

BANGKOK LIFE ASSURANCE LIMITED
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2006 AND 2005

Report of Independent Auditor

To The Board of Directors and Shareholders of
Bangkok Life Assurance Limited

I have audited the balance sheets of Bangkok Life Assurance Limited as at 31 December 2006 and 2005, 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 Limited as at 31 December 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

Sophon Permsirivallop

Certified Public Accountant (Thailand) No. 3182

Ernst & Young Office Limited

Bangkok: 22 March 2007

BANGKOK LIFE ASSURANCE LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

1. GENERAL INFORMATION

Bangkok Life Assurance Limited (“The Company”) is a limited company incorporated and domiciled in Thailand. The Company is principally engaged in the provision of life insurance business. The Company had 64 branches (2005: 63 branches) and its registered office is located at 23/115-121, Royal City Avenue, Rama 9 Road, Bangkok, Huaykwang, Bangkok 10320.

As at 31 December 2006 and 2005, the Company had 864 employees and 827 employees, respectively.

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 3.5) are accounted for based on the relevant US Generally Accepted Accounting Principles since the related Thai Accounting Standards do not address the life insurance business, and where applicable Thai Accounting practices related to life insurance and the accounting and reporting guidelines prescribed by the regulatory authority of life insurance business. As permitted by the relevant regulation, the Company has elected not to adopt the following the accounting standards at this time:

Accounting Standard No. 24	Segment Reporting
Accounting Standard No. 47	Related Party Disclosures

The presentation of the financial statements has been made in compliance with the order of the Registrar dated 6 March 2002, as empowered under the Accounting Act B.E. 2543.

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 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. However, the Company stops accruing interest income from loans overdue more than six months.

3.2 Benefit payments to life policies

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

3.3 Commissions and brokerages

Commission and brokerage fees are expensed when incurred.

3.4 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 Commerce Ministry on 23 November 2001.
- (b) For other insurance and group insurance, unearned premium reserve is set aside at the rate of 40 percent of net premium written for the year.

3.5 Investments in securities

Investments in securities held for trading are determined at fair value. Gains or losses arising from changes in the value of securities are included in determining income.

Investments in available-for-sale securities are determined at fair value. Unrealised gains or losses arising from changes in the value of securities are recorded as a separate item in shareholders' equity under the caption of "Surplus on revaluation of investments". When the securities are sold the realised gains or losses are recognised in the income statement.

Investments in held-to-maturity debt securities are determined at their amortised cost. Premiums or discounts on the par value of the securities are taken into account using the effective yield rate.

Other investments are valued at cost net allowance for loss on impairment (if any).

The fair value of marketable securities is based on the latest bid price of the year quoted on the Stock Exchange of Thailand. The fair value of debentures is determined based on the price quoted by The Thai Bond Market Association or discounted cash flow with appropriated risk. The fair value of unit trusts is determined based on their net asset value.

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

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

3.6 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.

3.7 Premises and equipment and depreciation

Land is stated at cost. Premises and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any). Depreciation of premises and equipment are calculated by reference to their costs on a straight-line basis over the following estimated useful lives, or the period of the lease: -

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

Depreciation is included in determining income.

No depreciation is provided for land and building in progress.

3.8 Intangible assets and amortisation

Computer software is stated at cost less accumulated amortisation. Amortisation of computer software is calculated by reference to its cost on a straight-line basis over its estimated useful life of 10 years.

Amortisation is included in determining income.

No amortisation is provided for system development in progress.

3.9 Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement. An asset's recoverable amount is the higher of fair value less costs to sell and value in use.

3.10 Income tax

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

3.11 Employee benefits

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

3.12 Foreign currencies

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

3.13 Cash and cash equivalents

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

3.14 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.

3.15 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.

