

Bangkok Life Assurance Public Company Limited
Report and financial statements
31 December 2012

Independent Auditor's Report

To the Shareholders of Bangkok Life Assurance Public Company Limited

I have audited the accompanying financial statement of Bangkok Life Assurance Public Company Limited, which comprise the statement of financial position as at 31 December 2012, and the related statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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 2012, and its financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Nonglak Pumnoi
Certified Public Accountant (Thailand) No. 4172

Ernst & Young Office Limited
Bangkok: 22 February 2013

Bangkok Life Assurance Public Company Limited
Statement of financial position
As at 31 December 2012

	Note	2012	(Unit: Baht) 2011
Assets			
Cash and cash equivalent	6, 29	865,845,947	2,736,720,476
Accrued investment income		1,500,076,847	1,375,597,931
Premium receivables	7	1,612,729,639	2,312,647,445
Reinsurance assets	8, 29	510,012,812	332,055,036
Investment assets			
Investments in securities	29		
Trading investments	9.1	477,236,368	299,019,595
Available-for-sale investments	9.2	18,395,331,360	13,358,947,452
Held-to-maturity investments	9.3, 30, 31	116,059,781,262	89,394,339,476
Other investments	9.4	46,962,230	29,587,830
Loans	10, 29	2,649,100,421	2,113,082,452
Property, buildings and equipment	11	304,954,930	306,415,271
Intangible assets	12	17,202,032	21,390,815
Other assets	13, 29	347,978,903	179,608,126
Total assets		142,787,212,751	112,459,411,905

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

Bangkok Life Assurance Public Company Limited
Statement of financial position (Continued)
As at 31 December 2012

	Note	2012	(Unit: Baht) 2011
Liabilities and equity			
Liabilities			
Income tax payable		581,526,761	738,563,265
Amount due to reinsurers	14, 29	400,098,875	266,778,378
Insurance contract liabilities			
Life policy reserve	15	111,259,206,400	88,386,403,850
Unpaid policy benefits	16	88,460,596	82,588,130
Loss reserves and outstanding claims	17, 29	340,909,580	333,830,276
Premium reserve	18	1,078,120,949	1,085,196,967
Other insurance liabilities		7,279,716,866	6,852,174,216
Employee benefit obligations	19	266,958,660	233,793,703
Other liabilities	20, 29	1,519,141,914	1,048,861,404
Total liabilities		122,814,140,601	99,028,190,189

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

Bangkok Life Assurance Public Company Limited
Statement of financial position (Continued)
As at 31 December 2012

	Note	2012	(Unit: Baht) 2011
Equity			
Share capital			
Registered			
1,220,000,000 ordinary shares of Baht 1 each		1,220,000,000	1,220,000,000
Issued and fully paid up			
1,204,771,855 ordinary shares of Baht 1 each	21	1,204,771,855	1,200,000,000
Premium on share capital		2,759,469,456	2,699,821,268
Capital reserve for share-based payment transactions	21	28,315,191	-
Subscription received in advance from exercise of warrants		35,477,257	-
Retained earnings			
Appropriated			
Legal reserve	23	122,000,000	122,000,000
General reserve		400,000,000	400,000,000
Unappropriated		8,981,322,350	6,531,692,293
Other components of equity		6,441,716,041	2,477,708,155
Total equity		19,973,072,150	13,431,221,716
Total liabilities and equity		142,787,212,751	112,459,411,905
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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
Statement of income
For the year ended 31 December 2012

		(Unit: Baht)	
	Note	2012	2011
Income			
Net earned premium	24, 29	34,127,629,145	31,066,702,999
Net investment income	29	5,703,833,360	4,697,720,065
Total income		39,831,462,505	35,764,423,064
Expenses			
Underwriting			
Life policy reserve increase from previous year	24	22,872,802,550	20,196,606,260
Benefit payments to life policies and benefit adjustment expenses	24	6,542,697,588	5,380,207,311
Claims and losses adjustment expenses	24, 29	1,428,694,711	1,559,104,914
Commissions and brokerages expenses	24, 29	2,758,143,553	2,439,192,599
Sales promotion expenses	24	333,838,932	328,773,706
Other underwriting expenses	24, 29	30,223,750	20,784,146
Operating expenses	25, 29	1,479,141,882	1,250,099,832
Total underwriting expenses		35,445,542,966	31,174,768,768
Profit from underwriting		4,385,919,539	4,589,654,296
Gains on investments	9	500,591,623	326,486,406
Fair value gains (losses) on trading investments	9	1,190,138	(13,216,817)
Other income		19,758,278	16,290,869
Gains (losses) on exchange		(49,396,462)	12,507,829
Profit from operations		4,858,063,116	4,931,722,583
Contribution to the Office of Insurance Commission		59,344,870	57,709,635
Contribution to the Life Insurance Fund		34,640,205	31,556,169
Profit before income tax expenses		4,764,078,041	4,842,456,779
Income tax expenses	27	1,479,708,284	1,425,358,620
Profit for the year		3,284,369,757	3,417,098,159
Earnings per share			
28			
Basic earnings per share			
Profit for the year		2.734	2.848
Diluted earnings per share			
Profit for the year		2.716	2.827

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

Bangkok Life Assurance Public Company Limited
Statement of comprehensive income
For the year ended 31 December 2012

	2012	(Unit: Baht) 2011
Profit for the year	<u>3,284,369,757</u>	<u>3,417,098,159</u>
Other comprehensive income		
Gains on changes in values of available-for-sale investments	<u>3,964,007,886</u>	<u>137,003,930</u>
Other comprehensive income for the year	<u>3,964,007,886</u>	<u>137,003,930</u>
Total comprehensive income for the year	<u><u>7,248,377,643</u></u>	<u><u>3,554,102,089</u></u>

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

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

For the year ended 31 December 2012

	(Unit: Baht)	
	2012	2011
Cash flows from operating activities		
Direct premium written, net	34,535,018,568	29,742,780,760
Interest income	4,846,286,478	3,775,208,609
Dividend income	733,067,964	534,207,344
Other investment income	521,473,361	395,567,503
Other income	19,487,272	16,768,826
Benefit payments to life policies during the year	(7,381,664,053)	(6,331,418,362)
Dividends to policyholders	(74,423,900)	(44,776,600)
Commissions and brokerages	(2,703,652,234)	(2,623,444,010)
Other underwriting expenses	(299,344,075)	(462,396,505)
Operating expenses	(1,218,007,372)	(1,085,544,368)
Other expenses	(94,320,857)	(90,467,707)
Corporate income tax	(1,636,744,788)	(1,188,000,089)
Net cash from operating activities	27,247,176,364	22,638,485,401
Cash flows from investing activities		
Cash flows from		
Investments in securities	84,471,878,655	128,580,469,709
Loans	733,715,091	916,754,630
Deposits at financial institutions	1,875,000,000	-
Property and equipment	962,582	104,406
Net cash from investing activities	87,081,556,328	129,497,328,745
Cash flows used in		
Investments in securities	(113,776,325,485)	(149,812,723,167)
Loans	(1,066,251,879)	(615,166,001)
Deposits at financial institutions	(750,000,000)	(1,575,000,000)
Property and equipment	(72,187,457)	(44,341,164)
Net cash used in investing activities	(115,664,764,821)	(152,047,230,332)
Net cash used in investing activities	(28,583,208,493)	(22,549,901,587)
Cash flows from financing activities		
Subscription received from exercise of warrants	99,897,300	-
Loans	200,000,000	-
Dividends paid	(834,739,700)	(931,396,297)
Net cash used in financing activities	(534,842,400)	(931,396,297)
Net decrease in cash and cash equivalents	(1,870,874,529)	(842,812,483)
Cash and cash equivalents at beginning of year	2,736,720,476	3,579,532,959
Cash and cash equivalents at end of year (Note 6)	865,845,947	2,736,720,476
Supplemental cash flows information		
Non-cash item		
Gains on changes in values of available-for-sale investments	3,964,007,886	137,003,930
Capital reserve for share-based payment	28,315,191	-

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

Bangkok Life Assurance Public Company Limited

Statement of changes in equity

For the year ended 31 December 2012

(Unit: Baht)

