

Bangkok Life Assurance Public Company Limited  
Report and financial statements  
31 December 2009 and 2008

## **Report of Independent Auditor**

To the Shareholders of Bangkok Life Assurance Public Company Limited

I have audited the balance sheets of Bangkok Life Assurance Public Company Limited as at 31 December 2009 and 2008 and the related statements of income, changes in shareholders' equity and cash flows for the years 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 audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit 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 audits provide 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 2009 and 2008, and the result of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

Nonglak Pumnoi

Certified Public Accountant (Thailand) No. 4172

Ernst & Young Office Limited

Bangkok: 24 February 2010

**Bangkok Life Assurance Public Company Limited**

**Balance sheets**

**As at 31 December 2009 and 2008**

		(Unit: Baht)	
	<u>Note</u>	<u>2009</u>	<u>2008</u>
<b>Assets</b>			
Investments in securities			
Bonds	15, 16	42,951,296,082	28,448,591,758
Notes		4,695,637,979	4,058,365,544
Stocks		4,445,579,430	3,594,042,822
Debentures		7,763,767,603	7,422,861,158
Unit trusts		2,269,930,337	1,334,414,028
Other securities		14,719,539	-
Total investments in securities	6, 8, 9	<u>62,140,930,970</u>	<u>44,858,275,310</u>
Loans			
Policy loans		1,216,888,712	1,050,863,163
Mortgage loans		677,767,038	738,241,179
Other loans		12,030,737	12,008,114
Total loans		<u>1,906,686,487</u>	<u>1,801,112,456</u>
Less: Allowance for doubtful accounts		<u>(2,605,722)</u>	<u>(2,672,673)</u>
Loans - net	7, 8	1,904,080,765	1,798,439,783
Cash and deposits at financial institutions	8, 9	1,718,064,852	2,381,639,639
Property, buildings and equipment - net	10	334,147,684	324,608,143
Due from reinsurers		45,348,126	27,915,881
Premium due and uncollected	11	1,135,273,000	1,120,875,601
Accrued investment income - net		858,651,795	743,422,881
Other assets			
Intangible assets - net	12	17,818,746	21,109,095
Others	8, 13	185,151,748	205,243,186
<b>Total assets</b>		<u><u>68,339,467,686</u></u>	<u><u>51,481,529,519</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 2009 and 2008**

(Unit: Baht)

	<u>Note</u>	<u>2009</u>	<u>2008</u>
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
Life policy reserve		53,557,935,366	41,891,693,741
Unpaid policy benefits	8	4,680,399,644	3,984,060,369
Due to reinsurers	8	45,651,989	76,654,300
Premium received in advance		1,417,205,548	1,550,812,113
Other liabilities			
Corporate income tax payable		223,692,406	112,445,135
Others	8, 14	1,182,988,811	847,094,648
<b>Total liabilities</b>		<u>61,107,873,764</u>	<u>48,462,760,306</u>
<b>Shareholders' equity</b>			
Share capital	17, 18		
Registered			
1,220,000,000 ordinary shares of Baht 1 each		1,220,000,000	1,220,000,000
Issued and fully paid-up			
1,200,000,000 ordinary shares of Baht 1 each		1,200,000,000	1,000,000,000
(2008: 1,000,000,000 ordinary shares of Baht 1 each)			
Premium on share capital	17	2,699,821,268	275,000,000
Unrealised gains			
Surplus on changes in values of investments	6	1,033,412,251	316,295,625
Retained earnings			
Appropriated			
Statutory reserve	19	122,000,000	77,085,216
General reserve		400,000,000	400,000,000
Unappropriated		1,776,360,403	950,388,372
<b>Total shareholders' equity</b>		<u>7,231,593,922</u>	<u>3,018,769,213</u>
<b>Total liabilities and shareholders' equity</b>		<u>68,339,467,686</u>	<u>51,481,529,519</u>
		-	-
<b>Off-balance sheet items - commitments</b>			
Commitments	25	153,102,373	159,463,460

