

Bangkok Life Assurance Public Company Limited
Notes to financial statements
For the years ended 31 December 2010 and 2009

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. As at 31 December 2010, the Company has 74 branches (2009: 71 branches)

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 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

During the current year, the Federation of Accounting Professions issued a number of revised and new accounting standards as listed below.

- (a) Accounting standards that are effective for fiscal years beginning on or after 1 January 2011 (except Framework for the Preparation and Presentation of Financial Statements, which is immediately effective):

Framework for the Preparation and Presentation of Financial Statements
(revised 2009)

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property
TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources
TFRIC 15	Agreements for the Construction of Real Estate

- (b) Accounting standards that are effective for fiscal years beginning on or after 1 January 2013:

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

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 standards which management expects the impact on the financial statements in the year when they are adopted.

TAS 19 Employee Benefits

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits and liabilities arising from other defined benefit plans using actuarial techniques. Currently, the Company accounts for such employee benefits when they are incurred.

From the management's evaluation, the impact on the financial statements when this standard is adopted in the year 2011 will decrease the retained earnings as at 1 January 2011 approximately Baht 108 million.

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 recognise deferred tax assets and liabilities under the stipulated guidelines.

At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.

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 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.

(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 in compliance with the OIC's Notifications. 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 OIC 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 stated at fair value. Changes in the fair value of these securities are recorded as gains or losses in the income statement. 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 as a separate item in shareholders' equity, and will be recorded as gains or losses in the income statement 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 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. 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 as gains or losses in the income statement or recorded as surplus (deficit) from changes in the value of investments in shareholders' 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 as income or expenses in the income statement.

4.6 Loans and allowance for doubtful accounts

Loans are presented at their net 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 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 (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

4.10 Intangible assets and amortisation

Intangible assets initially acquired are recognised 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 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 the income statements over the lease period. The property, building or equipment acquired under finance leases is depreciated over the useful life of the asset.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

4.12 Impairment of assets

At each reporting date, 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. 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.

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 the income statement in which case the reversal.

4.13 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.

4.14 Employee benefits

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

4.15 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.

4.16 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.

4.17 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.

4.18 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 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 the management judges that 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 is required to make estimates of the useful lives and salvage values of the Company’s buildings and equipment and to reviews estimated useful lives and salvage 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 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 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.

Employee retirement benefits

Employee retirement benefit costs are based on actuarial calculations. Inherent within these calculations are assumptions as to salary increases and discount rate, among others.

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.

6. Investments in securities

(Unit: Baht)

	2010		2009	
	Cost /		Cost /	
	Amortised cost	Fair value	Amortised cost	Fair value
Trading securities				
Equity securities				
Ordinary shares	388,975,003	391,114,010	4,010,700	5,200,000
Warrants	-	-	-	14,719,539
Surplus on changes in values of investments	2,139,007	-	15,908,839	-
Total trading securities	391,114,010	391,114,010	19,919,539	19,919,539
Available-for-sale securities				
Equity securities				
Ordinary shares	5,327,590,054	7,442,273,588	3,461,386,897	4,410,791,600
Unit trusts	2,241,935,329	2,421,906,623	2,213,300,894	2,269,930,337
Unrealised losses on exchange	(17,764,182)	-	(1,559,783)	-
Surplus on changes in values of investments	2,312,419,010	-	1,007,593,929	-
	<u>9,864,180,211</u>	<u>9,864,180,211</u>	<u>6,680,721,937</u>	<u>6,680,721,937</u>
Debt securities				
Bonds - net	2,974,326,525	2,999,568,272	1,240,374,194	1,261,253,943
Debentures - net	50,000,316	53,043,785	100,000,688	104,939,261
Surplus on changes in values of investments	28,285,216	-	25,818,322	-
	<u>3,052,612,057</u>	<u>3,052,612,057</u>	<u>1,366,193,204</u>	<u>1,366,193,204</u>
Total available-for-sale securities	12,916,792,268	12,916,792,268	8,046,915,141	8,046,915,141
Held-to-maturity debt securities				
Bonds - net	53,702,571,518		41,690,042,139	
Notes	7,205,000,000		4,695,637,979	
Debentures	8,609,041,960		7,666,328,342	
Less: Allowance for impairment	(7,500,000)		(7,500,000)	
Debentures - net	<u>8,601,541,960</u>		<u>7,658,828,342</u>	
Total held-to-maturity debt securities	69,509,113,478		54,044,508,460	
Other investments				
Ordinary shares	<u>29,587,830</u>		<u>29,587,830</u>	
Total other investments	29,587,830		29,587,830	
Total investments in securities	82,846,607,586		62,140,930,970	