	Note	Other components of equity									Total
		Issued and fully paid-up share capital	Share premium	Capital reserve		Retained earnings			Other comprehensive income		
				for share-based payment transactions	Subscription received in advance from exercise of warrants	Appropriated		Surplus on changes in value of available-for-sale investments	Total other components of equity		
						Legal reserve	General reserve			Unappropriated	
Balance as at 31 December 2010		1,200,000,000	2,699,821,268	-	-	122,000,000	400,000,000	4,154,178,577	2,340,704,225	2,340,704,225	10,916,704,070
Cumulative effect of change in accounting policy											
for employee benefits		-	-	-	-	-	-	(108,188,146)	-	-	(108,188,146)
Dividend paid	22	-	-	-	-	-	-	(931,396,297)	-	-	(931,396,297)
Total comprehensive income for the year		-	-	-	-	-	-	3,417,098,159	137,003,930	137,003,930	3,554,102,089
Balance as at 31 December 2011		<u>1,200,000,000</u>	<u>2,699,821,268</u>	<u>-</u>	<u>-</u>	<u>122,000,000</u>	<u>400,000,000</u>	<u>6,531,692,293</u>	<u>2,477,708,155</u>	<u>2,477,708,155</u>	<u>13,431,221,716</u>
Balance as at 31 December 2011		1,200,000,000	2,699,821,268	-	-	122,000,000	400,000,000	6,531,692,293	2,477,708,155	2,477,708,155	13,431,221,716
Capital reserve for share-based payment transactions	21	-	-	28,315,191	-	-	-	-	-	-	28,315,191
Increase share capital from exercise of warrants	21	4,771,855	59,648,188	-	-	-	-	-	-	-	64,420,043
Subscription received in advance from exercise of warrant		-	-	-	35,477,257	-	-	-	-	-	35,477,257
Dividend paid	22	-	-	-	-	-	-	(834,739,700)	-	-	(834,739,700)
Total comprehensive income for the year		-	-	-	-	-	-	3,284,369,757	3,964,007,886	3,964,007,886	7,248,377,643
Balance as at 31 December 2012		<u>1,204,771,855</u>	<u>2,759,469,456</u>	<u>28,315,191</u>	<u>35,477,257</u>	<u>122,000,000</u>	<u>400,000,000</u>	<u>8,981,322,350</u>	<u>6,441,716,041</u>	<u>6,441,716,041</u>	<u>19,973,072,150</u>
		-	-	-	-	-	-	-	-	-	-

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

Bangkok Life Assurance Public Company Limited

Notes to financial statements

For the year ended 31 December 2012

1. General 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 registered office of the Company is at 23/115-121, Royal City Avenue, Rama 9 Road, Bangkok, Huaykwang, Bangkok.

2. Basis of preparation

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547, and where applicable Thai accounting practices related to life insurance and the accounting and reporting guidelines prescribed by the Office of Insurance Commission (“OIC”). The presentation of the financial statements has been made in compliance with the Declaration of the Insurance Commission dated 27 May 2010.

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 Thai language financial statements.

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

3. New accounting standards not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Financial Reporting Standard:

TFRS 8 Operating Segments

Accounting Standard Interpretations:

SIC 10 Government Assistance - No Specific Relation to Operating Activities

SIC 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets

SIC 25 Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standard.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognize deferred tax assets and liabilities under the stipulated guidelines. The management of the Company expects the adoption of this accounting standard to have the effect of increasing the Company's brought-forward retained earnings of the year 2013 by approximately Baht 780 million and decreasing the brought-forward balance of other components of equity of the year 2013 by Baht 1,288 million.

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555 – 34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

	<u>Effective date</u>
Accounting Treatment Guidance for Transfers of Financial Assets	1 January 2013
Accounting Standard Interpretation:	
SIC 29 Service Concession Arrangements: Disclosures	1 January 2014
Financial Reporting Standard Interpretations:	
TFRIC 4 Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 12 Service Concession Arrangements	1 January 2014
TFRIC 13 Customer Loyalty Programmes	1 January 2014

The management of the Company has assessed the effect of these standards and believes that accounting treatment guidance, accounting standard interpretation and financial reporting standard interpretations are not relevant to the business of the Company.

4. Significant accounting policies

4.1 Revenue recognition

(a) Premium income

Premium income is recognised as income on the effective date less premium ceded and refund. For renewal premium income is recognised when the premium is due, and if the policy is still in force at the end of reporting period.

(b) Interest income and dividends on investments

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

(c) Interest incomes on loan

Interest income 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.

(d) Income (expense) on investment

Income (expense) on investment is recognised as income or expense when incurred.

4.2 Expenses recognition

(a) Ceded premium

Ceded premium are recognised as expenses when the risks is transfer to the reinsurer.

(b) Commissions and brokerages

Commission and brokerage fees are expended when incurred.

(c) Claims and losses adjustment expenses

Claims and losses adjustment expenses consist of claims and losses adjustment expenses of insurance, and include the amounts of the claims, related expenses, and loss adjustments of the current and prior period incurred during the year, and less claims refundable from reinsurers.

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

(d) Benefit payments to life policies

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

4.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, and all highly liquid investments with an original maturity of 3 months or less and not subject to withdrawal restrictions.

4.4 Premium receivables and allowance for doubtful accounts

Premium receivable is stated at net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and a review of current status of the premium receivables as at the end of reporting period.

4.5 Reinsurance assets and due to reinsurers

(a) Reinsurance assets are stated at the outstanding balance of amount due from reinsurers and insurance reserve refundable from reinsurers.

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

Insurance reserve refundable from reinsurers is estimated based on the related reinsurance contract of loss reserve and outstanding claims in accordance with the law regarding insurance reserve calculation.

- (b) Amounts due from reinsurers are stated at the outstanding balance payable from reinsurance.

Amount due to reinsurers consist of reinsurance premiums and other items payable to reinsurers, excluding claims.

The Company presents net of reinsurance to the same entity (reinsurance assets or amounts due to reinsurers) when the following criteria for offsetting are met.

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

4.6 Investments in securities

- (a) Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss. 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 fair value of these securities are recorded in comprehensive income, and will be recorded in profit or loss when the securities are sold.
- (c) Investments in debt securities, both due within one year and expected to be held to maturity, are recorded at amortised cost. The premium/discount on debt securities is amortised/accreted by the effective rate method with the amortised/accreted 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 impairment (if any).

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

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

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

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

4.7 Loans and allowance for doubtful accounts

Loans are stated at net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience, analysis of debt aging and the appraisal value of the collateral of each debt.

4.8 Property, buildings and equipment and depreciation

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

Depreciation of buildings 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.

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

Depreciation is included in determining income.

No depreciation is provided for land and construction in progress.

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

4.9 Intangible assets and amortisation

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

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

The useful lives of intangible assets with finite useful lives which are computer software are expected to generate economic benefit within 3 years, 5 years and 10 years.

4.10 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.

4.11 Life premium reserve

Life assurance policy reserve represents the accumulated total liability for policies in force as at the end of the reporting period. Such reserves are set aside for estimated future claims under all life insurance policies in force. The Company calculates reserve under long-term policies with reference to net level premium reserve ("NPV"), which is an actuarial method, and assumptions as to mortality rate, morbidity rate, age and discount rate.

4.12 Loss reserve and outstanding claims

Outstanding claims are recorded at the amount to be actually paid. Loss reserve is provided upon receipt of claim advices from the insured based on the claims notified by the insured, and estimates made by the Company's management. The Company has to allocate IBNR, which is calculated by the actuarial method. The maximum value of claims estimate is not however, to exceed the sum-insured under the relevant policy.

4.13 Premium reserve

Premium reserve consists of unearned premium reserve and unexpired risks reserve.

- (a) Unearned premium reserve for other insurance and group insurance is set aside at the rate of 40% of net premium written for the year.
- (b) Unexpired risks reserve

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

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

4.14 Long-term lease

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

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

4.15 Foreign currencies

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period. Gains and losses on exchange are included in determining income.

4.16 Impairment of assets

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

An impairment loss is recognised in profit or loss.

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

4.17 Employee benefits

Short-term employee benefits

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

Post-employment benefits and other long-term employee benefits

Defined contribution plans

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

Defined benefit plans and other long-term employee benefits

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

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

Actuarial gains and losses arising from post-employment benefits and other long-term benefits are recognised immediately in profit or loss.