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

Directors



**Bangkok Life Assurance Public Company Limited****Income statements****For the years ended 31 December 2009 and 2008**

		(Unit: Baht)	
	<u>Note</u>	<u>2009</u>	<u>2008</u>
<b>Revenues</b>			
Net premiums written	8	19,632,050,136	14,732,094,846
Net investments income	8	2,760,070,096	2,430,055,843
Gains (losses) on investments in securities	6	235,960,575	(358,576,325)
Other income			
Gains on sales of assets		4,374,712	4,416,678
Others		21,988,620	21,371,812
<b>Total revenues</b>		<u>22,654,444,139</u>	<u>16,829,362,854</u>
<b>Expenses</b>			
Underwriting expenses			
Life policy reserve increase from the previous year		11,666,241,625	7,669,997,027
Benefit payments to life policies during the year	8	5,437,183,044	4,925,875,593
Dividends to policyholders		11,135,000	315,000
Commissions and brokerages	8	2,501,520,450	1,985,490,963
Sales promotion expenses		324,663,960	249,986,167
Other underwriting expenses	8	12,901,935	11,226,756
Total underwriting expenses		<u>19,953,646,014</u>	<u>14,842,891,506</u>
Operating expenses			
Personnel expenses		551,037,322	490,017,067
Premises and equipment expenses	8	121,335,060	108,260,420
Taxes and duties		80,403,906	69,956,487
Directors' remuneration		10,820,000	10,220,000
Operating expenses - branches		59,601,795	53,223,184
Contribution to the Office of Insurance Commission		38,061,979	27,784,585
Contribution to the life assurance fund		28,178,225	-
Other operating expenses	8	222,161,601	205,800,181
Total operating expenses		<u>1,111,599,888</u>	<u>965,261,924</u>
Losses (gains) on exchange		11,679,703	(7,027,413)
<b>Total expenses</b>		<u>21,076,925,605</u>	<u>15,801,126,017</u>
Income before income tax		1,577,518,534	1,028,236,837
Corporate income tax		391,826,959	276,510,964
<b>Net income for the year</b>		<u>1,185,691,575</u>	<u>751,725,873</u>
<b>Basic earnings per share</b>			
	20		
Net income		1.12	0.75
Weighted average number of ordinary shares (shares)		<u>1,059,178,082</u>	<u>1,000,000,000</u>

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

**Bangkok Life Assurance Public Company Limited****Cash flow statements**

For the years ended 31 December 2009 and 2008

	(Unit: Baht)	
	<u>2009</u>	<u>2008</u>
<b>Cash flows from (used in) operating activities</b>		
Net premiums written	19,243,317,260	14,299,688,099
Net investments income	2,787,578,664	2,089,093,975
Other income	21,988,620	21,335,904
Benefit payments to life policies during the year	-4,726,062,282	(4,224,526,659)
Dividends to policyholders	-11,135,000	(315,000)
Commissions and brokerages	-2,356,617,628	(1,968,417,261)
Other underwriting expenses	-275,882,208	(268,102,432)
Operating expenses	-895,891,257	(920,861,220)
Corporate income tax	-280,579,688	(320,070,863)
<b>Net cash from operating activities</b>	<u>13,506,716,481</u>	<u>8,707,824,543</u>
<b>Cash flows from (used in) investing activities</b>		
Cash flows from		
Investments in securities	55,506,505,098	48,430,632,357
Loans	389,169,725	1,299,247,222
Deposits at financial institutions	1,700,000,000	895,147,925
Property, building and equipment	4,772,344	5,335,306
Net cash from investing activities	<u>57,600,447,167</u>	<u>50,630,362,810</u>
Cash flows used in		
Investments in securities	-63,823,710,346	(54,228,738,800)
Loans	-389,068,317	(1,479,909,237)
Deposits at financial institutions	-405,000,000	(2,140,147,925)
Property, building and equipment	-67,235,056	(112,791,730)
Net cash used in investing activities	<u>-64,685,013,719</u>	<u>(57,961,587,692)</u>
<b>Net cash used in investing activities</b>	<u>-7,084,566,552</u>	<u>(7,331,224,882)</u>
<b>Cash flows from (used in) financing activities</b>		
Share capital issued	2,624,821,268	-
Dividend paid	(314,804,760)	(1,000,000,000)
<b>Net cash from (used in) financing activities</b>	<u>2,310,016,508</u>	<u>(1,000,000,000)</u>
<b>Net increase in cash and cash equivalents</b>	8,732,166,437	376,599,661
Cash and cash equivalents at beginning of year	661,639,639	285,039,978
<b>Cash and cash equivalents at end of year (Note 9)</b>	<u><u>9,393,806,076</u></u>	<u><u>661,639,639</u></u>

**Supplemental cash flows information**

Non-cash item

Surplus on changes in values of investments	1,033,412,251	316,295,625
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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 2009 and 2008**