Investments in debt securities as at 31 December 2010 and 2009 will be due as follows:

	(Unit: Baht)			
	2010			
	Due within			
	1 year	1 - 5 years	Over 5 years	Total
Available-for-sale securities				
Bonds - net	-	711,855,809	2,287,712,463	2,999,568,272
Debentures - net	-	53,043,785	-	53,043,785
	-	764,899,594	2,287,712,463	3,052,612,057
Held-to-maturity debt securities				
Bonds - net	2,678,476,713	8,354,369,647	42,669,725,158	53,702,571,518
Notes	3,020,000,000	395,000,000	3,790,000,000	7,205,000,000
Debentures - net	260,555,725	3,066,625,523	5,274,360,712	8,601,541,960
	5,959,032,438	11,815,995,170	51,734,085,870	69,509,113,478
Total	5,959,032,438	12,580,894,764	54,021,798,333	72,561,725,535
				(Unit: Baht)
	2009			
	Due within			
	1 year	1 - 5 years	Over 5 years	Total
Available-for-sale securities				
Bonds - net	-	-	1,261,253,943	1,261,253,943
Debentures - net	51,637,820	53,301,441	-	104,939,261
	51,637,820	53,301,441	1,261,253,943	1,366,193,204
Held-to-maturity debt securities				
Bonds - net	6,752,476,873	6,907,146,636	28,030,418,630	41,690,042,139
Notes	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
	9,799,517,318	9,439,086,613	34,805,904,529	54,044,508,460
Total	9,851,155,138	9,492,388,054	36,067,158,472	55,410,701,664

The Company has pledged government and state enterprise bonds of Baht 13,146.02 million (2009: Baht 10,486.80 million) as life assurance policy reserve and assets pledged with the Registrar in accordance with the Life Assurance Act as mentioned in Notes 15 and 16.

- (a) As at 31 December 2010, the Company has investments of Baht 1,700 million (2009: Baht 700 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 6 - 11 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 2010, the Company has investments of Baht 1,090 million (2009: Baht 850 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 6 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 2010, the Company has investments of 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 9 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 2010, the Company has investments of Baht 400 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 10 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 from investments in securities during the years ended 31 December 2010 and 2009 by included the following.

	(Unit: Baht)	
	2010	2009
Unrealised gains from trading securities	2,139,007	15,039,539
Gains from sales of trading securities	202,615,935	62,387,202
Gains from sales of available-for-sale securities	225,873,311	38,322,340
Gains from sales of held-to-maturity securities	4,000,000	84,070,775
Unrealised gains on foreign exchange contracts	16,200,000	11,150,000
Reversal of impairment loss	5,016	24,990,719
Total	450,833,269	235,960,575

7. Loans and accrued interest

As at 31 December 2010 and 2009, the balances of loans and accrued interest are aged by principal and accrued interest as follows:

Outstanding period	2010								
	Policy loans		Mortgage loans		Other loans		Total		
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Total
Current	1,517,437,651	108,983,658	623,913,961	2,691,501	14,090,179	-	2,155,441,791	111,675,159	2,267,116,958
Overdue:									
Less than 6 months	-	-	1,270,928	-	-	-	1,270,928	-	1,270,928
Over 12 months	-	-	1,286,677	79,478	112,743	3,353	1,399,420	82,831	1,482,251
Total	1,517,437,651	108,983,658	626,471,566	2,770,979	14,202,922	3,353	2,158,112,139	111,757,990	2,269,870,137
Less: Allowance for doubtful accounts	-	-	(66,408)	(79,478)	-	-	(66,408)	(79,478)	(145,886)
Loans and accrued interest - net	1,517,437,651	108,983,658	626,405,158	2,691,501	14,202,922	3,353	2,158,045,731	111,678,512	2,269,724,251

