Accrued dividends	17	-	1,000,000,000
Corporate income tax payable		112,445,135	156,005,035
Others	8, 14	847,094,648	857,049,561
Total liabilities		<u>48,462,760,306</u>	<u>41,330,066,664</u>
Shareholders' equity			
Share capital	18		
Registered share capital			
1,220,000,000 ordinary shares of Baht 1 each		<u>1,220,000,000</u>	<u>1,220,000,000</u>
Issued and paid-up share capital			
1,000,000,000 ordinary shares of Baht 1 each		1,000,000,000	1,000,000,000
Premium on share capital		275,000,000	275,000,000
Unrealised gains			
Surplus on revaluation of investments		316,295,625	1,128,945,591
Retained earnings			
Appropriated			
Statutory reserve	19	77,085,216	39,498,923
General reserve		400,000,000	400,000,000
Unappropriated		950,388,372	236,248,792
Total shareholders' equity		<u>3,018,769,213</u>	<u>3,079,693,306</u>
Total liabilities and shareholders' equity		<u>51,481,529,519</u>	<u>44,409,759,970</u>
		-	-
Off-balance sheet items - commitments			
Commitments	25	159,463,460	104,367,218

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

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Directors

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Bangkok Life Assurance Public Company Limited

Income statements

For the years ended 31 December 2008 and 2007

		(Unit: Baht)	
	<u>Note</u>	<u>2008</u>	<u>2007</u>
Revenues			
Net premiums written	8	14,732,094,846	12,295,890,472
Net investments income	8	2,430,055,843	1,984,951,348
Gains (losses) on investments in securities		(358,576,325)	130,763,576
Other income			
Gains on sales of assets		4,416,678	1,466,242
Others		21,371,812	13,522,986
Total revenues		<u>16,829,362,854</u>	<u>14,426,594,624</u>
Expenses			
Underwriting expenses			
Life policy reserve increase from the previous year		7,669,997,027	6,229,751,365
Benefit payments to life policies during the year	8	4,925,875,593	4,278,290,323
Dividends to policyholders		315,000	309,000
Commissions and brokerages	8	1,985,490,963	1,787,021,925
Sales promotion expenses		249,986,167	172,387,571
Other underwriting expenses	8	11,226,756	15,579,878
Total underwriting expenses		<u>14,842,891,506</u>	<u>12,483,340,062</u>
Operating expenses			
Personnel expenses		489,757,067	425,638,753
Premises and equipment expenses	8	108,260,420	101,393,387
Taxes and duties		69,956,487	58,584,356
Directors' remuneration		10,480,000	10,330,000
Operating expenses - branches		53,223,184	47,548,794
Contribution to the Office of Insurance Commission		27,784,585	-
Other operating expenses	8	205,800,181	227,460,152
Total operating expenses		<u>965,261,924</u>	<u>870,955,442</u>
Losses (gains) on exchange		(7,027,413)	11,591,097
Total expenses		<u>15,801,126,017</u>	<u>13,365,886,601</u>
Income before income tax		1,028,236,837	1,060,708,023
Corporate income tax		276,510,964	290,729,573
Net income for the year		<u>751,725,873</u>	<u>769,978,450</u>
Basic earnings per share	<i>20</i>		
Net income		<u>0.75</u>	<u>0.77</u>

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

Bangkok Life Assurance Public Company Limited**Statements of cash flows**

For the years ended 31 December 2008 and 2007

	<u>2008</u>	<u>2007</u>
		(Unit: Baht)
Cash flows from (used in) operating activities		
Net premiums written	14,299,688,099	11,894,899,798
Net investments income	2,089,093,975	2,069,334,992
Other income	21,335,904	14,989,229
Benefit payments to life policies during the year	(4,224,526,659)	(3,598,704,629)
Dividends to policyholders	(315,000)	(309,000)
Commissions and brokerages	(1,968,417,261)	(1,738,875,673)
Other underwriting expenses	(268,102,432)	(147,448,214)
Operating expenses	(920,861,220)	(678,161,269)
Corporate income tax	(320,070,863)	(252,504,672)
Net cash from operating activities	<u>8,707,824,543</u>	<u>7,563,220,562</u>
Cash flows from (used in) investing activities		
Cash flows from		
Investments in securities	48,430,632,357	20,910,843,695
Loans	1,299,247,222	257,572,271
Deposits at financial institutions	895,147,925	197,304,178
Property, premises and equipment	5,335,306	2,248,033
Net cash from investing activities	<u>50,630,362,810</u>	<u>21,367,968,177</u>
Cash flows used in		
Investments in securities	(54,228,738,800)	(28,009,907,028)
Loans	(1,479,909,237)	(318,893,102)
Deposits at financial institutions	(2,140,147,925)	(502,304,178)
Property, premises and equipment	(112,791,730)	(29,032,552)
Net cash used in investing activities	<u>(57,961,587,692)</u>	<u>(28,860,136,860)</u>
Net cash used in investing activities	<u>(7,331,224,882)</u>	<u>(7,492,168,683)</u>
Cash flows used in financing activities		
Dividend paid	(1,000,000,000)	(250,000,000)
Net cash used in financing activities	<u>(1,000,000,000)</u>	<u>(250,000,000)</u>
Net increase (decrease) in cash and cash equivalents	376,599,661	(178,948,121)
Cash and cash equivalents at beginning of year	285,039,978	463,988,099
Cash and cash equivalents at end of year (Note 9)	<u>661,639,639</u>	<u>285,039,978</u>

Supplemental cash flows information

Non-cash item

Surplus on revaluation of investments	212,459,605	1,107,273,731
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The accompanying notes are an integral part of the financial statements.