	Note	Issued and paid-up share capital	Premium on share capital	Surplus (deficit) on changes in values of investments	Retained earnings			
					Appropriated			Unappropriated
					Statutory reserve	General reserve		
<b>Balance as at 1 January 2008</b>		1,000,000,000	275,000,000	1,128,945,591	39,498,923	400,000,000	236,248,792	
<b>Income and expenses recognised directly in equity</b>								
Investments in available-for-sale securities								
Losses recognized in shareholders' equity		-	-	(815,565,606)	-	-	-	
Transferred to profit or loss due to disposal		-	-	2,915,640	-	-	-	
<b>Net expenses recognised directly in equity</b>		-	-	(812,649,966)	-	-	-	
Net income for the year		-	-	-	-	-	751,725,873	
<b>Total income and expenses for the year</b>		-	-	(812,649,966)	-	-	751,725,873	
Unappropriated retained earnings transferred to statutory reserve	19	-	-	-	37,586,293	-	(37,586,293)	
<b>Balance as at 31 December 2008</b>		<u>1,000,000,000</u>	<u>275,000,000</u>	<u>316,295,625</u>	<u>77,085,216</u>	<u>400,000,000</u>	<u>950,388,372</u>	
<b>Balance as at 1 January 2009</b>		1,000,000,000	275,000,000	316,295,625	77,085,216	400,000,000	950,388,372	
<b>Income recognised directly in equity</b>								
Investments in available-for-sale securities								
Gains recognized in shareholders' equity		-	-	678,211,139	-	-	-	
Transferred to profit or loss due to disposal		-	-	38,905,487	-	-	-	
<b>Net income recognised directly in equity</b>		-	-	717,116,626	-	-	-	
Net income for the year		-	-	-	-	-	1,185,691,575	
<b>Total income for the year</b>		-	-	717,116,626	-	-	1,185,691,575	
Shares capital issued	17	200,000,000	2,424,821,268	-	-	-	-	
Dividend paid	24	-	-	-	-	-	(314,804,760)	
Unappropriated retained earnings transferred to statutory reserve	19	-	-	-	44,914,784	-	(44,914,784)	
<b>Balance as at 31 December 2009</b>		<u>1,200,000,000</u>	<u>2,699,821,268</u>	<u>1,033,412,251</u>	<u>122,000,000</u>	<u>400,000,000</u>	<u>1,776,360,403</u>	
		-	-	-	-	-	-	
		-	-	-	-	-	-	

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



(Unit: Baht)

Total  
3,079,693,306

(815,565,606)

2,915,640

(812,649,966)

751,725,873

(60,924,093)

-

3,018,769,213

3,018,769,213

678,211,139

38,905,487

717,116,626

1,185,691,575

1,902,808,201

2,624,821,268

(314,804,760)

-

7,231,593,922

-

-

## **Bangkok Life Assurance Public Company Limited**

### **Notes to financial statements**

**For the years ended 31 December 2009 and 2008**

#### **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 Company has 71 branches (2008: 69 branches) and its registered office is located 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, 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 Office of Insurance Commission. 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 Thai language 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**

In June 2009, the Federation of Accounting Professions has issued Notification No. 12/2552, assigning new numbers to Thai Accounting Standards that match the corresponding International Accounting Standards. The numbers of Thai Accounting Standards as referred to in these financial statements reflect such change.

The Federation of Accounting Professions has issued Notifications No. 86/2551 and 16/2552, mandating the use of new accounting standards, financial reporting standard and accounting treatment guidance as follows:

**3.1 Accounting standards, financial reporting standard and accounting treatment guidance which are effective for the current year**

Framework for Preparation and Presentation of Financial Statements (revised 2007)

TAS 36 (revised 2007)

Impairment of Assets

TFRS 5 (revised 2007)

Non-current Assets Held for Sale  
and Discontinued Operations

Accounting Treatment Guidance for Leasehold right

Accounting Treatment Guidance for Business Combination under Common Control

These accounting standards, financial reporting standard and accounting treatment guidance became effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these standards and believes that TFRS 5 (revised 2007) and Accounting Treatment Guidance for Business Combination under Common Control are not relevant to the business of the Company, while Framework for Preparation and Presentation of Financial Statements (revised 2007), TAS 36 (revised 2007) and Accounting Treatment Guidance for Leasehold Right 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**

		<u>Effective date</u>
TAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2012
TAS 24 (revised 2007)	Related Party Disclosures	1 January 2011
TAS 40	Investment Property	1 January 2011

However, TAS 24 (revised 2007) and TAS 40 allows early adoption by the entity before the effective date.

The management of the Company has assessed the effect of these standards and believes that TAS 20 is not relevant to the business of the Company, while TAS 24 (revised 2007) and TAS 40 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 based on assumptions established at inception of the contract.

The main assumptions used relate to mortality, morbidity, longevity and discount rates. The Company bases mortality and morbidity tables announced by the Office of Insurance Commission which reflect historical experiences.

- (b) For other insurance and group insurance, unearned premium reserve is set aside at the rate of 40% 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 required rate of return on the yield rate quoted by the Thai Bond Market Association. 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 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, 5	years
Motor vehicles	- 5	years

Depreciation is included in determining income.

No depreciation is provided for land and construction in progress.

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

On the date of acquisition, the Company measured all acquired intangible assets at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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 the income statement.