The defined benefits liability and other long-term benefit liabilities comprise the present value of the defined benefit obligation less unrecognised past service cost and unrecognised actuarial gains or losses.

For the first-time adoption of TAS 19 Employee Benefits in 2011, the Company elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in 2011.

4.18 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.

4.19 Income tax

Income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

4.20 Derivatives

Forward exchange contracts

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

Cross currency swap agreement

Payables and receivables arising from cross currency swap agreements are translated into Baht at the rates of exchange ruling at the end of reporting period. Unrecognised gains and losses from the translation are recognised in profit or loss.

4.21 Share-based payment transactions

The Company recognises the share-based payment transactions at the date on which the options are granted, based on the fair value of the share options. They are recorded as expenses over the vesting period of the share options, and a capital reserve for share-based payment transactions is presented in equity.

Estimating fair value for share-based payment transactions requires determination relating to appropriate assumptions, including the expected life of the share options, share price volatility and dividend yield.

5. Significant accounting judgments and estimates

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

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

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Impairment of equity investments

The Company treats available-for-sale equity investments and other investments 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 of the management.

Property, buildings and equipment/Depreciation

In determining depreciation of buildings and equipment, the management is required to make estimates of the useful lives and residual values of the Company's, buildings and equipment and to reviews estimated useful lives and residual values when there are any changes.

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

Intangible assets

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

Life insurance premium reserve

Life insurance premium reserve is calculated under the actuarial method, based on the current assumptions or on assumptions established at inception of the contract which reflect the best estimate at the time increased with a margin for risk and adverse deviation. The main assumptions used relate to mortality, morbidity, longevity, and discount rates.

Loss reserve and outstanding claims

At each reporting period, the Company has to estimate loss reserve and outstanding claims taking into account two parts. These are the claims incurred and reported at the reporting date, and the claims incurred but not reported (IBNR) at the reporting date. The main assumptions underlying these actuarial techniques relate to historical experience, including the development of claims estimates, paid and incurred losses, average costs per claim and claim numbers, etc.

Nevertheless, such estimates are forecasts of future outcomes, and actual results could differ.

Unexpired risk reserve

Unexpired risk reserve is calculated using an actuarial method, based on a best estimate of the claims expected to be paid over the remaining term of the insurance. Estimating the reserve requires the management to exercise judgment, with reference to historical data and the best estimates available at the time.

Post-employment benefits under defined benefit plans and other long-term employee benefits

The obligation under the defined benefit plan and other long-term employee benefit plans is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

Cost of share-based payment transactions

Estimating the cost of share-based payment transactions requires the determination of the fair value of the options granted under the transactions which involves appropriate assumptions, including but not limited to the expected life of the share options, share price volatility and dividend yield.

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 end of reporting period.

6. Cash and cash equivalents

	(Unit: Baht)	
	2012	2011
Cash on hand	6,438,416	5,741,220
Deposits at banks with no fixed maturity date	859,407,531	710,979,256
Deposits at banks with fixed maturity date	750,000,000	1,875,000,000
Total cash and financial institutions	1,615,845,947	2,591,720,476
Short-term investment which amounts maturing within 3 months	-	2,020,000,000
Less: Deposits at banks which amounts maturing in over 3 months	(750,000,000)	(1,875,000,000)
Cash and cash equivalents	<u>865,845,947</u>	<u>2,736,720,476</u>

As at 31 December 2012, interest rates of saving account, fixed account and promissory notes are 0.063% - 6.10% per annum (2011: 0.75% - 6.10% per annum).

7. Premium receivables

The balances as at 31 December 2012 and 2011 of premium receivables are classified by aging from the maturity date under the stipulated credit terms as follows:

	(Unit: Baht)		
	2012		
	Due from insured	Due from agents and brokers	Total
Not yet due	1,561,794,383	27,009,885	1,588,804,268
Not over 30 days	192,880	7,344,220	7,537,100
Over 30 days to 60 days	970,342	5,327,853	6,298,195
Over 60 days to 90 days	1,208,521	3,986,228	5,194,749
Over 90 days to 1 year	1,655,794	2,828,770	4,484,564
Over 1 year	10,315	400,448	410,763
Total premium receivables	<u>1,565,832,235</u>	<u>46,897,404</u>	<u>1,612,729,639</u>

(Unit: Baht)

	2011		
	Due from	Due from agents	Total
	insured	and brokers	
Not yet due	2,243,833,205	28,594,810	2,272,428,015
Not over 30 days	1,633,290	13,826,807	15,460,097
Over 30 days to 60 days	2,678,410	3,149,146	5,827,556
Over 60 days to 90 days	1,223,199	2,970,963	4,194,162
Over 90 days to 1 year	799,176	13,565,635	14,364,811
Over 1 year	10,315	362,489	372,804
Total premium receivables	<u>2,250,177,595</u>	<u>62,469,850</u>	<u>2,312,647,445</u>

For premium receivables due form agents and brokers, the Company has stipulated credit term. For overdue premium receivables, the Company has the legal process with such agents and brokers.

8. Reinsurance assets

	(Unit: Baht)	
	2012	2011
Insurance reserve refundable from reinsurers	66,994,992	44,362,258
Amounts due from reinsurers	443,017,820	287,692,778
Reinsurance assets	<u>510,012,812</u>	<u>332,055,036</u>

The balances as at 31 December 2012 and 2011 of amounts due from reinsurers are classified by aging as follows:

	(Unit: Baht)	
	2012	2011
Not yet due	443,017,820	287,692,778
Total amounts due from reinsurers	<u>443,017,820</u>	<u>287,692,778</u>

9. Investments in securities

9.1 Trading investments

(Unit: Baht)

	2012					2011				
	Cost	Unrealised gains	Unrealised losses	Fair Value	Percentage of total asset	Cost	Unrealised gains	Unrealised losses	Fair Value	Percentage of total asset
Government and state enterprise securities										
Thai government bond	476,046,230	3,261,599	(2,071,461)	477,236,368	0.33	-	-	-	-	-
Total	476,046,230	3,261,599	(2,071,461)	477,236,368	0.33	-	-	-	-	-
Private enterprises debt securities										
Equity securities	-	-	-	-	-	312,236,412	626,240	(16,169,802)	296,692,850	0.26
Warrants	-	-	-	-	-	-	2,326,745	-	2,326,745	0.01
Total	-	-	-	-	-	312,236,412	2,952,985	(16,169,802)	299,019,595	0.27
Total trading investments	476,046,230	3,261,599	(2,071,461)	477,236,368	0.33	312,236,412	2,952,985	(16,169,802)	299,019,595	0.27

9.2 Available-for-sale investments

(Unit: Baht)

	2012					2011				
	Cost	Unrealised gains	Unrealised losses	Fair Value	Percentage of total asset	Cost	Unrealised gains	Unrealised losses	Fair Value	Percentage of total asset
Government and state enterprise securities										
Thai government bond	3,098,389,385	71,168,953	-	3,169,558,338	2.22	2,958,300,610	68,610,850	(890,678)	3,026,020,782	2.69
Equity securities	235,579,111	254,012,239	-	489,591,350	0.34	385,914,167	-	(59,788,037)	326,126,130	0.29
Total	3,333,968,496	325,181,192	-	3,659,149,688	2.56	3,344,214,777	68,610,850	(60,678,715)	3,352,146,912	2.98
Private enterprises debt securities										
Debenture	-	-	-	-	-	50,000,157	1,416,923	-	51,417,080	0.05
Equity securities	6,400,851,827	5,796,101,012	(16,458,349)	12,180,494,490	8.53	5,247,888,506	2,374,374,096	(47,344,497)	7,574,918,105	6.74
Unit trusts	1,327,416,487	204,808,780	(12,137,654)	1,520,087,613	1.06	1,814,664,836	169,061,811	(10,618,848)	1,973,107,799	1.75
Total	7,728,268,314	6,000,909,792	(28,596,003)	13,700,582,103	9.59	7,112,553,499	2,544,852,830	(57,963,345)	9,599,442,984	8.54
Foreign securities										
Unit trusts	921,608,000	141,581,775	(27,590,206)	1,035,599,569	0.73	423,350,000	14,957,245	(30,949,689)	407,357,556	0.36
Total	921,608,000	141,581,775	(27,590,206)	1,035,599,569	0.73	423,350,000	14,957,245	(30,949,689)	407,357,556	0.36
Total available-for-sale investments	11,983,844,810	6,467,672,759	(56,186,209)	18,395,331,360	12.88	10,880,118,276	2,628,420,925	(149,591,749)	13,358,947,452	11.88