Outstanding period	2009								
	Policy loans		Mortgage loans		Other loans		Total		
	Accrued		Accrued		Accrued		Accrued		Total
	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	1,990,670,503
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
Total	1,216,888,712	88,566,671	677,767,038	3,240,911	12,030,737	4,886	1,906,686,487	91,812,468	1,998,498,955
Less: Allowance for doubtful accounts	-	-	(2,605,722)	(340,006)	-	-	(2,605,722)	(340,006)	(2,945,728)
Loans and accrued interest - net	1,216,888,712	88,566,671	675,161,316	2,900,905	12,030,737	4,886	1,904,080,765	91,472,462	1,995,553,227

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 2010, loans to employees and agents totaled Baht 55.91 million (2009: Baht 42.76 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

Name of related parties	Type of business	Relationship with the Company
Narai Ruamphiphat Co., Ltd.	Property development	Holding by an individual related to the major shareholder of the Company
Bangkok Business Building (1987) Co., Ltd.	Rental of assets	Related by way of common directors and shareholders
Royal Cliff Beach Hotel Co., Ltd.	Tourism & Leisure	Holding by an individual related to a director of the Company
Tris Corporation Ltd.	Services	Shareholding and related by way of common directors
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 Ventores 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
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)

	2010	2009	Pricing Policy
Premium written	3,875,200	3,834,023	Normal commercial terms for underwriting
Premium ceded	2,695,005	2,607,209	Normal commercial terms for reinsurance depending on type of insurance and reinsurance contract
Commission and brokerages	1,212,770,112	1,000,549,011	At a mutually agreed percentage of premium written
Claim payment and diagnose charge	74,096,851	65,172,611	Normal commercial terms for underwriting
Interest income - deposits at banks, promissory notes and debentures	17,325,292	35,444,610	Same rates as those offered by financial institutions and related companies to general customers
Interest income - mortgage loans	7,834,080	9,830,711	Same rates as the Company charged to general borrowers who mortgage assets as collateral
Dividend income	98,609,805	70,023,966	The declared amount
Bank charges	61,135,516	52,481,435	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	1,040,141	1,342,542	Normal commercial terms for underwriting
Building space rental and services	72,655,332	71,045,867	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 20 per square meter) 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 2010 and 2009, the premium generated from the Bancassurance distribution channel represented approximately 56.38% and 43.75% of total net premium written, respectively.

As at 31 December 2010 and 2009, The Company had the following significant balances of assets and liabilities with its related parties:

	(Unit: Baht)			
	2010		2009	
	Cost	Fair value	Cost	Fair value
Investments in listed stocks				
Bangkok Bank Pcl.	384,338,080	624,750,000	275,467,784	404,250,000
Bangkok Insurance Pcl.	52,135,522	167,452,200	49,866,522	108,912,000
Thai Reinsurance Pcl.	37,667,275	105,304,248	41,677,975	92,117,792
Bumrungrad Hospital Pcl.	22,197,195	78,908,275	21,189,853	72,275,000
TICON Industrial Connection Pcl.	113,994,710	114,581,115	98,759,042	63,290,880
	<u>610,332,782</u>	<u>1,090,995,838</u>	<u>486,961,176</u>	<u>740,845,672</u>
Investments in non-listed stocks				
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>	
Investments in securities - warrant				
TICON Industrial Connection Pcl.	-	-	-	3,252,448
Investments in securities - unit trusts				
Bualuang Thanasanplus Fund	842,860,038	927,596,110	1,078,921,092	1,142,734,625
TICON Property Fund	625,643,394	697,373,385	488,260,554	490,121,220
	<u>1,468,503,432</u>	<u>1,624,969,495</u>	<u>1,567,181,646</u>	<u>1,632,855,845</u>
Investments in securities - debenture				
Charoen Pokphand Foods Pcl.	100,000,000		110,000,000	
Investments in securities – debenture in foreign currency				
Bangkok Bank Pcl.	1,046,231,974		-	
Investments in securities - note				
Bangkok Bank Pcl.	-		5,000,000	