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.

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

At each reporting date, the Company performs impairment reviews in respect of the investments, 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. In determining 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 from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is 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. Monetary assets and liabilities denominated in foreign currencies 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 at banks, and all highly liquid investments 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. 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.

### **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, held-to-maturity debt securities 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.

### **Property, buildings and equipment/Depreciation**

In calculating depreciation of buildings and equipment, the management estimates useful lives and salvage values of the Company’s buildings and equipment and reviews estimated useful lives and salvage values if 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 in the period 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 or the cash generating units 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, investment returns, expenses, lapse and surrender rates and discount rates.

## 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)			
	2009		2008	
	Cost / Amortised cost	Fair value	Cost / Amortised cost	Fair value
<b>Trading securities</b>				
Equity securities				
Ordinary shares	4,010,700	5,200,000	341,300,843	237,464,823
Warrants	-	14,719,539	-	-
Surplus (deficit) on changes in values of investments	15,908,839	-	(103,836,020)	-
<b>Total trading securities</b>	<b>19,919,539</b>	<b>19,919,539</b>	<b>237,464,823</b>	<b>237,464,823</b>
<b>Available-for-sale securities</b>				
Equity securities				
Ordinary shares	3,461,386,897	4,410,791,600	3,222,798,688	3,344,533,299
Unit trusts	2,213,300,894	2,269,930,337	1,381,265,544	1,334,414,028
Unrealised gains on exchange	(1,559,783)	-	10,192,513	-
Surplus on changes in values of investments	1,007,593,929	-	64,690,582	-
	<b>6,680,721,937</b>	<b>6,680,721,937</b>	<b>4,678,947,327</b>	<b>4,678,947,327</b>
Debt securities				
Bonds - net	1,240,374,194	1,261,253,943	1,522,771,491	1,766,837,878
Debentures - net	100,000,688	104,939,261	100,001,053	107,539,709
Surplus on changes in values of investments	25,818,322	-	251,605,043	-
	<b>1,366,193,204</b>	<b>1,366,193,204</b>	<b>1,874,377,587</b>	<b>1,874,377,587</b>
<b>Total available-for-sale securities</b>	<b>8,046,915,141</b>	<b>8,046,915,141</b>	<b>6,553,324,914</b>	<b>6,553,324,914</b>

Unit: Baht)

	2009		2008	
	Cost /	Fair value	Cost /	Fair value
	Amortised cost		Amortised cost	
<b>Held-to-maturity debt securities</b>				
Bonds - net	41,690,042,139		26,681,753,880	
Notes	4,695,637,979		4,094,865,544	
Less: Allowance for impairment	-		(36,500,000)	
Notes - net	4,695,637,979		4,058,365,544	
Debentures	7,666,328,342		7,325,921,449	
Less: Allowance for impairment	(7,500,000)		(10,600,000)	
Debentures - net	7,658,828,342		7,315,321,449	
<b>Total held-to-maturity debt securities</b>	<b>54,044,508,460</b>		<b>38,055,440,873</b>	
<b>Other investments</b>				
Ordinary shares	29,587,830		12,044,700	
<b>Total other investments</b>	<b>29,587,830</b>		<b>12,044,700</b>	
<b>Total investments in securities</b>	<b>62,140,930,970</b>		<b>44,858,275,310</b>	

Investments in debt securities as at 31 December 2009 and 2008 will be due as follows:

	2009			
	Due within			
	1 year	1 - 5 years	Over 5 years	Total
<b>Available-for-sale securities</b>				
Bonds	-	-	1,261,253,943	1,261,253,943
Debentures	51,637,820	53,301,441	-	104,939,261
	<u>51,637,820</u>	<u>53,301,441</u>	<u>1,261,253,943</u>	<u>1,366,193,204</u>
<b>Held-to-maturity debt securities</b>				
Bonds - net	6,752,476,873	6,907,146,636	28,030,418,630	41,690,042,139
Notes - net	2,750,637,979	395,000,000	1,550,000,000	4,695,637,979
Debentures - net	296,402,466	2,136,939,977	5,225,485,899	7,658,828,342
	<u>9,799,517,318</u>	<u>9,439,086,613</u>	<u>34,805,904,529</u>	<u>54,044,508,460</u>
Total	<u>9,851,155,138</u>	<u>9,492,388,054</u>	<u>36,067,158,472</u>	<u>55,410,701,664</u>

(Unit: Baht)

	2008			
	Due within			
	<u>1 year</u>	<u>1 - 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<b>Available-for-sale securities</b>				
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
<b>Held-to-maturity debt securities</b>				
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

The Company has pledged government and state enterprise bonds of Baht 10,486.80 million (2008: Baht 8,480.30 million) as life assurance policy reserve and assets pledged with the Registrar of the Office of Insurance Commission in accordance with the Life Assurance Act as mentioned in Notes 15 and 16.