Bangkok Life Assurance Public Company Limited

Statements of changes in shareholders' equity

For the years ended 31 December 2008 and 2007

(Unit: Baht)

	Note	Issued and paid-up share capital	Premium on share capital	Surplus (deficit) on revaluation of investments	Retained earnings			Total
					Appropriated			
					Statutory reserve	General reserve	Unappropriated	
Balance as at 1 January 2007		1,000,000,000	275,000,000	861,743,275	1,000,000	400,000,000	754,769,265	3,292,512,540
Income recognised directly in equity								
Investments in available-for-sale securities								
Gains recognized in shareholders' equity		-	-	245,016,605	-	-	-	245,016,605
Transferred to income statement on disposal		-	-	22,185,711	-	-	-	22,185,711
Net income recognised directly in equity		-	-	267,202,316	-	-	-	267,202,316
Net income for the year		-	-	-	-	-	769,978,450	769,978,450
Total income for the year		-	-	267,202,316	-	-	769,978,450	1,037,180,766
Dividend paid	24	-	-	-	-	-	(1,250,000,000)	(1,250,000,000)
Unappropriated retained earnings transferred to								
statutory reserve	19	-	-	-	38,498,923	-	(38,498,923)	-
Balance as at 31 December 2007		1,000,000,000	275,000,000	1,128,945,591	39,498,923	400,000,000	236,248,792	3,079,693,306
Balance as at 1 January 2008		1,000,000,000	275,000,000	1,128,945,591	39,498,923	400,000,000	236,248,792	3,079,693,306
Income and expenses recognised directly in equity								
Investments in available-for-sale securities								
Losses recognized in shareholders' equity		-	-	(815,565,606)	-	-	-	(815,565,606)
Transferred to income statement on disposal		-	-	2,915,640	-	-	-	2,915,640
Net income and expenses recognised directly in equity		-	-	(812,649,966)	-	-	-	(812,649,966)
Net income for the year		-	-	-	-	-	751,725,873	751,725,873
Total income for the year		-	-	(812,649,966)	-	-	751,725,873	(60,924,093)
Unappropriated retained earnings transferred to								
statutory reserve	19	-	-	-	37,586,293	-	(37,586,293)	-
Balance as at 31 December 2008		1,000,000,000	275,000,000	316,295,625	77,085,216	400,000,000	950,388,372	3,018,769,213
		-	-	-	-	-	-	-
		-	-	-	-	-	0	0

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

Bangkok Life Assurance Public Company Limited

Notes to financial statements

For the years ended 31 December 2008 and 2007

1. General information

1.1 Corporate information

Bangkok Life Assurance Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its major shareholder is Nippon Life Insurance Company, which was incorporated in Japan. The Company is principally engaged in the provision of life insurance business. The Company has 69 branches (31 December 2007: 65 branches) and its registered office is located at 23/115-121, Royal City Avenue, Rama 9 Road, Bangkok, Huaykwang, Bangkok.

1.2 Economic crisis

The financial crisis experienced by the United States over the past year has had a far reaching adverse effect on the global economy as evidenced by sharp falls in share prices worldwide, a tight squeeze on credit including interbank lending, failures of large financial institutions and reduced consumer confidence. The crisis has substantially affected the business and financial plans of Thailand enterprises and asset value. Despite efforts made by governments of many countries to contain the crisis, it remains uncertain as to when the global economy will return to normalcy. These financial statements have been prepared on the bases of facts currently known to the Company, and on estimates and assumptions currently considered appropriate. However, they could be adversely affected by an array of future events.

2. Basis of preparation

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547, except for the investments in securities (see Note 4.5) are accounted for based on the relevant US Generally Accepted Accounting Principles since the related Thai Accounting Standards do not address the life insurance business, and where applicable Thai Accounting practices related to life insurance and the accounting and reporting guidelines prescribed by the regulatory authority of life insurance business. The presentation of the financial statements has been made in compliance with the order of the Registrar dated 6 March 2002, issued under the Accounting Act B.E. 2543.

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

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

3. Adoption of new accounting standards

3.1 Accounting standards which are effective for the current year

The Federation of Accounting Professions has issued Notifications No. 9/2550, 38/2550 and 62/2550 regarding Accounting Standards. The notifications mandate the use of the following new accounting standards.

TAS 25 (revised 2007)	Cash Flow Statements
TAS 29 (revised 2007)	Leases
TAS 31 (revised 2007)	Inventories
TAS 33 (revised 2007)	Borrowing Costs
TAS 35 (revised 2007)	Presentation of Financial Statements
TAS 39 (revised 2007)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41 (revised 2007)	Interim Financial Reporting
TAS 43 (revised 2007)	Business Combinations
TAS 49 (revised 2007)	Construction Contracts
TAS 51	Intangible Assets

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these accounting standards and believes that TAS 31 (revised 2007), TAS 33 (revised 2007), and TAS 49 (revised 2007) are not relevant to the business of the Company, whereas TAS 25 (revised 2007), TAS 29 (revised 2007), TAS 35 (revised 2007), TAS 39 (revised 2007), TAS 41 (revised 2007), TAS 43 (revised 2007) and TAS 51 do not have any significant impact on the financial statements for the current year.

3.2 Accounting standards which are not effective for the current year

The Federation of Accounting Professions has also issued Notification No. 86/2550 regarding Accounting Standards. The notification mandates the use of the following new accounting standards.

TAS 36 (revised 2007)	Impairment of Assets
TAS 54 (revised 2007)	Non-current Assets Held for Sale and Discontinued Operations

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these accounting standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied.

4. Significant accounting policies

4.1 Revenue recognition

(a) Premium income

Premium income is recognised as income when underwriting of the insurance is approved. Premium due and uncollected at the end of year is recognised as revenue only if the policy is still in force.

(b) Interest, discount and dividends income on investments

Interest is recognised on accrual basis based on the effective interest rate. Dividends are recognised as income when the right to receive the dividend is established.

Discounts included in the face value of the notes receivable are deferred and taken up as income evenly throughout the term of the notes, while discounts on debentures are deferred using the effective rate method.

(c) Interest incomes on loans

Interest is recognised over the term of the loans based on the amount of principal outstanding, except for interest of past due over six months recognised based on cash basis.

4.2 Benefit payments to life policies

Benefit payments to life policies are recorded when notices of the claims are received or when policies reach maturity.

4.3 Commissions and brokerages

Commission and brokerage fees are expensed when incurred.