3.16 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

4. INVESTMENTS IN SECURITIES

(Unit: Baht)

	As at 31 December			
	2006		2005	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Trading securities				
<i>Equity securities</i>				
Common stock	324,284,026	311,642,414	171,077,363	170,324,275
Less: Loss from changes in value of investments	(12,641,612)	-	(753,088)	-
	<u>311,642,414</u>	<u>311,642,414</u>	<u>170,324,275</u>	<u>170,324,275</u>
<i>Debt securities</i>				
Government bonds - net	198,468,615	197,763,511	-	-
Less: Loss from change in value of investments	(705,104)	-	-	-
	<u>197,763,511</u>	<u>197,763,511</u>	<u>-</u>	<u>-</u>
Total trading securities	<u>509,405,925</u>	<u>509,405,925</u>	<u>170,324,275</u>	<u>170,324,275</u>
Available-for-sale securities				
<i>Equity securities</i>				
Common stock	1,645,786,353	2,500,611,360	1,520,129,725	2,184,773,161
Unit trusts	2,447,564,288	2,457,233,750	2,628,915,008	2,687,573,324
Add: Unrealised gain from change in value of investments	864,494,469	-	723,301,752	-
	<u>4,957,845,110</u>	<u>4,957,845,110</u>	<u>4,872,346,485</u>	<u>4,872,346,485</u>
<i>Debt securities</i>				
Government bonds - net	386,886,264	380,345,756	-	-
Debentures - net	150,006,189	153,795,503	150,011,080	150,011,080
Less: Unrealised loss from change in value of investments	(2,751,194)	-	-	-
	<u>534,141,259</u>	<u>534,141,259</u>	<u>150,011,080</u>	<u>150,011,080</u>
Total available-for-sale securities	<u>5,491,986,369</u>	<u>5,491,986,369</u>	<u>5,022,357,565</u>	<u>5,022,357,565</u>

(Unit: Baht)

	As at 31 December			
	2006		2005	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Held-to-maturity debt securities				
Government and state enterprise				
bonds - net	20,128,542,991		17,226,869,919	
Notes - net	2,543,606,334		2,246,972,457	
Debentures - net	3,928,509,796		2,457,051,112	
Less: Allowance for impairment	(10,600,000)		(10,600,000)	
Total held-to-maturity debt securities	<u>26,590,059,121</u>		<u>21,920,293,488</u>	
Other investments				
Ordinary shares	<u>11,882,700</u>		<u>11,882,700</u>	
Total other investments	<u>11,882,700</u>		<u>11,882,700</u>	
Total investments in securities	<u><u>32,603,334,115</u></u>		<u><u>27,124,858,028</u></u>	

Investments in debt securities as at 31 December 2006 and 2005 will be due as follows: -

(Unit: Baht)

	2006			
	Due within			
	<u>1 year</u>	<u>2 - 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Trading securities				
Government bonds	-	58,557,212	139,206,299	197,763,511
Available-for-sale securities				
Government bonds	-	-	380,345,756	380,345,756
Debentures	<u>50,338,806</u>	<u>51,354,028</u>	<u>52,102,669</u>	<u>153,795,503</u>
	50,338,806	51,354,028	432,448,425	534,141,259
Held-to-maturity debt securities				
Government and state enterprise				
bonds - net	180,547,481	2,144,743,458	17,803,252,052	20,128,542,991
Notes - net	666,043,181	312,563,153	1,565,000,000	2,543,606,334
Debentures - net	<u>17,798,418</u>	<u>1,115,111,378</u>	<u>2,785,000,000</u>	<u>3,917,909,796</u>
	<u>864,389,080</u>	<u>3,572,417,989</u>	<u>22,153,252,052</u>	<u>26,590,059,121</u>
Total	<u><u>914,727,886</u></u>	<u><u>3,682,329,229</u></u>	<u><u>22,724,906,776</u></u>	<u><u>27,321,963,891</u></u>

(Unit: Baht)

	2005			
	Due within			
	<u>1 year</u>	<u>2 - 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Available-for-sale securities				
Debentures	-	100,010,109	50,000,971	150,011,080
Held-to-maturity debt securities				
Government and state enterprise				
bonds - net	30,008,670	1,431,321,677	15,765,539,572	17,226,869,919
Notes - net	623,131,440	328,841,017	1,295,000,000	2,246,972,457
Debentures - net	135,455,977	144,437,546	2,166,557,589	2,446,451,112
	<u>788,596,087</u>	<u>1,904,600,240</u>	<u>19,227,097,161</u>	<u>21,920,293,488</u>
Total	<u>788,596,087</u>	<u>2,004,610,349</u>	<u>19,277,098,132</u>	<u>22,070,304,568</u>

The Company has pledged government and state enterprise bonds of Baht 5,901.01 million (2005: Baht 4,516.60 million) as life assurance policy reserve and assets pledged with the Life Assurance Registrar in accordance with the Life Assurance Act. B.E. 2535 as mentioned in Notes 12 and 13.