- (a) As at 31 December 2009, the Company has investments of Baht 700 million (2008: Baht 1,000 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 7-13 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 2009, the Company has investments of Baht 850 million (2008: Baht 920 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 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 (b).

The Company recorded gains (losses) from investments in securities during the years ended 31 December 2009 and 2008 by included the following.

	(Unit: Baht)	
	2009	2008
Unrealised gains (losses) from trading securities	15,039,539	(90,797,687)
Gains (losses) from sales of trading securities	62,387,202	(107,333,830)
Gains (losses) from sales of available-for-sale securities	16,551,445	(178,953,601)
Gains from sales of held-to-maturity securities	105,851,670	58,871,995
Gains from sales of other investments	-	8,096,798
Unrealised gains (losses) on foreign exchange contracts	11,150,000	(11,960,000)
Losses from debt restructuring	(11,519,281)	-
Reversal of impairment loss	36,500,000	(36,500,000)
<b>Total</b>	<b>235,960,575</b>	<b>(358,576,325)</b>

## 7. Loans and accrued interest

As at 31 December 2009 and 2008, the balances of loans and accrued interest are aged by principal and accrued interest as follows:

Outstanding period	2009								
	Policy loans		Mortgage loans		Other loans		Total		Total
	Accrued		Accrued		Accrued		Accrued		
	Principal	interest	Principal	interest	Principal	interest	Principal	interest	
Current	1,216,888,712	88,566,671	670,430,505	2,874,655	11,909,960	-	1,899,229,177	91,441,326	
Overdue:									
Less than 6 months	-	-	1,741,387	10,354	-	-	1,741,387	10,354	1,751,741
6 – 12 months	-	-	495,793	15,896	-	-	495,793	15,896	511,689
Over 12 months	-	-	5,099,353	340,006	120,777	4,886	5,220,130	344,892	5,565,022
<b>Total</b>	<b>1,216,888,712</b>	<b>88,566,671</b>	<b>677,767,038</b>	<b>3,240,911</b>	<b>12,030,737</b>	<b>4,886</b>	<b>1,906,686,487</b>	<b>91,812,468</b>	<b>1,998,498,955</b>
Less: Allowance for doubtful accounts	-	-	(2,605,722)	(340,006)	-	-	(2,605,722)	(340,006)	(2,945,728)
<b>Loans and accrued interest - net</b>	<b>1,216,888,712</b>	<b>88,566,671</b>	<b>675,161,316</b>	<b>2,900,905</b>	<b>12,030,737</b>	<b>4,886</b>	<b>1,904,080,765</b>	<b>91,472,462</b>	<b>1,995,553,227</b>

Outstanding period	2008								
	Policy loans		Mortgage loans		Other loans		Total		
	Accrued		Accrued		Accrued		Accrued		Total
	Principal	interest	Principal	interest	Principal	interest	Principal	interest	
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

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 2009, loans to employees and agents totaled Baht 42.76 million (2008: Baht 41.61 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	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 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

Name of related parties	Type of business	Relationship with 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
Tris Corporation Ltd.	Services	Shareholding and related by way of common directors
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
Bualuang Securities Pcl.	Securities	Subsidiary of the major shareholder of the Company
Khun Panit Panyabordekul	Agent	Related by way of the Company's management

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)

	2009	2008	Pricing Policy
Premium written	3,834,023	3,546,384	Normal commercial terms for underwriting
Premium ceded	2,607,209	3,434,101	Normal commercial terms for reinsurance depending on type of insurance and reinsurance contract
Commission and brokerages	1,000,549,011	510,111,103	At a mutually agreed percentage of premium written
Claim payment and diagnose charge	65,172,611	68,358,150	Normal commercial terms for underwriting
Interest income – deposits at banks, promissory notes and debentures	35,444,610	15,147,090	Same rates as those offered by financial institutions and related companies to general customers
Interest income – mortgage loans	9,830,711	14,995,613	Same rates as the Company charged to general borrowers who mortgage assets as collateral
Dividend income	70,023,966	79,840,972	The declared amount



(Unit: Baht)

	2009	2008	Pricing Policy
Bank charges	52,481,435	45,221,068	Same rates as those charged by financial institutions and related companies to general customers
The expenses incurred in making the offering (including in premium on share capital)	37,369,600	-	Same rates as those charged by financial institutions and related companies to general customers
Insurance premium	1,342,542	1,092,011	Normal commercial terms for underwriting
Building space rental and services	71,045,867	68,814,283	Head office building: Rental fee of approximately Baht 90 per square meter per month and service fee of Baht 20 per square meter per month for long-term agreement and approximately Baht 44, Baht 138 per square meter per month and service fees approximately Baht 91, 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.