4.4 Life premium reserve

(a) Life assurance policy reserve represents the accumulated total liability for policies in force on the balance sheet date. Life assurance policy reserve is calculated according to the procedures prescribed by the Regulation on Life Assurance Policy Reserve as promulgated by the Ministry of Commerce on 23 November 2001. The liability is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Company base mortality and morbidity tables announced by the Office of Insurance Commission which reflect historical experiences, adjusted when appropriate to reflect The Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income. These estimates are based on current market returns as well as expectations about future economic and financial developments. Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation adjustments if appropriate. Lapse and surrender rates depend on product features, policy duration and external circumstance, such as sale trends. Credible own experience is used in establishing these assumptions. Discount rates are based on current industry risk rates, adjusted for The Company's own risk exposure.

- (b) For other insurance and group insurance, unearned premium reserve is set aside at the rate of 40 percent of net premium written for the year.

4.5 Investments in securities

- a) Investments in securities held for trading are determined at fair value. Gains or losses arising from changes in the carrying amounts of securities are included in the income statements. Investments are classified as held for trading if they are acquired for the purpose of selling in the near term.
- b) Investments in available-for-sale securities are stated at fair value. Changes in the carrying amounts of securities are recorded as separate items in shareholders' equity until the securities are sold, when the changes are then included in the income statements.
- c) Investments in debt securities, both due within one year and expected to be held to maturity, are stated at amortised cost. The premium/discount on debt securities is amortised by using the effective rate method with the amortised amount presented as an adjustment to the interest income. The debt securities are classified as held to maturity when the Company has the positive intention and ability to hold them to maturity.
- d) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for loss on impairment (if any).

The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of debt instruments is determined based on the price required rate of return on the yield rate quoted by the Thai Bond Market Association or discounted cash flow with appropriated risk. The fair value of unit trusts is determined based on their net asset value.

Loss on impairment (if any) of investments in available-for-sale securities, held-to-maturity debt securities, and other investments is included in the income statement.

The weighted average method is used for computation of the cost of investments.

In the event the Company reclassifies investments in securities, such investments are adjusted to their fair value as at the reclassification date. Differences between the carrying amount of the investments and their fair value on that date are included in determining income or recorded as surplus (deficit) from changes in the values of investments in shareholders' equity, depending on the type of investment which is reclassified.

4.6 Loans and allowance for doubtful accounts

Loans are presented at their realisable value. The Company provides allowance for doubtful accounts on the basis of collection experience, analysis of debtor aging, a review of current status of the loan receivables and the appraisal value of the collateral of each debt.

4.7 Premium due and uncollected and allowance for doubtful accounts

Premium due and uncollected is carried at its net realisable value. The Company sets up an allowance for doubtful accounts based on the estimated loss that may incur in collection of the premium due, on the basis of collection experience and a review of current status of premium due as at the balance sheet date.

4.8 Related party transactions

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

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

4.9 Premises and equipment and depreciation

Land is stated at cost. Premises and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of premises and equipment are calculated by reference to their costs on a straight-line basis over the following estimated useful lives, or the period of the lease.

Building	- 20	years
Building improvements	-	Period of lease
Furniture and fixtures and office equipment	- 3, 5	years
Motor vehicles	- 5	years

Depreciation is included in determining income.

No depreciation is provided for land and building in progress.

4.10 Intangible assets and amortisation

Acquired intangible asset is measured at cost. Following initial recognition, intangible asset is carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible asset with finite life is amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible asset are reviewed at least at each financial year end. The amortisation expense is charged to the income statement.

Amortisation of computer software is calculated by reference to its cost on a straight-line basis over its estimated useful life of 3 years, 5 years and 10 years.

4.11 Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that based on information available, reflects the amount that the Company could obtain at the balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

Impairment losses are generally recognised in the income statement.

4.12 Income tax

Income tax is provided for in the accounts based on the taxable profits determined in accordance with tax legislation.

4.13 Employee benefits

Salaries, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses when incurred.

4.14 Foreign currencies

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Assets and liabilities denominated in foreign currencies outstanding at the balance sheet date are translated into Baht at the exchange rates ruling on the balance sheet date. Gains and losses on exchange are included in determining income.

4.15 Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits at financial institutions and highly liquid investment with an original maturity of 3 months or less and not subject to withdrawal restrictions.

4.16 Provisions

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

4.17 Derivatives - Forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling on the balance sheet. Gains and losses from the translation are included in determining income. Premium and discounts on forward exchange contracts are amortised on a straight-line basis over the contract periods.

5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. The significant accounting judgments and estimates are as follow:

Leases

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

Allowance for doubtful accounts

Allowances for doubtful accounts are intended to adjust the value of receivables for probable credit losses. The management uses judgment to establish reserves for estimated losses for each outstanding debtor. The allowances for doubtful accounts are determined through a combination of specific reviews, collection experience, and analysis of debtor aging, taking into account changes in the current economic conditions.

Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercise judgment, using a variety of valuation techniques. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

Impairment of investments in securities

The Company treats available-for-sale equity investments, other investments and held-to-maturity debt securities as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment.

Property, premises and equipment/Depreciation

In calculating depreciation of premises and equipment, the management estimates useful lives and salvage values of the Company’s premises and equipment and reviews estimated useful lives and salvage values if there are any changes.

Intangible assets

Intangible assets are systematically amortised over their estimated useful lives, and are subject to impairment if there is an indication they may be impaired. The initial recognition and measurement intangible assets, and subsequent impairment analysis, requires management to make subjective judgments concerning estimates of how the acquired asset will perform in the future using a discounted cash flow analysis. Events and factors that may significantly affect the estimates include, among others, competitive forces, changes in revenue growth trends, cost structures, changes in discount rates and specific industry or market sector conditions.

Litigation

The Company has contingent liabilities as a result of litigation. The Company’s management has used judgment to assess of the results of the litigation and believes that no loss will result. Therefore no contingent liabilities are recorded as at the balance sheet date. However, actual results could differ from the estimates.