	(Unit: Baht)	
	2010	2009
Deposits at financial institution		
Bangkok Bank Pcl.	519,816,930	1,039,639,970
Mortgage loan		
Sorachai Vivatn Co., Ltd.	99,678,834	128,645,874
Prepaid office rental (including in other assets)		
Narai Ruamphiphat Co., Ltd.	117,029,112	128,822,494
Claim payables (including in unpaid policy benefits)		
Bumrungrad Hospital Pcl.	4,350,683	3,715,348
The Phyathai 1 Hospital Co., Ltd.	2,044,893	2,084,270
The Phyathai 2 Hospital Co., Ltd.	4,349,956	3,494,984
The Phyathai 3 Hospital Co., Ltd.	3,128,216	1,653,957
	<u>13,873,748</u>	<u>10,948,559</u>
Due to reinsurer		
Thaire Life Assurance Co., Ltd.	1,265,420	864,248
Accrued commission and brokerage expenses (including in other liabilities)		
Bangkok Bank Pcl.	282,449,788	209,796,568
Accrued office rental and services charge (including in other liabilities)		
Bangkok Insurance Pcl.	67,083	69,086
Sorachai Vivatn Co., Ltd.	9,210	128
Rajburi Sugar Co., Ltd.	63,788	60,024
Narai Ruamphiphat Co., Ltd.	77,139	62,390
Bangkok Business Building (1987) Co., Ltd.	66,780	62,454
Bumrungrad Hospital Pcl.	-	184,835
The Phayathai 1 Hospital Co., Ltd.	-	10,800
The Phayathai 2 Hospital Co., Ltd.	-	73,080
The Phayathai 3 Hospital Co., Ltd.	-	40,930
	<u>284,000</u>	<u>563,727</u>

Directors and management's remuneration

In 2010 the Company paid salaries, meeting allowances, bonuses, contributions to the provident fund and others to their directors and management totaling Baht 53.53 million (2009: Baht 50 million).

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

9. Cash and cash equivalents

	(Unit: Baht)	
	2010	2009
Cash	4,934,607	4,882,043
Deposits at banks with no fixed maturity date	554,598,352	888,182,809
Deposits at banks with fixed maturity date and negotiable certificates of deposits	300,000,000	825,000,000
Total cash and deposits at financial institutions	859,532,959	1,718,064,852
Less: Deposits at financial institutions with maturity of more than 3 months	(300,000,000)	(705,000,000)
Short-term investment with original maturity within 3 months	4,799,320,236	8,380,741,224
Cash and cash equivalents	<u>5,358,853,195</u>	<u>9,393,806,076</u>

As at 31 December 2010 and 2009, bank deposits in saving accounts, fixed deposits and short-term investment carried interests between 0.25 and 6.10 percent per annum.

10. Property, buildings and equipment

	(Unit: Baht)						
	Land	Buildings and buildings improvements	Condominium	Furniture and fixtures and office equipment	Vehicles	Construction in progress	Total
Cost:							
31 December 2009	77,326,800	306,710,572	36,632,960	359,506,638	30,762,565	35,000	810,974,535
Purchases	-	15,067,941	-	55,562,190	-	4,565,000	75,195,131
Adjust	-	-	-	519,862	-	-	519,862
Disposals/written-off	-	(816,581)	-	(23,243,570)	(8,805,000)	-	(32,865,151)
Transfer in (out)	-	3,085,000	-	690,000	-	(3,775,000)	-
31 December 2010	<u>77,326,800</u>	<u>324,046,932</u>	<u>36,632,960</u>	<u>393,035,120</u>	<u>21,957,565</u>	<u>825,000</u>	<u>853,824,377</u>
Accumulated depreciation:							
31 December 2009	-	187,598,508	11,295,999	259,475,173	18,457,171	-	476,826,851
Depreciation for the year	-	22,339,989	1,831,648	41,951,426	3,776,783	-	69,899,846
Depreciation - disposals/written-off	-	(816,503)	-	(22,328,659)	(8,804,930)	-	(31,950,092)
31 December 2010	<u>-</u>	<u>209,121,994</u>	<u>13,127,647</u>	<u>279,097,940</u>	<u>13,429,024</u>	<u>-</u>	<u>514,776,605</u>
Net book value:							
31 December 2009	<u>77,326,800</u>	<u>119,112,064</u>	<u>25,336,961</u>	<u>100,031,465</u>	<u>12,305,394</u>	<u>35,000</u>	<u>334,147,684</u>
31 December 2010	<u>77,326,800</u>	<u>114,924,938</u>	<u>23,505,313</u>	<u>113,937,180</u>	<u>8,528,541</u>	<u>825,000</u>	<u>339,047,772</u>
Depreciation charged in income statements for the year							
2009							<u>57,297,883</u>
2010							<u>69,899,846</u>

As at 31 December 2010, 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 264.47 million (2009: Baht 272.06 million).