For the years ended 2009 and 2008, the premium generated from the Bancassurance distribution channel represented approximately 43.75% and 33.15% of total net premium written, respectively.

As at 31 December 2009 and 2008, The Company had the following significant balances of assets and liabilities with its related parties:

	(Unit: Baht)			
	2009		2008	
	Cost	Fair value	Cost	Fair value
<b>Investments in listed stocks</b>				
Bangkok Bank Pcl.	275,467,784	404,250,000	291,209,784	255,300,000
Bangkok Insurance Pcl.	49,866,522	108,912,000	49,866,522	84,406,800
Thai Reinsurance Pcl.	41,677,975	92,117,792	41,677,975	86,449,005
Bumrungrad Hospital Pcl.	21,189,853	72,275,000	10,000,000	42,000,000
TICON Industrial Connection Pcl.	98,759,042	63,290,880	98,759,043	37,908,600
	<u>486,961,176</u>	<u>740,845,672</u>	<u>491,513,324</u>	<u>506,064,405</u>
<b>Investments in non-listed stocks</b>				
Tris Corporation Ltd.	1,000,000		1,000,000	
Union Textile Industries Pcl.	166,700		166,700	
BBL Asset Management Co., Ltd.	10,000,000		10,000,000	
	<u>11,166,700</u>		<u>11,166,700</u>	
<b>Investments in securities - warrant</b>				
TICON Industrial Connection Pcl.	-	3,252,448	-	-
<b>Investments in securities - unit trusts</b>				
Bualuang Thanasanplus Fund	1,078,921,092	1,142,734,625	-	-
TICON Property Fund	488,260,554	490,121,220	573,716,382	561,560,000
	<u>1,567,181,646</u>	<u>1,632,855,845</u>	<u>573,716,382</u>	<u>561,560,000</u>
<b>Investments in securities - debenture</b>				
Charoen Pokphand Foods Pcl.	110,000,000		150,000,000	
<b>Investments in securities - note</b>				
Bangkok Bank Pcl.	5,000,000		500,000,000	

	(Unit: Baht)	
	2009	2008
<b>Deposits at financial institution</b>		
Bangkok Bank Pcl.	<u>1,039,639,970</u>	<u>330,625,505</u>
<b>Mortgage loan</b>		
Sorachai Vivatn Co., Ltd.	<u>128,645,874</u>	<u>156,220,800</u>
<b>Prepaid office rental (including in other assets)</b>		
Narai Ruamphiphat Co., Ltd.	<u>128,822,494</u>	<u>140,615,873</u>
<b>Claim payables (including in unpaid policy benefits)</b>		
Bumrungrad Hospital Pcl.	3,715,348	3,145,197
The Phyathai 1 Hospital Co., Ltd.	2,084,270	2,295,568
The Phyathai 2 Hospital Co., Ltd.	3,494,984	3,865,028
The Phyathai 3 Hospital Co., Ltd.	1,653,957	2,239,078
	<u>10,948,559</u>	<u>11,544,871</u>

	(Unit: Baht)	
	2009	2008
<b>Due to reinsurer</b>		
Thaire Life Assurance Co., Ltd.	864,248	2,029,317
<b>Accrued commission and brokerage expenses (including in other liabilities)</b>		
Bangkok Bank Pcl.	209,796,568	90,618,388
<b>Accrued office rental and services charge (including in other liabilities)</b>		
Bangkok Insurance Pcl.	69,086	36,491
Sorachai Vivatn Co., Ltd.	128	705
Rajburi Sugar Co., Ltd.	60,024	66,764
Narai Ruamphiphat Co., Ltd.	62,390	66,494
Bangkok Business Building (1987) Co., Ltd.	62,454	62,337
Bumrungrad Hospital Pcl.	184,835	346,143
The Phayathai 1 Hospital Co., Ltd.	10,800	89,100
The Phayathai 2 Hospital Co., Ltd.	73,080	81,200
The Phayathai 3 Hospital Co., Ltd.	40,930	266,340
	<u>563,727</u>	<u>1,015,574</u>

#### **Directors and management's remuneration**

In 2009 the Company paid meeting allowances, bonuses, contributions to the provident fund and others to their directors and management totaling Baht 46.20 million (2008: Baht 44.38 million).