6. Investments in securities

(Unit: Baht)

	2008		2007	
	Cost /		Cost /	
	<u>Amortised cost</u>	<u>Fair value</u>	<u>Amortised cost</u>	<u>Fair value</u>
Trading securities				
Equity securities				
Common stocks	341,300,843	237,464,823	209,292,030	193,350,000
Deficit on revaluation of investments	(103,836,020)	-	(15,942,030)	-
	<u>237,464,823</u>	<u>237,464,823</u>	<u>193,350,000</u>	<u>193,350,000</u>
Debt securities				
Bonds - net	-	-	344,988,316	339,258,485
Deficit on revaluation of investments	-	-	(5,729,831)	-
	<u>-</u>	<u>-</u>	<u>339,258,485</u>	<u>339,258,485</u>
Total trading securities	<u>237,464,823</u>	<u>237,464,823</u>	<u>532,608,485</u>	<u>532,608,485</u>
Available-for-sale securities				
Equity securities				
Common stock	3,222,798,688	3,344,533,299	2,099,691,619	3,286,852,807
Unit trusts	1,381,265,544	1,334,414,028	1,217,175,096	1,237,134,068
Unrealised gains on exchange	10,192,513	-	-	-
Surplus on revaluation of investments	64,690,582	-	1,207,120,160	-
	<u>4,678,947,327</u>	<u>4,678,947,327</u>	<u>4,523,986,875</u>	<u>4,523,986,875</u>
Debt securities				
Bonds - net	1,522,771,491	1,766,837,878	2,178,658,078	2,094,468,587
Debentures - net	100,001,053	107,539,709	100,001,396	106,016,319
Surplus (deficit) on revaluation of investments	251,605,043	-	(78,174,568)	-
	<u>1,874,377,587</u>	<u>1,874,377,587</u>	<u>2,200,484,906</u>	<u>2,200,484,906</u>
Total available-for-sale securities	<u>6,553,324,914</u>	<u>6,553,324,914</u>	<u>6,724,471,781</u>	<u>6,724,471,781</u>
Held-to-maturity debt securities				
Bonds - net	26,681,753,880		21,732,945,552	
Notes	4,094,865,544		3,667,983,072	
Less: Allowance for impairment	(36,500,000)		-	
Notes - net	4,058,365,544		3,667,983,072	
Debentures - net	7,325,921,449		7,326,342,449	
Less: Allowance for impairment	(10,600,000)		(10,600,000)	
Debentures - net	7,315,321,449		7,315,742,449	
Total held-to-maturity debt securities	<u>38,055,440,873</u>		<u>32,716,671,073</u>	
Other investments				
Ordinary shares	12,044,700		35,359,702	
Total other investments	<u>12,044,700</u>		<u>35,359,702</u>	
Total investments in securities	<u>44,858,275,310</u>		<u>40,009,111,041</u>	

Investments in debt securities as at 31 December 2008 and 2007 will be due as follows:

(Unit: Baht)

	2008			
	Due within			
	<u>1 year</u>	<u>2 - 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Available-for-sale securities				
Bonds	-	-	1,766,837,878	1,766,837,878
Debentures	-	107,539,709	-	107,539,709
	-	107,539,709	1,766,837,878	1,874,377,587
Held-to-maturity debt securities				
Bonds - net	562,591,215	5,103,504,339	21,015,658,326	26,681,753,880
Notes - net	1,343,365,544	395,000,000	2,320,000,000	4,058,365,544
Debentures - net	340,274,179	1,456,463,445	5,518,583,825	7,315,321,449
	2,246,230,938	6,954,967,784	28,854,242,151	38,055,440,873
Total	2,246,230,938	7,062,507,493	30,621,080,029	39,929,818,460

(Unit: Baht)

	2007			
	Due within			
	<u>1 year</u>	<u>2 - 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Trading securities				
Bonds	-	80,474,118	258,784,367	339,258,485
Available-for-sale securities				
Bonds	-	30,000,016	2,064,468,571	2,094,468,587
Debentures	-	106,016,319	-	106,016,319
	-	136,016,335	2,064,468,571	2,200,484,906
Held-to-maturity debt securities				
Bonds - net	377,524,535	2,820,339,953	18,535,081,064	21,732,945,552
Notes - net	1,482,983,072	395,000,000	1,790,000,000	3,667,983,072
Debentures - net	177,492,586	1,520,189,911	5,618,059,952	7,315,742,449
	2,038,000,193	4,735,529,864	25,943,141,016	32,716,671,073
Total	2,038,000,193	4,952,020,317	28,266,393,954	35,256,414,464

The Company has pledged government and state enterprise bonds of Baht 8,480.30 million (2007: Baht 6,891.30 million) as life assurance policy reserve and assets pledged with the Life Assurance Registrar in accordance with the Life Assurance Act as mentioned in Notes 15 and 16.

- (a) As at 31 December 2008, the Company has investments of Baht 1,000 million (2007: Baht 1,200 million) in promissory notes and bills of exchange, which have been classified as held-to-maturity investments and are presented at amortised cost. Such notes were issued by local banks and branches of foreign commercial banks, have remaining lives of 7-14 years, and contain conditions related to early redemption rights or put options obliging the Company to purchase additional notes released by issuers.
- (b) As at 31 December 2008, the Company has investments of Baht 400 million (2007: Baht 400 million) in promissory notes and bills of exchange, which have been classified as held-to-maturity investments and presented at amortised cost. Such notes were issued by branches of foreign commercial banks, have remaining lives of 7 years, and contain conditions linking the interest to be received to financial indices.
- (c) As at 31 December 2008, the Company has investments of Baht 920 million (2007: Baht 560 million) in promissory notes and bills of exchange, which have been classified as held-to-maturity investments and are presented at amortised cost. Such notes were issued by branches of foreign commercial bank, have remaining lives of 8 years, and contain conditions whereby settlement of principal and interest is to be received on the maturity date per the agreement.

The promissory notes and bills of exchange contain embedded derivatives that are not closely related to the host contract instruments, except for one structured note as described in (c).