9.3 Held-to-maturity investments

(Unit: Baht)

	2012		2011	
	Cost/ Amortised cost	Percentage of total asset	Cost/ Amortised cost	Percentage of total asset
Government and state enterprise securities				
Thai government bond	70,965,540,915	49.70	48,467,761,460	43.10
State enterprise bond	14,266,402,411	9.99	13,884,381,226	12.35
Debenture	2,595,140,818	1.82	2,116,059,896	1.88
Promissory note	2,500,000,000	1.75	395,000,000	0.35
Total	90,327,084,144	63.26	64,863,202,582	57.68
Private enterprises debt securities				
Promissory note - bills of exchange	9,072,307,669	6.35	9,480,000,000	8.43
Debenture	9,739,819,027	6.82	8,380,621,815	7.45
Total	18,812,126,696	13.17	17,860,621,815	15.88
Foreign debt securities				
Bond	2,370,936,657	1.66	2,068,763,701	1.84
Debenture	3,799,633,765	2.66	2,726,751,378	2.42
Total	6,170,570,422	4.32	4,795,515,079	4.26
Deposit at financial institutions which amounts maturing in over 3 months				
Deposit at bank	450,000,000	0.32	1,575,000,000	1.40
Certificate of deposit	300,000,000	0.21	300,000,000	0.27
Total	750,000,000	0.53	1,875,000,000	1.67
Total held-to-maturity investments	116,059,781,262	81.28	89,394,339,476	79.49

9.4 Other investments

(Unit: Baht)

	2012		2011	
	Cost	Percentage of total asset	Cost	Percentage of total asset
Investment in non-listed companies				
Thailand	29,887,830	0.02	29,587,830	0.03
Overseas	17,074,400	0.01	-	-
Total	46,962,230	0.03	29,587,830	0.03

9.5 Maturity of debt securities

(Unit: Baht)

	2012				2011			
	Period to maturity			Total	Period to maturity			Total
	Within 1 year	1 – 5 years	Over 5 years		Within 1 year	1 – 5 years	Over 5 years	
Trading investment								
Government and state enterprise securities								
Thai government bond	-	-	476,046,230	476,046,230	-	-	-	-
Add: Unrealised gains on changes in values of investments	-	-	1,190,138	1,190,138	-	-	-	-
Total	-	-	477,236,368	477,236,368	-	-	-	-
Available-for-sale investment								
Government and state enterprise securities								
Thai government bond	-	1,718,370,905	1,380,018,480	3,098,389,385	-	1,263,769,233	1,694,531,377	2,958,300,610
Add: Unrealised gains on changes in values of investments	-	23,446,166	47,722,787	71,168,953	-	1,910,708	65,809,465	67,720,173
Total	-	1,741,817,071	1,427,741,267	3,169,558,338	-	1,265,679,941	1,760,340,842	3,026,020,783
Private enterprises securities								
Debenture	-	-	-	-	50,000,157	-	-	50,000,157
Add: Unrealised gains on changes in values of investments	-	-	-	-	1,416,923	-	-	1,416,923
Total	-	-	-	-	51,417,080	-	-	51,417,080
Total available-for-sale investments	-	1,741,817,071	1,427,741,267	3,169,558,338	51,417,080	1,265,679,941	1,760,340,842	3,077,437,863
Held-to-maturity investment								
Government and state enterprise securities								
Thai government bond	995,364,662	3,986,825,845	65,983,350,408	70,965,540,915	-	2,833,957,436	45,633,804,024	48,467,761,460
State enterprise bond	949,912,063	3,216,799,996	10,099,690,352	14,266,402,411	1,033,831,067	3,731,948,919	9,118,601,240	13,884,381,226
Debenture	-	820,422,922	1,774,717,896	2,595,140,818	-	820,774,187	1,295,285,710	2,116,059,897
Promissory notes	-	-	2,500,000,000	2,500,000,000	395,000,000	-	-	395,000,000
Total	1,945,276,725	8,024,048,763	80,357,758,656	90,327,084,144	1,428,831,067	7,386,680,542	56,047,690,974	64,863,202,583
Private enterprises securities								
Promissory notes - bills of exchange	-	2,370,000,000	6,702,307,669	9,072,307,669	4,550,000,000	1,630,000,000	3,300,000,000	9,480,000,000
Debenture	560,000,000	1,758,000,000	7,421,819,027	9,739,819,027	220,000,000	2,126,000,000	6,034,621,815	8,380,621,815
Total	560,000,000	4,128,000,000	14,124,126,696	18,812,126,696	4,770,000,000	3,756,000,000	9,334,621,815	17,860,621,815
Foreign investments								
Bond	380,704,403	1,590,232,254	400,000,000	2,370,936,657	-	1,468,763,701	600,000,000	2,068,763,701
Debenture	-	2,161,628,698	1,638,005,067	3,799,633,765	-	1,500,709,660	1,226,041,717	2,726,751,377
Total	380,704,403	3,751,860,952	2,038,005,067	6,170,570,422	-	2,969,473,361	1,826,041,717	4,795,515,078
Deposit at financial institutions which amounts maturing in over 3 months								
Certificated deposit	-	300,000,000	-	300,000,000	-	300,000,000	-	300,000,000
Deposit at bank	50,000,000	400,000,000	-	450,000,000	1,575,000,000	-	-	1,575,000,000
Total	50,000,000	700,000,000	-	750,000,000	1,575,000,000	300,000,000	-	1,875,000,000
Total held-to-maturity investments	2,935,981,128	16,603,909,715	96,519,890,419	116,059,781,262	7,773,831,067	14,412,153,903	67,208,354,506	89,394,339,476

As at 31 December 2012, the Company has pledged government and state enterprise bonds of Baht 20,836.47 million (2011: Baht 17,238.64 million) as life assurance policy reserve and assets pledged with the Registrar in accordance with the Life Insurance Act as mentioned in Notes 30 and 31.

- (a) As at 31 December 2012, the Company has investments of Baht 1,400 million (2011: Baht 1,800 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 - 9 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 2012, the Company has investments of Baht 1,570 million (2011: Baht 1,330 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 banks, have remaining lives of 4 years, and contain conditions whereby settlement of principal and interest is to be received on the maturity date per the agreement.
- (c) As at 31 December 2012, the Company has investments of Baht 3,600 million (2011: Baht 600 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 banks, have remaining lives of 7 – 10 years, and contain conditions whereby settlement of principal and interest is to be received based on the rate of return of government bond (CMT Index).
- (d) As at 31 December 2012, the Company has investments of Baht 1,702.31 million (2011: Baht 900 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 banks, have remaining lives of 7 - 15 years, and contain conditions whereby settlement of principal is based on the credit event.

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 (b).

The Company recorded gains (losses) from investments in securities for the years ended 31 December 2012 and 2011 by included the following.