5. LOANS AND ACCRUED INTEREST

As at 31 December 2006 and 2005, the balances of loans and accrued interest are aged by principal and accrued interest as follows: -

(Unit: Baht)

Outstanding period	2006								
	Policy loans		Mortgage loans		Other loans		Total		
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Total
Current	620,123,084	45,709,563	711,048,702	2,310,470	4,368,343	-	1,335,540,129	48,020,033	1,383,560,162
Overdue:									
Less than 6 months	-	-	527,740	1,301	49,014	-	576,754	1,301	578,055
Over 12 months	-	-	7,132,432	408,115	267,392	11,479	7,399,824	419,594	7,819,418
Total	620,123,084	45,709,563	718,708,874	2,719,886	4,684,749	11,479	1,343,516,707	48,440,928	1,391,957,635
Less: Allowance for doubtful accounts	-	-	(3,029,718)	(299,335)	-	-	(3,029,718)	(299,335)	(3,329,053)
Loans and accrued interest - net	<u>620,123,084</u>	<u>45,709,563</u>	<u>715,679,156</u>	<u>2,420,551</u>	<u>4,684,749</u>	<u>11,479</u>	<u>1,340,486,989</u>	<u>48,141,593</u>	<u>1,388,628,582</u>

(Unit: Baht)

Outstanding period	2005								
	Policy loans		Mortgage loans		Other loans		Total		
	Accrued		Accrued		Accrued		Accrued		
	Principal	interest	Principal	interest	Principal	interest	Principal	interest	Total
Current	479,221,577	34,495,513	442,140,901	2,348,702	3,576,727	-	924,939,205	36,844,215	961,783,420
Overdue:									
Less than 6 months	-	-	-	-	40,229	582	40,229	582	40,811
Over 12 months	-	-	7,849,268	446,156	233,913	11,116	8,083,181	457,272	8,540,453
Total	479,221,577	34,495,513	449,990,169	2,794,858	3,850,869	11,698	933,062,615	37,302,069	970,364,684
Less: Allowance for doubtful accounts	-	-	(3,029,718)	(299,335)	-	-	(3,029,718)	(299,335)	(3,329,053)
Loans and accrued interest - net	479,221,577	34,495,513	446,960,451	2,495,523	3,850,869	11,698	930,032,897	37,002,734	967,035,631

Loans are provided to employees 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 rate for the loans to employees is 6 percent per annum. As at 31 December 2006, loans to employees and representatives totaled Baht 4.68 million (2005: Baht 3.85 million).

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as reflected in the statements of cash flows consist of the followings: -

(Unit: Baht)

	As at 31 December	
	2006	2005
Cash	3,109,604	2,032,570
Deposits at banks with no fixed maturity date	160,878,495	230,910,993
Deposits at banks with fixed maturity date and negotiable certificates of deposits	470,000,000	302,000,000
Total cash and deposits at financial institutions	633,988,099	534,943,563
Less: Deposits at financial institutions with maturity of more than 3 months	(170,000,000)	-
Cash and cash equivalents	463,988,099	534,943,563

7. PREMISES AND EQUIPMENT

(Unit: Baht)

	Land	Building and building improvements	Furniture and fixtures and office equipment	Vehicles	Building in progress	Total
Cost:						
31 December 2005	66,010,602	293,024,613	247,069,011	37,445,340	-	643,549,566
Purchases/transfers in	468,000	8,762,470	26,429,647	965,565	1,982,000	38,607,682
Disposals/write - offs/ transfers out	(12,801,802)	-	(10,186,403)	-	-	(22,988,205)
31 December 2006	53,676,800	301,787,083	263,312,255	38,410,905	1,982,000	659,169,043
Accumulated depreciation:						
31 December 2005	-	132,264,440	197,312,788	20,374,454	-	349,951,682
Depreciation for the year	-	18,270,306	19,047,646	6,020,031	-	43,337,983
Depreciation - disposals/ write-offs	-	-	(10,113,381)	-	-	(10,113,381)
31 December 2006	-	150,534,746	206,247,053	26,394,485	-	383,176,284
Net book value:						
31 December 2005	66,010,602	160,760,173	49,756,223	17,070,886	-	293,597,884
31 December 2006	53,676,800	151,252,337	57,065,202	12,016,420	1,982,000	275,992,759
Depreciation charged in income statements for the year						
2005						38,044,929
2006						43,337,983

As at 31 December 2006, certain of the premises and equipment of the Company has been fully depreciated but is still in use. The cost before deducting accumulated depreciation of those assets amounted to Baht 212.41 million (2005: Baht 189.95 million).