7. Loans and accrued interest

As at 31 December 2008 and 2007, the balances of loans and accrued interest are aged by principal and accrued interest as follows:

(Unit: Baht)

Outstanding period	2008								
	Policy loans		Mortgage loans		Other loans		Total		
	Accrued		Accrued		Accrued		Accrued		
	Principal	interest	Principal	interest	Principal	interest	Principal	interest	Total
Current	1,050,863,163	71,851,367	729,927,010	3,181,924	11,900,421	-	1,792,690,594	75,033,291	1,867,723,885
Overdue:									
Less than 6 months	-	-	2,371,831	14,101	-	-	2,371,831	14,101	2,385,932
Over 12 months	-	-	5,942,338	370,810	107,693	6,491	6,050,031	377,301	6,427,332
Total	1,050,863,163	71,851,367	738,241,179	3,566,835	12,008,114	6,491	1,801,112,456	75,424,693	1,876,537,149
Less: Allowance for doubtful accounts	-	-	(2,672,673)	(343,593)	-	-	(2,672,673)	(343,593)	(3,016,266)
Loans and accrued interest - net	1,050,863,163	71,851,367	735,568,506	3,223,242	12,008,114	6,491	1,798,439,783	75,081,100	1,873,520,883

(Unit: Baht)

Outstanding period	2007								
	Policy loans		Mortgage loans		Other loans		Total		
	Accrued		Accrued		Accrued		Accrued		
	Principal	interest	Principal	interest	Principal	interest	Principal	interest	Total
Current	827,678,104	57,151,228	655,411,222	2,203,466	9,049,350	-	1,492,138,676	59,354,694	1,551,493,370
Overdue:									
Less than 6 months	-	-	2,643,309	31,131	121,942	-	2,765,251	31,131	2,796,382
Over 12 months	-	-	6,589,380	387,827	71,628	6,807	6,661,008	394,634	7,055,642
Total	827,678,104	57,151,228	664,643,911	2,622,424	9,242,920	6,807	1,501,564,935	59,780,459	1,561,345,394
Less: Allowance for doubtful accounts	-	-	(2,539,314)	(260,528)	-	-	(2,539,314)	(260,528)	(2,799,842)
Loans and accrued interest - net	827,678,104	57,151,228	662,104,597	2,361,896	9,242,920	6,807	1,499,025,621	59,519,931	1,558,545,552

Loans provided to employees are in accordance with employee's benefits plan under a credit line of Baht 100,000 or less for personal guarantee loans. In case of secured loans, the credit line is not to exceed 50 times the employee's salary. The interest rates for the loans charge at the rates of 6% and 5% per annum, respectively. As at 31 December 2008, loans to employees and agents totaled Baht 41.61 million (2007: Baht 18.26 million).

8. Related party transactions

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

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

Name of related parties	Type of business	Relationship with the Company
Bangkok Bank Pcl.	Banking	Related by way of common directors and shareholding
Bangkok Insurance Pcl.	Insurance	Related by way of common directors and shareholding
Thai Reinsurance Pcl.	Insurance	Related by way of common directors
Thaire Life Assurance Co., Ltd.	Life assurance	Subsidiary of Thai Reinsurance Pcl.
Sorachai Vivatn Co., Ltd.	Property development	Related by way of common directors
Bumrungrad Hospital Pcl.	Health care services	Related by way of common directors and shareholders
The Phyathai 1 Hospital Co., Ltd.	Health care services	Related by way of common directors
The Phyathai 2 Hospital Co., Ltd.	Health care services	Related by way of common directors
The Phyathai 3 Hospital Co., Ltd.	Health care services	Related by way of common directors
Rajburi Sugar Co., Ltd.	Industry	Related by way of common directors
Narai Ruamphiphat Co., Ltd.	Property development	Holding by an individual related to the major shareholder of the Company
Bangkok Business Building (1987) Co., Ltd.	Rental of assets	Related by way of common directors and shareholders
Royal Cliff Beach Hotel Co., Ltd.	Tourism & Leisure	Holding by an individual related to a director of the Company
Thai Rating and Information Services Co., Ltd.	Services	Related by way of common directors and shareholding
Union Textile Industries Pcl.	Industry	Related by way of common shareholders
Bangkok Mitsubishi UFJ Lease Co., Ltd.	Leasing	Related by way of common directors
Charoen Pokphand Foods Pcl.	Agriculture	Related by way of common directors
TICON Industrial Connection Pcl.	Property development	Holding by an individual related to the major shareholder of the Company
BBL Asset Management Co., Ltd.	Asset management	Related by way of common directors and shareholders

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

	<u>2008</u>	<u>2007</u>	<u>Pricing policy</u>
Premium written	3,546,384	3,533,334	Normal commercial terms for underwriting
Commission and brokerages	510,111,103	287,475,477	By mutual agreement

(Unit: Baht)

Claim payment	68,358,150	58,781,970	Normal commercial terms for underwriting
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			(Unit: Baht)
	<u>2008</u>	<u>2007</u>	<u>Pricing policy</u>
Premium ceded	3,434,101	6,595,003	Normal commercial terms for reinsurance depending on type of insurance and reinsurance contract
Interest income	30,142,702	40,986,958	Same rates as those offered by financial institutions and related companies to general customers
Dividend income	79,840,972	49,800,962	The declared amount
Bank charges	45,148,901	38,729,963	Same rates as those charged by financial institutions and related companies to general customers
Insurance premium	1,092,011	1,048,582	Normal commercial terms for underwriting
Building space rental and services	68,814,283	64,289,186	Price per rental contracts Baht 100,000 - Baht 1,200,000 per month

The Company had the following significant balances of assets and liabilities with its related parties:

	(Unit: Baht)			
	<u>2008</u>		<u>2007</u>	
	Cost	Fair value	Cost	Fair value
Investments in securities - stocks				
Bangkok Bank Pcl.	291,209,784	255,300,000	389,319,558	531,600,000
Bangkok Insurance Pcl.	49,866,522	84,406,800	43,562,868	114,888,200
Thai Reinsurance Pcl.	41,677,975	86,449,005	37,667,275	101,961,256
Bumrungrad Hospital Pcl.	10,000,000	42,000,000	10,000,000	80,500,000
Union Textile Industries Pcl.	166,700	166,700	166,700	166,700
Thai Rating and Information Services Co., Ltd.	1,000,000	1,000,000	1,000,000	1,000,000
TICON Industrial Connection Pcl.	98,759,043	37,908,600	11,954,092	20,500,000
Charoen Pokphand Foods Pcl.	-	-	33,125,296	34,500,000
BBL Asset Management Co., Ltd.	10,000,000	10,000,000	10,000,000	10,000,000
	<u>502,680,024</u>	<u>517,231,105</u>	<u>536,795,789</u>	<u>895,116,156</u>
Investment in security - unit trust				
TICON Property Fund	<u>573,716,382</u>	<u>561,560,000</u>	<u>408,925,759</u>	<u>429,104,775</u>
Investment in security - debenture				
Charoen Pokphand Foods Pcl.	<u>150,000,000</u>		<u>150,000,000</u>	
Investments in securities - notes				
Bangkok Bank Pcl.	500,000,000		-	
Bangkok Mitsubishi UFJ Lease Co., Ltd.	-		<u>112,983,069</u>	
	<u>500,000,000</u>		<u>112,983,069</u>	

	(Unit: Baht)	
	2008	2007
Deposits at financial institution		
Bangkok Bank Pcl.	330,625,505	427,148,242
Mortgage loan		
Sorachai Vivatn Co., Ltd.	156,220,800	234,110,817
Prepaid office rental (including in other assets)		
Narai Ruamphiphat Co., Ltd.	140,615,873	152,441,565
Claim payables		
Bumrungrad Hospital Pcl.	3,145,197	3,641,989
The Phyathai 1 Hospital Co., Ltd.	2,295,568	1,586,645
The Phyathai 2 Hospital Co., Ltd.	3,865,028	2,937,103
The Phyathai 3 Hospital Co., Ltd.	2,239,078	1,641,557
	<u>11,544,871</u>	<u>9,807,294</u>
Due to reinsurer		
Thaire Life Assurance Co., Ltd.	2,029,317	3,084,970
Accrued commission expenses (including in other liabilities)		
Bangkok Bank Pcl.	90,618,388	52,873,430
Accrued office rental and services charge (including in other liabilities)		
Bangkok Insurance Pcl.	36,491	47,068
Sorachai Vivatn Co., Ltd.	705	16,554
Rajburi Sugar Co., Ltd.	66,764	-
Narai Ruamphiphat Co., Ltd.	66,494	164,864
Bangkok Business Building (1987) Co., Ltd.	62,337	63,023
Bumrungrad Hospital Pcl.	346,143	826,385
The Phyathai 1 Hospital Co., Ltd.	89,100	70,890
The Phyathai 2 Hospital Co., Ltd.	81,200	5,790
The Phyathai 3 Hospital Co., Ltd.	266,340	212,820
	<u>1,015,574</u>	<u>1,407,394</u>

Directors and management's remuneration

In 2008 the Company paid meeting allowances, bonuses, contributions to the provident fund and others to their directors and management totaling Baht 23.10 million (2007: Baht 21.90 million).

In addition, in 2007 the Company has allocated 20 warrants to its employees without charge. The details of the warrants are presented in Note 18 to the financial statements.

9. Cash and cash equivalents

	(Unit: Baht)	
	<u>2008</u>	<u>2007</u>
Cash	2,485,737	3,214,570
Deposits at banks with no fixed maturity date	359,153,902	256,825,408
Deposits at banks with fixed maturity date and negotiable certificates of deposits	<u>2,020,000,000</u>	<u>500,000,000</u>
Total cash and deposits at financial institutions	2,381,639,639	760,039,978
Notes	4,058,365,544	3,667,983,072
Less: Deposits at financial institutions and notes with maturity of more than 3 months	<u>(5,778,365,544)</u>	<u>(4,142,983,072)</u>
Cash and cash equivalents	<u><u>661,639,639</u></u>	<u><u>285,039,978</u></u>

10. Premises and equipment

	(Unit: Baht)					
	Land	Buildings and buildings improvements	Furniture and fixtures and office equipment	Vehicles	Building in progress	Total
Cost:						
31 December 2007	53,676,800	306,070,350	271,545,574	34,004,905	4,356,410	669,654,039
Purchases	24,000,000	10,813,359	61,721,950	13,327,000	2,929,421	112,791,730
Disposals/written-off	-	(650,000)	(10,000,343)	(12,544,500)	-	(23,194,843)
Transfer in (out)	-	5,382,029	-	-	(5,382,029)	-
31 December 2008	<u>77,676,800</u>	<u>321,615,738</u>	<u>323,267,181</u>	<u>34,787,405</u>	<u>1,903,802</u>	<u>759,250,926</u>
Accumulated depreciation:						
31 December 2007	-	163,545,599	217,774,055	27,398,650	-	408,718,304
Depreciation for the year	-	18,564,967	24,583,130	5,052,596	-	48,200,693
Depreciation - disposals/ written-off	-	(613,538)	(9,483,672)	(12,179,004)	-	(22,276,214)
31 December 2008	<u>-</u>	<u>181,497,028</u>	<u>232,873,513</u>	<u>20,272,242</u>	<u>-</u>	<u>434,642,783</u>
Net book value:						
31 December 2007	<u>53,676,800</u>	<u>142,524,751</u>	<u>53,771,519</u>	<u>6,606,255</u>	<u>4,356,410</u>	<u>260,935,735</u>
31 December 2008	<u>77,676,800</u>	<u>140,118,710</u>	<u>90,393,668</u>	<u>14,515,163</u>	<u>1,903,802</u>	<u>324,608,143</u>
Depreciation charged in income statements for the year						
2007						<u>43,307,786</u>
2008						<u>48,200,693</u>

As at 31 December 2008, certain of the premises and equipment items of the Company have been fully depreciated but are still in use. The cost before deducting accumulated depreciation of those assets amounted to Baht 240.94 million (2007: Baht 220.98 million).