	(Unit: Baht)	
	2012	2011
Unrealised gains (losses) from trading securities	1,190,138	(13,216,817)
Gains from sales of trading securities	124,550,181	56,940,570
Gains from sales of available-for-sale securities	347,747,459	283,770,601
Gains from sales of held-to-maturity securities	7,801,283	3,390,822
Unrealised gains (losses) on foreign exchange contracts	20,492,700	(17,632,500)
Reversal of impairment loss	-	16,913
Total	501,781,761	313,269,589

10. Loans and accrued interest

As at 31 December 2012 and 2011, the balances of loans and accrued interest are aged by principal and accrued interest as follows:

Outstanding period	(Unit: Baht)								
	2012								
	Policy loans		Mortgage loans		Other loans		Total		
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Total
Current									
Overdue:	2,379,924,493	177,370,233	250,004,809	27,795	17,274,290	-	2,647,203,592	177,398,028	2,824,601,620
Less than 6 months									
6 - 12 months	-	-	639,699	3,143	-	-	639,699	3,143	642,842
Over 12 months	-	-	-	-	16,188	-	16,188	-	16,188
Total	-	-	1,222,637	79,478	84,713	1,583	1,307,350	81,061	1,388,411
Less: Allowance for doubtful accounts	2,379,924,493	177,370,233	251,867,145	110,416	17,375,191	1,583	2,649,166,829	177,482,232	2,826,649,061
	-	-	(66,408)	(79,478)	-	-	(66,408)	(79,478)	(145,886)
Loans and accrued interest - net	2,379,924,493	177,370,233	251,800,737	30,938	17,375,191	1,583	2,649,100,421	177,402,754	2,826,503,175

Outstanding period	(Unit: Baht)								
	2011								
	Policy loans		Mortgage loans		Other loans		Total		
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Total
Current	1,939,305,479	136,778,194	155,587,371	38,546	16,145,621	-	2,111,038,471	136,816,740	2,247,855,211
Overdue:									
Less than 6 months	-	-	724,652	4,308	-	-	724,652	4,308	728,960
6 - 12 months	-	-	-	-	14,592	-	14,592	-	14,592
Over 12 months	-	-	1,258,520	79,478	112,625	3,353	1,371,145	82,831	1,453,976
Total	1,939,305,479	136,778,194	157,570,543	122,332	16,272,838	3,353	2,113,148,860	136,903,879	2,250,052,739
Less: Allowance for doubtful accounts	1,939,305,479	136,778,194	157,570,543	122,332	16,272,838	3,353	2,113,082,452	136,824,401	2,249,906,853
	-	-	(66,408)	(79,478)	-	-	(66,408)	(79,478)	(145,886)
Loans and accrued interest - net	1,939,305,479	136,778,194	157,504,135	42,854	16,272,838	3,353	2,113,082,452	136,824,401	2,249,906,853

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 percent and 5 percent per annum, respectively. As at 31 December 2012, loans to employees and agents totaled Baht 68.90 million (2011: Baht 67.06 million).

11. Property, buildings and equipment

(Unit: Baht)

	Land	Buildings and buildings improvements	Condominium	Office furniture, fixture and equipment	Motor vehicles	Properties foreclosed	Construction In progress	Total
Cost:								
1 January 2011	72,476,800	322,211,933	36,632,960	393,035,120	21,957,565	6,685,000	825,000	853,824,378
Additions	-	3,757,381	-	37,976,026	1,248,757	-	1,359,000	44,341,164
Disposals	-	-	-	(7,049,551)	-	-	-	(7,049,551)
Transfer in (out)	-	829,000	-	1,355,000	-	-	(2,184,000)	-
31 December 2011	72,476,800	326,798,314	36,632,960	425,316,595	23,206,322	6,685,000	-	891,115,991
Additions	24,764,090	3,067,796	-	36,288,991	1,626,580	-	6,440,000	72,187,457
Disposals	-	-	-	(11,619,125)	(4,123,000)	-	-	(15,742,125)
31 December 2012	97,240,890	329,866,110	36,632,960	449,986,461	20,709,902	6,685,000	6,440,000	947,561,323
Accumulated depreciation:								
1 January 2011	-	207,662,022	13,127,647	279,097,940	13,429,024	1,459,973	-	514,776,606
Depreciation on disposals	-	-	-	(6,855,662)	-	-	-	(6,855,662)
Depreciation for the year	-	21,982,362	1,831,648	49,324,969	3,515,797	125,000	-	76,779,776
31 December 2011	-	229,644,384	14,959,295	321,567,247	16,944,821	1,584,973	-	584,700,720
Depreciation on disposals	-	-	-	(11,287,020)	(4,122,980)	-	-	(15,410,000)
Depreciation for the year	-	17,099,902	1,831,648	50,828,346	3,465,777	90,000	-	73,315,673
31 December 2012	-	246,744,286	16,790,943	361,108,573	16,287,618	1,674,973	-	642,606,393
Net book value:								
31 December 2011	72,476,800	97,153,930	21,673,665	103,749,348	6,261,501	5,100,027	-	306,415,271
31 December 2012	97,240,890	83,121,824	19,842,017	88,877,888	4,422,284	5,010,027	6,440,000	304,954,930
Depreciation for the year								
2011								76,779,776
2012								73,315,673

As at 31 December 2012, certain of the buildings 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 343.25 million (2011: Baht 313.26 million).

12. Intangible assets

(Unit: Baht)

	Software	System development in progress	Total
Cost:			
1 January 2011	48,876,665	160,500	49,037,165
Increase	11,949,609	-	11,949,609
Adjust	(232,477)	-	(232,477)
31 December 2011	60,593,797	160,500	60,754,297
Increase	5,753,500	-	5,753,500
31 December 2012	66,347,297	160,500	66,507,797
Accumulated amortisation:			
1 January 2011	30,088,134	-	30,088,134
Amortisation charged for the year	9,275,348	-	9,275,348
31 December 2011	39,363,482	-	39,363,482
Amortisation charged for the year	9,942,283	-	9,942,283
31 December 2012	49,305,765	-	49,305,765
Net book value			
31 December 2011	21,230,315	160,500	21,390,815
31 December 2012	17,041,532	160,500	17,202,032
Amortisation for the year			
2011			9,275,348
2012			9,942,283

13. Other assets

(Unit: Baht)

	2012	2011
Prepaid rental expenses	93,410,039	105,235,731
Receivable from sales of investments	193,287,500	5,651,811
Prepaid expenses	24,459,693	32,565,528
Deposits	19,160,406	24,770,787
Others	17,661,265	11,384,269
Total	347,978,903	179,608,126

14. Due to reinsurers

	(Unit: Baht)	
	2012	2011
Outward premium payable	400,098,875	266,778,378
Total due to reinsurers	<u>400,098,875</u>	<u>266,778,378</u>

15. Life policy reserve

	(Unit: Baht)	
	2012	2011
Beginning balance	88,386,403,850	68,189,797,590
Life policy reserve for premium received during the year and reserve for enforced policy benefit and other claims	28,891,861,757	25,096,628,836
Benefit paid for death, maturity, surrender and other claims	(6,019,059,207)	(4,900,022,576)
Ending balance	<u>111,259,206,400</u>	<u>88,386,403,850</u>

16. Unpaid policy benefits

	(Unit: Baht)	
	2012	2011
Death benefit	87,751,151	81,726,023
Maturity payment	709,445	862,107
Total	<u>88,460,596</u>	<u>82,588,130</u>

17. Loss reserves and outstanding claims

	(Unit: Baht)	
	2012	2011
Beginning balance	333,830,276	320,619,427
Claims and losses adjustment expenses for the year	2,033,661,404	1,799,686,133
Claims and losses adjustment expenses paid during the year	(2,026,582,100)	(1,786,475,284)
Ending balance	<u>340,909,580</u>	<u>333,830,276</u>

18. Premium reserve

18.1 Unearned premium reserve

	(Unit: Baht)	
	2012	2011
Beginning balance	1,085,196,967	1,013,363,551
Premium written for the year	2,695,302,374	2,712,992,417
Premium earned for the current year	(2,702,378,392)	(2,641,159,001)
Ending balance	<u>1,078,120,949</u>	<u>1,085,196,967</u>

18.2 Unexpired risk reserve

	(Unit: Baht)	
	2012	2011
Beginning balance	759,637,877	780,289,934
Decrease during the year	(15,734,422)	(20,652,057)
Ending balance	<u>743,903,455</u>	<u>759,637,877</u>

19. Employee benefit obligations

	(Unit: Baht)	
	2012	2011
Short-term employee benefit	111,701,364	112,672,558
Long-term employee benefit	155,257,296	121,121,145
Employee benefit obligations	<u>266,958,660</u>	<u>233,793,703</u>

Provision from long-term employee benefits as at 31 December 2012 and 2011 which are compensations on employee retirement and other long-term employee benefit, were as follows:

	(Unit: Baht)	
	2012	2011
Defined benefit obligation at beginning of year	121,121,145	108,188,146
Current service cost	13,448,999	8,354,432
Interest cost	5,645,145	5,408,816
Benefit paid during the year	(5,925,800)	(7,084,640)
Actuarial losses	20,967,807	6,254,391
Defined benefit obligation at end of year	<u>155,257,296</u>	<u>121,121,145</u>