8. PREMIUM DUE AND UNCOLLECTED

As at 31 December 2006 and 2005, 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)

	2006	2005
Grace period not exceeded	951,440,257	891,974,597
Grace period exceeded	7,719,685	-
Total premium due and uncollected	959,159,942	891,974,597

9. INTANGIBLE ASSETS

	(Unit: Baht)		
	Software	System development in progress	Total
Cost:			
31 December 2005	27,826,094	300,352	28,126,446
Increase	219,175	-	219,175
31 December 2006	28,045,269	300,352	28,345,621
Accumulated amortisation:			
31 December 2005	8,703,620	-	8,703,620
Amortisation charged for the year	2,770,157	-	2,770,157
31 December 2006	11,473,777	-	11,473,777
Net book value:			
31 December 2005	19,122,474	300,352	19,422,826
31 December 2006	16,571,492	300,352	16,871,844
Amortisation charged in income statements for the year			
2005			2,460,852
2006			2,770,157

10. OTHER ASSETS

	(Unit: Baht)	
	<u>2006</u>	<u>2005</u>
Prepaid rental expenses	164,234,946	176,028,327
Accounts receivable from sales of investments	4,843,500	13,076,810
Prepaid expenses	13,927,959	16,928,271
Deposits	15,014,246	14,255,897
Forward contracts receivables	78,891,900	-
Others	9,443,041	8,900,168
Total	<u>286,355,592</u>	<u>229,189,473</u>

11. OTHER LIABILITIES

	(Unit: Baht)	
	<u>2006</u>	<u>2005</u>
Accrued commission expenses	338,291,417	352,434,345
Accrued expenses	78,241,159	71,285,616
Withholding tax payable	23,307,475	20,829,390
Amounts received awaiting transfer	115,551,597	130,887,467
Unpaid benefits to life policies exempted premium	61,327,626	58,354,477
Accounts payable from purchase of investments	-	202,941,129
Others	28,589,887	39,864,706
Total	<u>645,309,161</u>	<u>876,597,130</u>

12. ASSETS PLEDGED WITH REGISTRAR

As at 31 December 2006 and 2005, the following assets have been pledged with the Life Assurance Registrar in accordance with Section 20 of the Life Assurance Act B.E. 2535.

	(Unit: Baht)	
	<u>2006</u>	<u>2005</u>
Government bonds	<u>20,000,000</u>	<u>20,000,000</u>
Total	<u>20,000,000</u>	<u>20,000,000</u>

13. ASSETS RESERVE WITH REGISTRAR

As at 31 December 2006 and 2005, the following assets have been pledged as life assurance policy reserve with the Life Assurance Registrar in accordance with Section 24 of the Life Assurance Act. B.E. 2535.

	(Unit: Baht)	
	<u>2006</u>	<u>2005</u>
Government bonds	2,368,290,651	2,329,066,915
State enterprise bonds	3,512,717,048	2,167,531,020
Total	<u>5,881,007,699</u>	<u>4,496,597,935</u>

14. STATUTORY RESERVE

Under the Section 1202 of the Civil and Commercial Code of Thailand, the Company is required to set aside a statutory reserve at least 5 percent of its net profit each time a dividend is declared until the reserve reaches 10 percent of registered capital. The statutory reserve is not available for dividend distribution.

In 2006 and 2005, the Company did not set aside additional retained earnings to the statutory reserve because the Company had premium on share capital in excess of 10 percent of registered capital.

15. GENERAL RESERVE

On 25 April 2006, the Annual General Meeting of the Company's shareholders approved the appropriation of Baht 400 million to the general reserve in order to ensure stability in the Company's financial position.

16. 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 percent to 8 percent of their basic salaries and the Company at rates ranging from 5 to 8 percent 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. In February 2005, the Company changed the fund manager from BFIT Securities Company Limited to Bualuang Securities Public Company Limited. During the year, a total of Baht 14.06 million (2005: Baht 11.29 million) has been contributed to the fund and recorded as expenses by the Company.

17. 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.