11. Premium due and uncollected

As at 31 December 2008 and 2007, the balances of premium due and uncollected are classified in relation to the grace period granted on the condition of the policy, as follows:

	(Unit: Baht)	
	<u>2008</u>	<u>2007</u>
Grace period not exceeded	1,107,533,488	1,029,425,604
Grace period exceeded	<u>13,342,113</u>	<u>12,873,987</u>
Total premium due and uncollected	<u><u>1,120,875,601</u></u>	<u><u>1,042,299,591</u></u>

12. Intangible assets

	(Unit: Baht)		
	Software	System development in progress	Total
Cost			
31 December 2007	30,408,883	300,352	30,709,235
Increase	7,639,436	187,250	7,826,686
Transfer in (out)	<u>300,352</u>	<u>(300,352)</u>	<u>-</u>
31 December 2008	<u>38,348,671</u>	<u>187,250</u>	<u>38,535,921</u>
Accumulated amortisation			
31 December 2007	14,119,814	-	14,119,814
Amortisation charged for the year	<u>3,307,012</u>	<u>-</u>	<u>3,307,012</u>
31 December 2008	<u>17,426,826</u>	<u>-</u>	<u>17,426,826</u>
Net book value			
31 December 2007	<u>16,289,069</u>	<u>300,352</u>	<u>16,589,421</u>
31 December 2008	<u><u>20,921,845</u></u>	<u><u>187,250</u></u>	<u><u>21,109,095</u></u>
Amortisation charged in income statements for the year			
2007			<u>2,646,037</u>
2008			<u><u>3,307,012</u></u>

13. Other assets

	(Unit: Baht)	
	<u>2008</u>	<u>2007</u>
Prepaid rental expenses	140,615,873	152,441,565
Accounts receivable from sales of investments	7,234,646	4,843,500
Prepaid expenses	20,340,516	12,806,585
Deposits	19,032,376	15,436,401
Others	18,019,775	12,007,279
Total	<u>205,243,186</u>	<u>197,535,330</u>

14. Other liabilities

	(Unit: Baht)	
	<u>2008</u>	<u>2007</u>
Accrued commission expenses	403,511,371	386,437,669
Accrued expenses	132,441,605	125,210,803
Withholding tax payable	25,322,248	32,841,499
Premium received for policies not yet approved	53,248,871	124,490,043
Amounts received awaiting transfer	78,764,294	50,506,034
Unpaid benefits to life policies exempted premium	80,818,346	75,215,584
Forward contracts payables	26,575,250	18,820,150
Others	46,412,663	43,527,779
Total	<u>847,094,648</u>	<u>857,049,561</u>

15. Assets pledged with registrar

As at 31 December 2008 and 2007, the following assets have been pledged with the Registrar of the Office of Insurance Commission in accordance with the Life Assurance Act.

	(Unit: Baht)	
	<u>2008</u>	<u>2007</u>
State enterprise bond	<u>20,000,000</u>	<u>20,000,000</u>

16. Assets reserve with registrar

As at 31 December 2008 and 2007, the following assets have been pledged as life assurance policy reserve with the Registrar of the Office of Insurance Commission in accordance with the related section of the Life Assurance Act.

	(Unit: Baht)	
	<u>2008</u>	<u>2007</u>
Government bonds	3,605,788,757	2,362,597,078
State enterprise bonds	4,854,511,383	4,508,698,307
Total	<u>8,460,300,140</u>	<u>6,871,295,385</u>

17. Accrued dividends

The Company paid an accrued interim dividend of Baht 1,000 million to the shareholders on 3 April 2008. Such interim dividend was approved by resolution of the meeting of the Board of Directors held on 18 December 2007.

18. Warrants

18.1 On 23 November 2007, Extraordinary General Meeting No. 2 of the Company's shareholders passed a resolution approving the issuance of 20 million registered and non-transferrable warrants to subscribe to the Company's ordinary shares, to be allotted to employees. These warrants expire 5 years from the issue date or on the termination date of employment, if earlier. The exercise ratio is 1 warrant to 1 new ordinary share and the exercise price is the public offering price or the approximate trading price on the Stock Exchange of Thailand (SET) if the allocation to employees takes place after the Company is listed on the SET. Employees can exercise their rights for the first time 3 years after the subscription date.

18.2 On 29 May 2008, the Executive Board of Directors of the Company passed the resolution approving the offer of 11.5 million warrants to management-level employees. There are 8.5 million warrants that remain unallocated.

18.3 On 14 August 2008, the Board of Directors of the Company passed the resolution approving the revision of the detail of warrant which allotted to employees from "the exercise price is the public offering price or the approximate trading price on the SET" to "the exercise price is the public offering price".

19. Statutory reserve

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

In 2008, the Company transferred net income amounting to Baht 37.6 million (2007: Baht 38.5 million) to the statutory reserve.

20. Basic earnings per share

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

21. Contingent liabilities

As at 31 December 2008, the Company has been sued for damaged totaling approximately Baht 21.86 million as insurer. The outcomes of these causes have not yet been finalized.

22. Financial information by segment

The Company's operations involve a single industry segment in life insurance and are carried on in the single geographic area in Thailand. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned industry segment and geographic area.

23. Provident fund

The Company and its employees jointly established a provident fund in accordance with the Provident Fund Act. B.E. 2530. Such fund is monthly contributed to both by the employees at rates ranging from 5% to 8% of their basic salaries and the Company at rates ranging from 5% to 8% of the employees' basic salaries, based on length of service. The fund will be paid to the employees upon termination in accordance with the rules of fund. During 2008, a total of Baht 19.34 million (2007: Baht 16.16 million) has been contributed to the fund and recorded as expenses by the Company.

24. Dividends paid

Dividends declared in 2007 consist of the following: -

	Approved by	Total dividends	(Unit: Baht) Dividend per share
Interim dividends for 2007	Board of Directors' meeting on 18 December 2007	1,000,000,000	1.0
Final dividends for 2006	Annual General Meeting of the shareholders on 26 April 2007	<u>250,000,000</u>	2.5
Total dividends for 2007		<u><u>1,250,000,000</u></u>	

25. Commitments

The Company has entered into several lease agreements in respect of the lease of office building space, motor vehicles and equipments. The terms of the agreements are generally between 3 and 24 years for lease of building space and are generally between 1 and 5 years for lease of motor vehicles and equipments. Operating lease agreements can not be cancelled.