Long-term employee benefit expenses included in the profit or loss for the year ended 31 December 2012 and 2011 were as follows:

	(Unit: Baht)	
	2012	2011
Current service cost	13,448,999	8,354,432
Interest cost	5,645,145	5,408,816
Actuarial losses recognised during the year	20,967,807	6,254,391
Total expense recognised in profit or loss	<u>40,061,951</u>	<u>20,017,639</u>

Principal assumptions at the valuation date were as follows:

	2012	2011
	(% per annum)	(% per annum)
Discount rate	4.25%	5%
Future salary increasing rate	5.75%	5.75%
Staff turnover rate (depending on age of employee)	Monthly 1% - 5%	1% - 9%
	Daily 3% - 9%	

Amounts of defined benefit obligation for the current and previous two years are as follows:

	(Unit: Thousand Baht)	
	Defined benefit obligation	Experience adjustments arising on the plan liabilities
Year 2012	155,257	-
Year 2011	121,121	-
Year 2010	108,188	-

20. Other liabilities

	(Unit: Baht)	
	2012	2011
Accrued commission expenses	474,991,671	420,500,352
Accrued expenses	279,245,304	138,228,344
Withholding tax payable	57,780,393	21,413,594
Premium received for policies not yet approved	102,988,520	72,012,505
Amounts received awaiting transfer	127,189,555	95,778,232
Unpaid benefits to life policies exempted premium	95,833,722	95,767,729
Forward contracts payables	54,357,000	56,231,300
Payable from purchases of investments	243,882,562	72,303,102
Others	82,873,187	76,626,246
Total	<u>1,519,141,914</u>	<u>1,048,861,404</u>

21. Warrants

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 units of Warrant No.1 to subscribe to the Company's ordinary shares, to be allotted to employees. The Company allocated 12.85 million warrants to employees leaving 7.15 million units unallocated. On 26 April 2011, the Annual General Meeting of shareholders of the Company passed a resolution approving the cancelation of these 7.15 million unallocated warrants and the issuance of 7.15 million registered and non-transferrable units of Warrant No.2 to employees and/or management. The stipulated grant date for Warrant No.2 is 1 April 2012.

The allocations of warrants to employees can be summarised as follows:

Approved by	(Units)		
	Number of warrants		
	Warrants No.1	Warrants No.2	Total
The Executive Board of Directors of the Company, on 29 May 2008	11,500,000	-	11,500,000
The Executive Board of Directors of the Company, on 11 August 2009	1,350,000	-	1,350,000
The Executive Board of Directors of the Company, on 22 February 2012	-	7,150,000	7,150,000
Total	12,850,000	7,150,000	20,000,000

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 their exercise price is equal to the public offering price of Baht 13.50 per share for Warrant No.1 and Baht 35 per share for Warrant No.2. The first rights can be exercised 3 years from the grant date.

The issue of Warrants No.2 was approved by the Annual General Meeting of shareholders after 1 January 2011, which is when Thai Financial Reporting Standard No. 2 "Share-Based Payment" (TFRS 2) became effective. The Company therefore calculated the average fair value of the options at the grant date as Baht 20.45 per share and recorded share-based payment transactions as expenses, in compliance with this standard.

The following tables list the inputs to the models:

Dividend yield	- 1.5%
Expected stock volatility	- 39.9%
Risk-free interest rate	- 3.51% - 3.64%
Expected life of share options	- Less than 5 years from the date of issuance or upon termination of an employee
Model used	- Black Schole - continuous model

The expected volatility of the share options is based on historical data of the Company's stock price.

Expenses recognised for employee services that the Company received for the year 2012 totalled Baht 28.32 million.

As at 31 December 2012, the Company's capital reserve for share-based payment was Baht 28.32 million.

Movements of warrants during the year are summarised below.

	(Units)		
	Warrants No.1	Warrants No.2	Total
Brought forward/Number unexercised	12,850,000	7,150,000	20,000,000
Warrants of holders who resigned			
during the year	(100,000)	-	(100,000)
Exercised during the year	(7,399,800)	-	(7,399,800)
Number of unexercised warrants	<u>5,350,200</u>	<u>7,150,000</u>	<u>12,500,200</u>

During the year, the holders of ordinary share warrants offered to the directors and employees (Warrants No.1) exercised 7,399,800 warrants at an exercise price of Baht 13.50 each. The offers are summarized below.

	(Unit: Baht)						
	Warrants	Exercise price per share	Issued and paid up Shares	Share Premium	Subscription received in advance for exercise of warrants	Date of registering share capital increase with the Ministry of Commerce	Date the stock Exchange of Thailand approved the additional ordinary shares as listed securities
The first exercise	4,771,855	13.50	4,771,855	59,648,188	-	16 October 2012	19 October 2012
The second exercise	2,627,945	13.50	-	-	35,477,257	14 January 2013	18 January 2013
Total	7,399,800		4,771,855	59,648,188	35,477,257		

22. Dividend paid

Dividend declared during the years 2012 and 2011 consist of the following:

	Approved by	Total dividend (Million Baht)	Dividend per share (Baht)
a) Final dividend for 2011	Annual General Meeting of the Shareholders on 27 April 2012 and the OIC on 23 April 2012	408.0	0.34
b) Interim dividend from operations for six-month period ended 30 June 2012	Meeting of Board of Directors on 8 August 2012 and the OIC on 14 September 2012	432.0	0.36
Total dividend for the year 2012		840.0	0.70
a) Final dividend for 2010	Annual General Meeting of the Shareholders on 26 April 2011 and the OIC on 20 April 2011	480.0	0.40
b) Interim dividend from operations for six-month period ended 30 June 2011	Meeting of Board of Directors on 10 August 2011 and the OIC on 6 September 2011	456.0	0.38
Total dividend for the year 2011		936.0	0.78

23. 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 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

24. Underwriting information reported by insurance categories

Underwriting information classified by insurance categories for the year ended 31 December 2012 is as follows:

				(Unit: Baht)
	Traditional products - no participating dividend	Life annuity products - no participating dividend	Personal accident	Total
Underwriting income				
Premium written	34,475,471,069	120,734,107	43,999,672	34,640,204,848
Add (less): Premium ceded	(519,688,742)	-	37,021	(519,651,721)
Net premium written	33,955,782,327	120,734,107	44,036,693	34,120,553,127
Add: Unearned premium reserve	6,090,089	-	985,929	7,076,018
Total underwriting income	33,961,872,416	120,734,107	45,022,622	34,127,629,145
Underwriting expenses				
Life policy reserve increase from prior year	22,769,710,081	103,092,469	-	22,872,802,550
Benefit payments to life policies and benefit adjustment expenses	6,540,716,322	1,981,266	-	6,542,697,588
Losses and losses adjustment expenses	1,422,536,306	103,374	6,055,031	1,428,694,711
Commissions and brokerage expenses	2,741,087,402	16,114,431	941,720	2,758,143,553
Sales promotion expenses	332,217,487	1,181,030	440,415	333,838,932
Other underwriting expenses	30,076,955	106,923	39,872	30,223,750
Total underwriting expenses	33,836,344,553	122,579,493	7,477,038	33,966,401,084

Underwriting information classified by insurance categories for the year ended 31 December 2011 is as follows:

	(Unit: Baht)			
	Traditional products - no participating dividend	Life annuity products - no participating dividend	Personal accident	Total
Underwriting income				
Premium written	31,435,113,112	74,591,186	46,464,496	31,556,168,794
Less: Premium ceded	(414,142,541)	-	(3,489,838)	(417,632,379)
Net premium written	31,020,970,571	74,591,186	42,974,658	31,138,536,415
Add (less): Unearned premium reserve	(73,583,867)	-	1,750,451	(71,833,416)
Total underwriting income	30,947,386,704	74,591,186	44,725,109	31,066,702,999
Underwriting expenses				
Life policy reserve increase from prior year	20,130,805,798	65,800,462	-	20,196,606,260
Benefit payments to life policies and benefit adjustment expenses	5,380,207,311	-	-	5,380,207,311
Losses and losses adjustment expenses	1,552,372,823	49,918	6,682,173	1,559,104,914
Commissions and brokerage expenses	2,421,216,018	17,261,623	714,958	2,439,192,599
Sales promotion expenses	327,511,002	789,386	473,318	328,773,706
Other underwriting expenses	20,704,321	49,903	29,922	20,784,146
Total underwriting expenses	29,832,817,273	83,951,292	7,900,371	29,924,668,936