18. COMMITMENTS

As at 31 December 2006 and 2005, the Company has outstanding commitments under operating lease and services agreement as follows: -

	(Unit: Million Baht)	
	<u>2006</u>	<u>2005</u>
Within 1 year	54.6	48.6
In 1 - 5 years	45.9	65.3
Over 5 years	35.9	39.8

19. DIVIDENDS PAID

Dividends declared in 2006 and 2005 consist of the following: -

	Approved by	Total dividends	Dividend per share
Dividends on 2005 income	Annual General Meeting of the shareholders on 25 April 2006	200,000,000	2.0
Dividends on 2004 income	Annual General Meeting of the shareholders on 28 April 2005	150,000,000	1.5

20. FINANCIAL INSTRUMENTS

20.1 Financial risk management

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

Credit risk

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

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

Interest rate risk

The Company's exposure to interest rate risk relates primarily to its deposits at financial institutions, investments in securities and loans. However, since most of the Company's financial assets bear floating interest rates or 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 2006 classified by type of interest rates are summarized in the table below.

(Unit: Baht)

	Balance as at 31 December 2006		
	No interest	Floating interest rate	Fixed interest rate
Deposits at financial institutions	89,423,320	74,564,779	470,000,000
Investments in securities-net			
Government and state			
enterprise bonds	-	-	20,706,652,258
Notes	-	-	2,543,606,334
Debentures	1,900,000	38,272,208	4,031,533,091
Loans - net	-	9,339,196	1,331,147,793
Total	<u>91,323,320</u>	<u>122,176,183</u>	<u>29,082,939,476</u>

Financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

	(Unit: Baht)				Average
	Within 1 year	2 - 5 years	Over 5 years	Total	interest rate
					(% p.a.)
Deposits at financial institutions	170,000,000	-	300,000,000	470,000,000	5.27
Investments in securities - net					
Government and state enterprise					
bonds	180,547,481	2,203,300,671	18,322,804,106	20,706,652,258	5.54
Notes	666,043,181	312,563,153	1,565,000,000	2,543,606,334	4.76
Debentures	68,137,224	1,126,293,198	2,837,102,669	4,031,533,091	6.08
Loans - net	4,456,387	3,875,405	1,322,816,001	1,331,147,793	6.00 - 8.00
Total	<u>1,089,184,273</u>	<u>3,646,032,427</u>	<u>24,347,722,776</u>	<u>29,082,939,476</u>	

Foreign currency risk

The Company's significant exposure to foreign currency risk are in respect of its investments in bonds 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 2006, the balances of financial assets denominated in foreign currencies are summarised below.

Foreign currency	Financial assets (Million)	Average exchange rate as at 31 December 2006 (Baht per 1 foreign currency unit)
US dollar	19.50	35.86

Foreign exchange contracts outstanding at 31 December 2006 are summarized below.

Foreign currency	Bought amount (Million)	Contractual exchange rate Bought (Baht per 1 foreign currency unit)
US dollar	19.50	39.41 - 41.00

20.2 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: -

Investment in securities

The fair value of listed securities is based on their quoted market prices.

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

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

Policy loans

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

As at 31 December 2006, the aggregate carrying values of the Company's financial instruments are significantly different from their aggregate fair values:

(Unit: Baht)

	<u>Carrying value</u>	<u>Fair value</u>
Held-to-maturity debt securities		
Government and state enterprise bonds	20,128,542,991	20,018,986,508
Debentures	3,917,909,796	3,926,361,050

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

21. RECLASSIFICATION

Certain amounts in the financial statements for the year ended 31 December 2005 have been reclassified to conform to the current year's classifications, with no effect on previously reported net income or shareholders' equity.

22. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Authorised Directors on 22 March 2007.

BANGKOK LIFE ASSURANCE LIMITED

BALANCE SHEETS

AS AT 31 DECEMBER 2006 AND 2005

(Unit: Baht)