11. Premium due and uncollected

As at 31 December 2010 and 2009, 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)	
	2010	2009
Grace period not exceeded	1,257,197,632	1,099,993,818
Grace period exceeded	53,343,106	35,279,182
Total premium due and uncollected	<u>1,310,540,738</u>	<u>1,135,273,000</u>

12. Intangible assets

	(Unit: Baht)		
	Software	System development in progress	Total
Cost			
31 December 2009	39,793,548	749,378	40,542,926
Increase	8,838,601	4,440,888	13,279,489
Adjust	(519,862)	-	(519,862)
Transfer in (out)	764,378	(764,378)	-
31 December 2010	<u>48,876,665</u>	<u>4,425,888</u>	<u>53,302,553</u>
Accumulated amortisation			
31 December 2009	22,724,180	-	22,724,180
Amortisation charged for the year	7,363,955	-	7,363,955
31 December 2010	<u>30,088,135</u>	-	<u>30,088,135</u>
Net book value			
31 December 2009	<u>17,069,368</u>	<u>749,378</u>	<u>17,818,746</u>
31 December 2010	<u>18,788,530</u>	<u>4,425,888</u>	<u>23,214,418</u>
Amortisation charged in income statements for the year			
2009			<u>5,297,354</u>
2010			<u>7,363,955</u>

13. Other assets

	(Unit: Baht)	
	2010	2009
Prepaid rental expenses	117,029,111	128,822,493
Accounts receivable from sales of investments	8,258,080	4,909,350
Prepaid expenses	24,960,298	25,290,230
Deposits	18,077,292	16,827,141
Others	11,095,389	9,302,534
Total	<u>179,420,170</u>	<u>185,151,748</u>

14. Other liabilities

	(Unit: Baht)	
	2010	2009
Accrued commission expenses	604,751,763	548,414,193
Accrued expenses	329,831,421	286,264,491
Withholding tax payable	19,716,519	31,589,219
Premium received for policies not yet approved	76,962,715	82,233,741
Amounts received awaiting transfer	125,158,636	83,861,356
Unpaid benefits to life policies exempted premium	89,503,128	86,317,389
Forward contracts payables	39,487,950	15,354,900
Others	57,408,470	48,953,522
Total	<u>1,342,820,602</u>	<u>1,182,988,811</u>

15. Assets pledged with registrar

As at 31 December 2010 and 2009, the following assets have been pledged with the Registrar in accordance with the Life Assurance Act.

	(Unit: Baht)	
	2010	2009
State enterprise bond	<u>20,000,000</u>	<u>20,000,000</u>

16. Assets reserved with registrar

As at 31 December 2010 and 2009, the following assets have been pledged as life assurance policy reserve with the Registrar in accordance with the Life Assurance Act.

	(Unit: Baht)	
	2010	2009
Government bonds	4,780,291,574	4,516,546,937
State enterprise bonds	8,345,723,786	5,950,251,426
Total	<u>13,126,015,360</u>	<u>10,466,798,363</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 2007, Extraordinary General Meeting No. 2 of the Company's shareholders passed a resolution approving the issuance of 20 million registered and non-transferrable warrants to subscribe to the Company's ordinary shares, to be allotted to employees as follow:

Approved by	Allocated warrants	Unallocated warrants
The Executive Board of Directors of the Company, on 29 May 2008	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 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.

Diluted earnings per share is calculated by dividing net income for the year 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 year or on the date the potential ordinary shares were issued.

Basis earning per share and diluted earnings per share for the years ended 31 December 2010 and 2009 were calculated as follows:

	Net income (Thousand Baht)		Weighted average number of shares (Thousand shares)		Earnings per share (Baht)	
	2010	2009	2010	2009	2010	2009
Basic earnings per share						
Net income	2,796,484	1,185,692	1,200,000	1,059,180	<u>2.330</u>	<u>1.119</u>
Dilutive effect of warrants	-	-	6,199	-		
Diluted earnings per share						
Net income of ordinary shareholder assuming the conversion of warrants to ordinary shares	<u>2,796,484</u>	<u>1,185,692</u>	<u>1,206,199</u>	<u>1,059,180</u>	<u>2.318</u>	<u>1.119</u>

21. 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.