25. Operating expenses

	(Unit: Baht)	
	2012	2011
Personal expenses which are not expenses for underwriting and claims	717,002,425	628,520,842
Premises and equipment expenses which are not expenses for underwriting	152,432,153	149,873,926
Taxes and duties	141,673,476	130,892,838
Other operating expenses	468,033,828	340,812,226
Total operating expenses	1,479,141,882	1,250,099,832

26. Employee expenses

	(Unit: Baht)	
	2012	2011
Salary and wages	628,873,396	583,414,258
Social security fund	8,193,805	10,747,816
Contribution to defined employee benefit	25,443,255	23,843,251
Other benefits	97,075,269	39,985,385
Total employee expenses	<u>759,585,725</u>	<u>657,990,710</u>

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act. B.E. 2530. Both employees and the Company contribute to the fund at rates ranging from 5 percent to 10 percent and the Company at rates ranging from 5 percent to 10 percent of the employees' basic salaries, based on length of service. The fund, which is managed by a fund manager licensed by the Ministry of Commerce will be paid to the employees upon termination in accordance with the rules of fund. During 2012, a total of Baht 25.44 million (2011: Baht 23.84 million) has been contributed to the fund.

27. Corporate income tax

Corporate income taxes of the Company for the years ended 31 December 2012 and 2011 have been calculated on taxable income at rates of 23% and 25%, respectively on earnings after adding back provisions and certain expenses which are disallowed for tax computation purposes, deducting dividends exempted from income tax.

28. Basic earnings per share

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

Diluted earnings per share is calculated by dividing profit for the year (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the period or on the date the potential ordinary shares were issued.

The exercise price and the fair value of employee services to be supplied to the Company in the future per each of the BLA-W2 warrants allocated to the Company's employees and management were higher than the average market price for the year. Therefore, the calculation of diluted earnings per share for the current year did not include the effect of the 7.15 million potential ordinary shares from the exercise of BLA-W2 warrants because the effect to earnings per share for the reporting period was antidilutive.

Basis earning per share and diluted earnings per share were calculated as follows:

	Profit for the year (Thousand Baht)		Weighted average number of shares (Thousand shares)		Earnings per share (Baht)	
	2012	2011	2012	2011	2012	2011
Basic earnings per share						
Profit for the year	3,284,370	3,417,098	1,201,247	1,200,000	<u>2.734</u>	<u>2.848</u>
Effect of dilutive potential ordinary share						
Dilutive effect of warrants to subscribe to ordinary shares allotted to directors and employees (BLA-W1)	<u>-</u>	<u>-</u>	<u>8,217</u>	<u>8,929</u>		
Diluted earnings per share						
Profit of ordinary shareholder assuming the conversion of warrants to ordinary shares	<u>3,284,370</u>	<u>3,417,098</u>	<u>1,209,464</u>	<u>1,208,929</u>	<u>2.716</u>	<u>2.827</u>

29. 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 summarised below.

<u>Name of related parties</u>	<u>Type of business</u>	<u>Relationship with the Company</u>
Bangkok Bank Pcl.	Banking	Shareholding and related by way of common directors
Bangkok Insurance Pcl.	Insurance	Shareholding and related by way of common directors
Thai Reinsurance Pcl.	Insurance	Related by way of common directors
Thaire Life Assurance Pcl.	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
Tris Corporation Ltd.	Services	Related by way of common directors and shareholders
Union Textile Industries Pcl.	Industry	Related by way of common shareholders
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
Indorama Polymers Pcl.	Petrochemical	Related by way of common directors
Asia warehouse Co., Ltd.	Rental of assets	Holding by the major shareholder of the Company
Ex-chai Distribution System Co., Ltd.	Commercial	Related by way of common directors
BBL Asset Management Co., Ltd.	Asset management	Related by way of common directors and shareholders
Bualuang Securities Pcl.	Securities	Subsidiary of the major shareholder of the Company
Asia Insurance Company Limited	Insurance	Related by way of common directors
BLA Insurance Broker Co., Ltd	Insurance	Related by way of common directors are the management of the Company
Bangpain Golf Co., Ltd	Services	Related by way of common directors

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:

(Unit: Baht)

	2012	2011	Pricing Policy
Transactions with related companies			
Premium written	4,102,558	3,879,210	Normal commercial terms for underwriting
Premium ceded	108,866,898	21,263,036	Normal commercial terms for reinsurance depending on type of insurance and reinsurance contract
Claim recoverable from reinsurer	96,695,180	24,398,091	At a mutually agreed percentage of reinsurance premium
Commission and brokerages	1,195,129,091	1,068,694,475	At a mutually agreed percentage of premium written
Claim payment and diagnose charge	67,172,029	73,016,717	Normal commercial terms for underwriting
Interest income - deposits at bank, promissory notes and debentures	241,875,473	76,481,564	Same rates as those offered by financial institutions and related companies to general customers
Interest income mortgage loans	8,645,344	5,541,058	Same rates as the Company charged to general borrowers who mortgage assets as collateral
Dividend income	121,251,685	130,561,381	The declared amount
Bank charges	88,977,940	71,321,935	Same rates as those charged by financial institutions and related companies to general customers
Insurance premium	1,110,464	921,275	Normal commercial terms for underwriting
Building space rental and services	62,724,251	61,433,042	Head office building: Rental fee of approximately Baht 90 per square meter per month and service fee of Baht 29 per square meter per month since 1 August 2010 (before 1 August 2010: fee of Baht 21 per square meter) for long-term agreement and approximately Baht 47, Baht 138 per square meter per month and service fees approximately Baht 100, Baht 307 per square meter per month. Branch office buildings: Rental fees of approximately Baht 100, Baht 150, Baht 188 and Baht 315 per square meter per month and service fees of approximately Baht 342 and Baht 200 per square meter per month.
Other services	40,075	-	Normal commercial terms for services
Brokerage income from securities trading	1,805,171	-	Normal commercial terms for securities brokerage

For the years 2012 and 2011, the premium generated from the Bancassurance distribution channel represented approximately 62.21 percent and 61.83 percent of total net premium written, respectively.

As at 31 December 2012 and 2011, the balance of the accounts between the Company and those related companies are as follows:

		(Unit: Thousand Baht)	
	Note	2012	2011
Transactions with related companies			
Investments in marketable equity securities - cost	9	1,450,475	1,266,585
Add: Unrealised gain		1,324,345	576,627
Investments in marketable equity securities - fair value		<u>2,774,820</u>	<u>1,843,212</u>
Investments in unit trusts - cost	9	780,348	1,247,518
Add: Unrealised gain		86,868	102,972
Investments in unit trusts - fair value		<u>867,216</u>	<u>1,350,490</u>
Investments in non-marketable equity securities	9	11,467	11,167
Investments in debentures	9	3,705,000	3,555,000
Investments in foreign debentures	9	1,638,005	1,046,041
Deposit at financial institution	6	852,168	689,495
Mortgage loans	10	183,115	83,620
Prepaid rental expense (Including in other assets)	13	93,410	105,236
Prepaid expense (Including in other assets)	13	1,162	-
Reinsurance assets	8	91,931	16,903
Amounts due to reinsurers	14	51,534	10,887
Accrued commission (Including in other liabilities)	20	173,364	160,787
Accrued rental and service expense (Including in other liabilities)	20	691	412
Outstanding claims	17	11,826	16,113

Directors and management's benefits

During the year ended 31 December 2012 and 2011, the Company had employee benefit expenses payable to their directors and management as below.

	(Unit: Million Baht)	
	2012	2011
Short-term employee benefits	38.65	33.37
Long-term employee benefits	2.52	11.66
Share-based payment transactions (Note 21)	2.20	-
Total	<u>43.37</u>	<u>45.03</u>

The details of the warrants which allocated to the Company's employees are presented in Note 21.

30. Assets pledged with the Registrar

As at 31 December 2012 and 2011, the following assets have been pledged with the Registrar in accordance with the Life Insurance Act.