In addition, 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)	
	2009	2008
Cash	4,882,043	2,485,737
Deposits at banks with no fixed maturity date	888,182,809	359,153,902
Deposits at banks with fixed maturity date and negotiable certificates of deposits	825,000,000	2,020,000,000
Total cash and deposits at financial institutions	1,718,064,852	2,381,639,639
Less: Deposits at financial institutions with maturity of more than 3 months	(705,000,000)	(2,000,000,000)
Short-term investment with original maturity within 3 months	8,380,741,224	280,000,000
Cash and cash equivalents	<u>9,393,806,076</u>	<u>661,639,639</u>

## 10. Property, buildings and equipment

(Unit: Baht)

	Land	Buildings and buildings improvements	Condominium	Furniture and fixtures and office equipment	Vehicles	Construction in progress	Total
<b>Cost:</b>							
31 December 2008	77,676,800	284,982,778	36,632,960	323,267,181	34,787,405	1,903,802	759,250,926
Purchases	-	17,803,317	-	41,064,239	2,245,000	6,122,500	67,235,056
Disposals/written-off	(350,000)	(2,801,825)	-	(6,089,782)	(6,269,840)	-	(15,511,447)
Transfer in (out)	-	6,726,302	-	1,265,000	-	(7,991,302)	-
31 December 2009	77,326,800	306,710,572	36,632,960	359,506,638	30,762,565	35,000	810,974,535
<b>Accumulated depreciation:</b>							
31 December 2008	-	172,032,677	9,464,351	232,873,513	20,272,242	-	434,642,783
Depreciation for the year	-	18,364,603	1,831,648	32,646,913	4,454,719	-	57,297,883
Depreciation - disposals/ written-off	-	(2,798,772)	-	(6,045,253)	(6,269,790)	-	(15,113,815)
31 December 2009	-	187,598,508	11,295,999	259,475,173	18,457,171	-	476,826,851
<b>Net book value:</b>							
31 December 2008	77,676,800	112,950,101	27,168,609	90,393,668	14,515,163	1,903,802	324,608,143
31 December 2009	77,326,800	119,112,064	25,336,961	100,031,465	12,305,394	35,000	334,147,684
<b>Depreciation charged in income statements for the year</b>							
2008							48,200,693
2009							57,297,883

As at 31 December 2009, 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 272.06 million (2008: Baht 240.94 million).

## 11. Premium due and uncollected

As at 31 December 2009 and 2008, 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)	
	2009	2008
Grace period not exceeded	1,099,993,818	1,107,533,488
Grace period exceeded	35,279,182	13,342,113
Total premium due and uncollected	1,135,273,000	1,120,875,601

## 12. Intangible assets

(Unit: Baht)

	Software	System development in progress	Total
<b>Cost</b>			
31 December 2008	38,348,671	187,250	38,535,921
Increase	1,145,277	861,728	2,007,005
Transfer in (out)	299,600	(299,600)	-
31 December 2009	39,793,548	749,378	40,542,926
<b>Accumulated amortisation</b>			
31 December 2008	17,426,826	-	17,426,826
Amortisation charged for the year	5,297,354	-	5,297,354
31 December 2009	22,724,180	-	22,724,180
<b>Net book value</b>			
31 December 2008	20,921,845	187,250	21,109,095
31 December 2009	17,069,368	749,378	17,818,746
<b>Amortisation charged in income statements for the year</b>			
2008			3,307,012
2009			5,297,354

## 13. Other assets

(Unit: Baht)

	2009	2008
Prepaid rental expenses	128,822,493	140,615,873
Accounts receivable from sales of investments	4,909,350	7,234,646
Prepaid expenses	25,290,230	20,340,516
Deposits	16,827,141	19,032,376
Others	9,302,534	18,019,775
Total	185,151,748	205,243,186

#### 14. Other liabilities

	(Unit: Baht)	
	2009	2008
Accrued commission expenses	548,414,192	403,511,371
Accrued expenses	286,264,491	132,441,605
Withholding tax payable	31,589,219	25,322,248
Premium received for policies not yet approved	82,233,741	53,248,871
Amounts received awaiting transfer	83,861,356	78,764,294
Unpaid benefits to life policies exempted premium	86,317,389	80,818,346
Forward contracts payables	15,354,900	26,575,250
Others	48,953,522	46,412,663
Total	<u>1,182,988,810</u>	<u>847,094,648</u>

#### 15. Assets pledged with registrar

As at 31 December 2009 and 2008, the following assets have been pledged with the Registrar of the Office of Insurance Commission in accordance with the Life Assurance Act.

	(Unit: Baht)	
	2009	2008
State enterprise bond	<u>20,000,000</u>	<u>20,000,000</u>

#### 16. Assets reserved with registrar

As at 31 December 2009 and 2008, 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)	
	2009	2008
Government bonds	4,516,546,937	3,605,788,757
State enterprise bonds	5,950,251,426	4,854,511,383
Total	<u>10,466,798,363</u>	<u>8,460,300,140</u>

## 17. Share capital

On 14 September 2009, the Company issued an initial public offering of 200 million ordinary shares at the price of Baht 13.50 per share. Total proceed from the Company's newly share offering was Baht 2,700 million, with a share premium of Baht 2,424.82 million, net of related expenses incurred in making the offering. The Company registered the change in its paid-up share capital to be Baht 1,200 million with the Ministry of Commerce on 22 September 2009.