22. 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 2010, a total of Baht 23.07 million (2009: Baht 21.69 million) has been contributed to the fund and recorded as expenses by the Company.

23. 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 OIC 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 27 April 2010, the Annual General Meeting of shareholders 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 OIC on 22 April 2010. On 26 May 2010, the Company already made the dividend payment.

On 11 August 2010, the Meeting of Board of directors approved the payment of dividend of Baht 0.20 per share to the Company's shareholders, a total of Baht 240 million with the approval of the OIC on 8 September 2010. On 16 September 2010, the Company already made the dividend payment.

24. 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 cannot be cancelled.

As at 31 December 2010, the Company has outstanding commitments as follows:

(Unit: Million Baht)

	Pay within			Total
	1 year	1 - 5 years	5 years	
Operating lease agreements	22.59	14.53	4.70	41.82
Services agreements	23.82	32.20	22.10	78.12
Total	46.41	46.73	26.80	119.94

As at 31 December 2009, the Company has outstanding commitments as follows:

(Unit: Million Baht)

	Pay within			Total
	1 year	1 - 5 years	5 years	
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

25. Contingent liabilities

As at 31 December 2010, the Company has been sued for damaged totaling approximately Baht 33.78 million (2009: Baht 25.83 million) as insurer. The outcomes of these causes have not yet been finalised due to uncertainty of these causes.

26. Financial instruments

26.1 Financial risk management

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.

As at 31 December 2010 financial assets classified by type of interest rate are summarised in the table below:

(Unit: Baht)

	Balance as at 31 December 2010		
	No interest	Floating interest rate	Fixed interest rate
Deposits at financial institutions	233,386,717	326,146,242	300,000,000
Investments in securities - net			
Bonds	-	-	56,702,139,790
Notes	-	-	7,205,000,000
Debentures	-	-	8,654,585,745
Loans - net	-	44,375,042	2,113,670,689
Total	<u>233,386,717</u>	<u>370,521,284</u>	<u>74,975,396,224</u>

As at 31 December 2010, 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
	Within 1 year	1 - 5 years	Over 5 years	Total	interest rate (% p.a.)
Deposits at financial institutions	-	300,000,000	-	300,000,000	5.35
Investments in securities - net					
Bonds	2,678,476,713	9,066,225,456	44,957,437,621	56,702,139,790	4.61
Notes	3,020,000,000	395,000,000	3,790,000,000	7,205,000,000	3.87
Debentures	260,555,726	3,119,669,308	5,274,360,711	8,654,585,745	5.57
Loans - net	1,112,974	16,594,534	2,096,963,181	2,113,670,689	6.70-8.00
Total	5,960,145,413	12,897,489,298	56,118,761,513	74,975,396,224	

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 2010, the balances of financial assets denominated in foreign currencies are summarised below.

Foreign currency	Financial assets	Average exchange rate as at 31 December 2010
	(Million)	(Baht per 1 foreign currency unit)
US dollar	99.50	30.01

Foreign exchange contracts outstanding at 31 December 2010 are summarized below.

Foreign currency	Bought amount	Contractual exchange rate bought
	(Million)	(Baht per 1 foreign currency unit)
US dollar	99.50	29.80 - 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 2010, the aggregate carrying values of the Company's financial instruments which are significantly different from their aggregate fair values can be defined as follows:

	Carrying value	Fair value
(Unit: Baht)		
Held-to-maturity debt securities		
Bonds - net	53,702,571,518	58,800,600,467
Debenture - net	8,601,541,960	9,143,725,439
Investments in notes in Note 6 (a) (exclusion of put option)	1,700,000,000	1,672,178,849
Investments in notes in Note 6 (b)	1,090,000,000	1,493,426,290
Investments in notes in Note 6 (c)	600,000,000	634,290,000
Investments in notes in Note 6 (d)	400,000,000	377,960,000

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 6 (a)

As at 31 December 2010, the Company may need to deposit additional amounts in the future under the promissory notes and bills of exchange agreements, as summarised below.

Within	Unit: Million Baht
Within 1 year	1,100
1 - 3 years	500
Total	<u>1,600</u>

27. 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 Notifications of the OIC.

28. Approval of financial statements

These financial statements were authorised for issue by the Board of Directors on 23 February 2011.