(Unit: Baht)

	2012		2011	
	Cost/		Cost/	
	Amortised cost	Fair value	Amortised cost	Fair value
State enterprise bonds	20,000,000	21,156,977	20,000,000	21,361,905

31. Assets reserve with the Registrar

As at 31 December 2012 and 2011, the following assets have been pledged as life assurance policy reserve with the Registrar in accordance with the Life Insurance Act.

(Unit: Baht)

	2012		2011	
	Cost/		Cost/	
	Amortised cost	Fair value	Amortised cost	Fair value
Government bonds	12,480,608,158	13,414,367,520	8,877,714,310	9,667,637,947
State enterprise bonds	8,335,857,706	9,047,014,595	8,340,931,088	9,194,442,506
Total	20,816,465,864	22,461,382,115	17,218,645,398	18,862,080,453

32. Commitments

The Company has entered into several lease agreements in respect of the lease of office building space, motor vehicles and equipment. 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 2012, future minimum lease payments required under these non-cancellable operating lease contracts were as follows:

(Unit: Million Baht)

	Pay within			
	Over			Total
	1 year	1 - 5 years	5 years	
Operating lease agreements	34.59	30.10	2.82	67.51
Services agreements	44.37	43.98	13.26	101.61
Total	78.96	74.08	16.08	169.12

As at 31 December 2011, future minimum lease payments required under these non-cancellable operating lease contracts were as follows:

(Unit: Million Baht)

	Pay within			
	Over			Total
	1 year	1 - 5 years	5 years	
Operating lease agreements	28.91	34.07	3.76	66.74
Services agreements	42.13	66.49	17.68	126.30
Total	71.04	100.56	21.44	193.04

33. Litigation

As at 31 December 2012, the Company has been sued for damaged totaling approximately Baht 41.82 million (2011: Baht 38.27 million) as insurer. The outcomes of these causes have not yet been finalised. The Company did not set up for the above liabilities due to the uncertainty of the outcome.

34. 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.

35. Financial instruments

35.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, premiums receivable, reinsurance assets (liabilities), loans, and investments. 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 premium receivables 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 statement of financial position.

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.

As at 31 December 2012, financial assets classified by type of interest rate are summarised in the table below.

(Unit: Baht)

	Balance as at 31 December 2012		
	No interest	Floating interest rate	Fixed interest rate
Cash equivalent	437,959,233	427,886,714	-
Government and state enterprise securities	-	-	93,973,878,850
Private enterprises debt securities	-	-	18,812,126,696
Foreign debt securities	-	-	6,170,570,422
Deposit at financial institutions which amounts maturing in over 3 months	-	-	750,000,000
Loans	-	52,690,686	2,596,409,735
Total	<u>437,959,233</u>	<u>480,577,400</u>	<u>122,302,985,703</u>

As at 31 December 2012, the financial assets that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date as follows:

					(Unit: Baht)
	Within			Total	Average
	1 year	1 - 5 years	Over 5 years		interest rate
					(% p.a.)
Investments in securities					
Government and state enterprise securities	1,945,276,725	9,765,865,834	82,262,736,291	93,973,878,850	4.41
Private enterprises debt securities	560,000,000	4,128,000,000	14,124,126,696	18,812,126,696	5.14
Foreign debt securities	380,704,404	3,751,860,952	2,038,005,066	6,170,570,422	5.13
Deposit at financial institutions which amounts maturing in over 3 months	50,000,000	700,000,000	-	750,000,000	4.48
Loans	2,058,955	15,788,606	2,578,562,174	2,596,409,735	6.05 - 8.00
Total	<u>2,938,040,084</u>	<u>18,361,515,392</u>	<u>101,003,430,227</u>	<u>122,302,985,703</u>	

As at 31 December 2011, financial assets classified by type of interest rate are summarised in the table below.

	(Unit: Baht)		
	Balance as at 31 December 2011		
	No interest	Floating interest rate	Fixed interest rate
Cash equivalent	308,719,181	408,001,295	2,020,000,000
Investments in securities			
Government and state enterprise securities	-	-	67,889,223,364
Private enterprises debt securities	-	-	17,912,038,895
Foreign debt securities	-	-	4,795,515,079
Deposit at financial institutions which amounts maturing in over 3 months	-	-	1,875,000,000
Loans	-	51,981,194	2,061,101,258
Total	<u>308,719,181</u>	<u>459,982,489</u>	<u>96,552,878,596</u>

As at 31 December 2011, the financial assets that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date as follows:

	(Unit: Baht)				Average interest rate (% p.a.)
	Within 1 year	1 - 5 years	Over 5 years	Total	
Cash equivalent	2,020,000,000	-	-	2,020,000,000	3.24
Investments in securities					
Government and state enterprise securities	1,428,831,067	8,652,360,483	57,808,031,814	67,889,223,364	4.56
Private enterprises debt securities	4,821,417,080	3,756,000,000	9,334,621,815	17,912,038,895	5.04
Foreign debt securities	-	2,969,473,362	1,826,041,717	4,795,515,079	5.26
Deposit at financial institutions which amounts maturing in over 3 months	1,575,000,000	300,000,000	-	1,875,000,000	4.49
Loans	1,286,626	16,379,379	2,043,435,253	2,061,101,258	5.72 - 8.00
Total	9,846,534,773	15,694,213,224	71,012,130,599	96,552,878,596	

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 and cross currency swap contracts to manage the risk.

As at 31 December 2012 and 2011, the balances of financial assets denominated in foreign currencies are summarised below.

Foreign currency	Financial assets		Average exchange rate as at 31 December 2012	
	(Million)		(Baht per 1 foreign currency unit)	
	2012	2011	2012	2011
US dollar	194.04	127.76	30.49	31.55

Foreign exchange contracts outstanding at 31 December 2012 and 2011 are summarised below.

2012			
Foreign currency	Bought amount	Contractual exchange rate bought	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	194.02	29.80 - 41.00	January 2013- September 2022

2011			
Foreign currency	Bought amount	Contractual exchange rate bought	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	127.75	29.80 - 41.00	February 2012- October 2020

35.2 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, treasury bill, 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 statement of financial position.

As at 31 December 2012 and 2011, the aggregate carrying values of the Company's financial instruments which are significantly different from their aggregate fair values can be defined as follows:

	(Unit: Baht)			
	2012		2011	
	Carrying value	Fair value	Carrying value	Fair value
Held-to-maturity debt securities				
Bonds	87,602,879,984	90,343,785,802	64,420,906,387	68,777,238,710
Debentures	16,134,593,610	16,947,661,011	13,223,433,090	14,024,139,862
Investments in notes in Note 9 (a) (exclusion of put option)	1,400,000,000	1,491,427,123	1,800,000,000	1,922,014,781
Investments in notes in Note 9 (b)	1,570,000,000	2,153,567,720	1,330,000,000	1,836,689,535
Investments in notes in Note 9 (c)	3,600,000,000	3,662,710,596	600,000,000	656,940,000
Investments in notes in Note 9 (d)	1,702,307,669	1,713,100,000	900,000,000	841,540,000

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 9 (a) and Note 9 (b)

As at 31 December 2012 and 2011, the Company may need to deposit additional amounts in the future under the promissory notes and bills of exchange agreements, as summarised below.

	(Unit: Million Baht)	
	2012	2011
Within		
1 year	1,240	1,640
2 - 5 years	590	830

36. Contribution to Life Guarantee Fund

	(Unit: Baht)	
	2012	2011
Life guarantee fund at the beginning of the year	86,086,337	54,530,168
Contribution during the year	34,640,205	31,556,169
Life guarantee fund at the end of the year	<u>120,726,542</u>	<u>86,086,337</u>

37. Capital management

The primary objective of the Company's capital management are to ensure that it has an appropriate financial structure, to preserves the Company's ability to continue its business as a going concern and to maintain capital reserve in accordance with Declarations of the OIC.

38. Events after the reporting period

On 22 February 2013, the meeting of the Company's Board of Directors passed a resolution to approve a dividend payment of Baht 0.36 per share from retained earnings. However, the payment of dividend must be approved by the Annual General Meeting of shareholders of the Company and the Office of Insurance Commission.

39. Approval of financial statements

These financial statements were authorised for issue by the Board of Directors on 22 February 2013.