## 18. Warrants

On 23 November 2008, 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 as follow:

<u>Approved by</u>	<u>Allocated warrants</u>	<u>Unallocated warrants</u>
The Executive Board of Directors of the Company, on 29 May 2009	11.50 million units	8.50 million units
the Board of Directors of the Company, on 14 August 2009	1.35 million units	7.15 million units

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.

## 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 2009, the Company transferred net income amounting to Baht 44.9 million (2008: Baht 37.6 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 2009, the Company has been sued for damaged totaling approximately Baht 25.83 million (2008: Baht 21.86 million) as insurer. The outcomes of these causes have not yet been finalised.

## **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 2009, a total of Baht 21.69 million (2008: Baht 19.34 million) has been contributed to the fund and recorded as expenses by the Company.

## **24. Dividends paid**

On 17 April 2009, the Annual General Meeting of the shareholders approved the payment of dividend of Baht 0.20 per share to the Company's shareholders, a total of Baht 200 million. However, the Office of Insurance Commission approved a dividend payment of Baht 0.135 per share, or a total of Baht 135 million. On 15 July 2009, the Company already made the dividend payment.

On 11 November 2009, the Board of Directors of the Company approved the payment of dividend of Baht 0.15 per share to the Company's shareholders, a total of Baht 180 million with the approval of the Office of Insurance Commission. On 11 December 2009, the Company already made the dividend payment.

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.



## 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 2009, the Company has outstanding commitments as follows:

(Unit: Million Baht)

	Pay within			
	1 year	1 - 5 years	5 years	Total
Operating lease agreements	28.87	25.60	5.64	60.11
Services agreements	33.17	41.05	18.78	93.00
Total	62.04	66.65	24.42	153.11

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

(Unit: Million Baht)

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

## 26. Financial instruments

### 26.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No.32 "Financial Instruments: Presentation", 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 2009 classified by type of interest rates are summarized in the table below.

(Unit: Baht)

	Balance as at 31 December 2009		
	No interest	Floating interest rate	Fixed interest rate
Deposits at financial institutions	326,599,705	566,465,147	825,000,000
Investments in securities - net			
Bonds	-	-	42,951,296,082
Notes	-	-	4,695,637,979
Debentures	-	-	7,763,767,603
Loans - net	-	34,228,752	1,869,852,013
Total	<u>326,599,705</u>	<u>600,693,899</u>	<u>58,105,553,677</u>

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.

	(Unit: Baht)				Average interest rate (% p.a.)
	Within		Over 5 years	Total	
	1 year	1 - 5 years			
Deposits at financial institutions	525,000,000	-	300,000,000	825,000,000	3.28
Investments in securities - net					
Bonds	6,752,476,872	6,907,146,636	29,291,672,574	42,951,296,082	5.22
Notes	2,750,637,979	395,000,000	1,550,000,000	4,695,637,979	3.03
Debentures	348,040,286	2,190,241,419	5,225,485,898	7,763,767,603	5.73
Loans - net	899,632	16,107,163	1,852,845,218	1,869,852,013	6.86 - 8.00
<b>Total</b>	<b>10,377,054,769</b>	<b>9,508,495,218</b>	<b>38,220,003,690</b>	<b>58,105,553,677</b>	

### 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 2009, the balances of financial assets denominated in foreign currencies are summarised below.

Foreign currency	Financial assets (Million)	Average exchange rate as at 31 December 2009 (Baht per 1 foreign currency unit)
US dollar	64.50	33.22

Foreign exchange contracts outstanding at 31 December 2009 are summarized below.

Foreign currency	Bought amount (Million)	Contractual exchange rate bought (Baht per 1 foreign currency unit)
US dollar	64.50	33.27 – 41.00

## **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 2009, 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)	
	Carrying value	Fair value
<b>Held-to-maturity debt securities</b>		
Bonds – net	41,690,042,139	43,129,122,875
Debenture – net	7,658,828,342	7,886,321,549
Investments in notes in Note 5 (a) (exclusion of put option)	700,000,000	701,925,407
Investments in notes in Note 5 (b)	850,000,000	1,114,687,359
Investments in promissory notes	4,695,637,979	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 2009, the Company may need to deposit additional amounts in the future under the promissory notes and bills of exchange agreements, as summarised below.

<b>Within</b>	<b>Unit: Million Baht</b>
Within 1 year	200
1 - 3 years	300
Total	500

## **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 capital reserve 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 24 February 2010.