As at 31 December 2008, the Company has outstanding commitments as follows:

(Unit: Million Baht)

	Pay within			
	<u>1 year</u>	<u>2 - 5 years</u>	<u>5 years</u>	<u>Total</u>
Operating lease agreements	23.81	29.45	6.65	59.91
Services agreements	<u>28.98</u>	<u>48.63</u>	<u>21.94</u>	<u>99.55</u>
Total	<u>52.79</u>	<u>78.08</u>	<u>28.59</u>	<u>159.46</u>

As at 31 December 2007, the Company has outstanding commitments as follows:

(Unit: Million Baht)

	Pay within			
	<u>1 year</u>	<u>2 - 5 years</u>	<u>5 years</u>	<u>Total</u>
Operating lease agreements	17.87	12.16	7.60	37.63
Services agreements	<u>20.19</u>	<u>21.52</u>	<u>25.03</u>	<u>66.74</u>
Total	<u>38.06</u>	<u>33.68</u>	<u>32.63</u>	<u>104.37</u>

26. Financial instruments

26.1 Financial risk management

The Company's financial instruments principally comprise cash and deposits at financial institutions, investments in securities, loans, premium due and uncollected, accrued investment income, unpaid policy benefit, amounts due to reinsurers. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

Concentrations of the credit risk with respect to loans and premiums due and uncollected are insignificant due to the large number of customers comprising the customer base and their dispersion across different industries and geographic regions in Thailand. The maximum exposure to credit risk is the book value of assets as presented in balance sheet.

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

Interest rate risk

The Company's exposure to interest rate risk relates primarily to its deposits at financial institutions, investments in securities and loans. However, since most of the Company's financial assets bear fixed interest rates which are close to the market rate, the Company does not use derivatives to manage its interest rate risk.

Significant financial assets as at 31 December 2008 classified by type of interest rates are summarized in the table below.

(Unit: Baht)

	Balance as at 31 December 2008		
	No interest	Floating interest rate	Fixed interest rate
Deposits at financial institutions	126,965,381	234,674,258	2,020,000,000
Investments in securities - net			
Bonds	-	-	28,448,591,758
Notes	-	-	4,058,365,544
Debentures	1,900,000	214,477,262	7,206,483,896
Loans - net	-	33,708,030	1,764,731,753
Total	<u>128,865,381</u>	<u>482,859,550</u>	<u>43,498,172,951</u>

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.

	Within				Average
	1 year	2 - 5 years	Over 5 years	Total	interest rate
					(% p.a.)
Deposits at financial institutions	1,720,000,000	-	300,000,000	2,020,000,000	3.64
Investments in securities - net					
Bonds	562,591,214	5,103,504,339	22,782,496,205	28,448,591,758	5.40
Notes	1,343,365,544	395,000,000	2,320,000,000	4,058,365,544	5.00
Debentures	314,754,459	1,373,145,613	5,518,583,824	7,206,483,896	5.86
Loans - net	492,616	16,595,085	1,747,644,052	1,764,731,753	6.88-8.00
Total	<u>3,941,203,833</u>	<u>6,888,245,037</u>	<u>32,668,724,081</u>	<u>43,498,172,951</u>	

Foreign currency risk

The Company's significant exposure to foreign currency risk is in respect of its investments in bonds and unit trusts which are denominated in foreign currencies and reinsurance with foreign reinsurers. The Company utilises forward exchange contracts to manage the risk.

As at 31 December 2008, the balances of financial assets denominated in foreign currencies are summarised below.

Foreign currency	Financial assets	Average exchange rate as at 31 December 2008 (Baht per 1 foreign currency unit)
	(Million)	
US dollar	67.50	34.81

Foreign exchange contracts outstanding at 31 December 2008 are summarized below.

Foreign currency	Bought amount	Contractual exchange rate bought (Baht per 1 foreign currency unit)
	(Million)	
US dollar	67.50	33.00 - 34.00

26.2 Fair value

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by depending on the nature of the instrument.

The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

The following methods and assumptions were used by the Company in estimating the fair values of financial instruments:

Investments in securities

The fair values of listed securities are based on their quoted market prices.

The fair values of other securities cannot be properly calculated, and therefore no disclosure is made.

The fair values of deposits at financial institutions, bonds, debentures and notes with maturity periods of less than 90 days are based on their carrying values. For those with maturity periods longer than 90 days, fair values are estimated using a discounted cash flow analysis based on the current interest rate and the remaining period to maturity.

The fair value of debt securities in the form of embedded derivatives are based on the calculations made by the issuers.

Policy loans

The fair value of policy loan is based on the amount presented in the balance sheet.

As at 31 December 2008, the aggregate carrying values of the Company's financial instruments which are significantly different from their aggregate fair values can be defined as follows:

	<u>Carrying value</u>	<u>Fair value</u>
(Unit: Baht)		
Held-to-maturity debt securities		
Bonds - net	26,681,753,880	31,420,448,561
Debentures - net	7,315,321,449	8,019,622,460
Investments in notes in Note 5 (a) (exclusion of put option)	1,000,000,000	1,046,515,552
Investments in notes in Note 5 (b)	400,000,000	448,515,384
Investments in notes in Note 5 (c)	920,000,000	1,569,963,027
Promissory notes	1,738,335,544	the proper value cannot be calculated

The Company has recorded the above bonds, debentures and notes at their book values because the Company intends to hold the investments to maturity.

Investments in notes as Note 5 (a)

As at 31 December 2008, the Company may need to deposit additional amounts in the future under the promissory notes and bills of exchange agreements, as summarised below.

<u>Within</u>	<u>Unit: Million Baht</u>
Within 1 year	300
1 - 3 years	200
4 - 6 years	300
Total	<u>800</u>

27. Capital management

The primary objectives of the Company's capital management are to maintain the Company's ability to continue as a going concern and to maintain net capital rule in accordance with Notifications of the Office of Insurance Commission.

28. Approval of financial statements

These financial statements were authorised for issue by the Board of Directors on 23 February 2009.