	<u>Note</u>	<u>2006</u>	<u>2005</u>
ASSETS			
INVESTMENTS IN SECURITIES			
Bonds		20,706,652,258	17,226,869,919
Notes		2,543,606,334	2,246,972,457
Stocks		2,824,136,474	2,366,980,136
Debentures		4,071,705,299	2,596,462,192
Unit trusts		2,457,233,750	2,687,573,324
Total investments in securities	4	<u>32,603,334,115</u>	<u>27,124,858,028</u>
LOANS			
Policy loans		620,123,084	479,221,577
Mortgage loans		718,708,874	449,990,169
Other loans		4,684,749	3,850,869
Total loans		<u>1,343,516,707</u>	<u>933,062,615</u>
Less: Allowance for doubtful accounts		<u>-3,029,718</u>	<u>-3,029,718</u>
Loans - net	5	1,340,486,989	930,032,897
CASH AND DEPOSITS AT FINANCIAL INSTITUTIONS			
	6	633,988,099	534,943,563
PREMISE AND EQUIPMENT - NET	7	275,992,759	293,597,884
DUE FROM REINSURERS		4,989,286	36,705,853
PREMIUM DUE AND UNCOLLECTED	8	959,159,942	891,974,597
ACCRUED INVESTMENT INCOME - NET		479,546,129	358,238,719
OTHER ASSETS			
Intangible assets	9	16,871,844	19,422,826
Others	10	286,355,592	229,189,473
TOTAL ASSETS		<u><u>36,600,724,755</u></u>	<u><u>30,418,963,840</u></u>

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

BANGKOK LIFE ASSURANCE LIMITED

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2006 AND 2005

(Unit: Baht)

	<u>Note</u>	<u>2006</u>	<u>2005</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIFE POLICY RESERVE		27,991,945,349	22,741,322,689
UNPAID POLICY BENEFITS		2,625,554,663	1,958,372,995
DUE TO REINSURERS		84,932,141	74,695,816
ADVANCE PREMIUM RECEIPTS		1,842,690,768	1,995,744,400
OTHER LIABILITIES			
Corporate income tax payable		117,780,133	70,503,008
Others	<i>11</i>	645,309,161	876,597,130
TOTAL LIABILITIES		<u>33,308,212,215</u>	<u>27,717,236,038</u>
SHAREHOLDERS' EQUITY			
Share capital			
Registered, issued and fully paid			
100,000,000 ordinary shares of Baht 10 each		1,000,000,000	1,000,000,000
Premium on share capital		275,000,000	275,000,000
Surplus on revaluation of investments		861,743,275	723,301,752
Retained earnings			
Appropriated			
Statutory reserve	<i>14</i>	1,000,000	1,000,000
General reserve	<i>15</i>	400,000,000	-
Unappropriated		754,769,265	702,426,050
TOTAL SHAREHOLDERS' EQUITY		<u>3,292,512,540</u>	<u>2,701,727,802</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>36,600,724,755</u>	<u>30,418,963,840</u>
		0	0

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

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DIRECTORS

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BANGKOK LIFE ASSURANCE LIMITED
 INCOME STATEMENTS
 FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

	<u>Note</u>	<u>2006</u>	<u>2005</u>
			(Unit: Baht)
REVENUES			
Net premiums written		10,434,037,210	9,241,708,592
Net investments income		1,706,044,354	1,202,198,135
Gain on investment in securities		18,200,389	105,227,850
Other income			
Gain on sales of fixed assets		2,831,848	569,843
Others		17,936,388	14,106,033
TOTAL REVENUES		<u>12,179,050,189</u>	<u>10,563,810,453</u>
EXPENSES			
Underwriting expenses			
Life policy reserve increase from the previous year		5,250,622,660	4,717,691,674
Benefit payments to life policies during the year		3,599,790,972	2,933,274,683
Dividends to policyholders		60,000	210,000
Commissions and brokerages		1,601,317,834	1,655,680,668
Sales promotion expenses		132,826,443	127,184,695
Other underwriting expenses		12,311,602	11,470,170
Total underwriting expenses		<u>10,596,929,511</u>	<u>9,445,511,890</u>
Operating expenses			
Personnel expenses		363,050,102	296,688,699
Premises and equipment expenses		104,077,195	95,767,449
Taxes and duties		44,987,222	35,439,679
Bad debt and doubtful accounts		-	23,564
Directors' remuneration		13,180,000	8,980,000
Operating expenses - branches		45,003,129	38,617,350
Other operating expenses		144,111,806	114,134,844
Total operating expenses		<u>714,409,454</u>	<u>589,651,585</u>
TOTAL EXPENSES		<u>11,311,338,965</u>	<u>10,035,163,475</u>
INCOME BEFORE INCOME TAX		867,711,224	528,646,978
CORPORATE INCOME TAX		-215,368,009	-135,719,288
NET INCOME FOR THE YEAR		<u>652,343,215</u>	<u>392,927,690</u>
 BASIC EARNINGS PER SHARE			
Net income	17	<u>6.52</u>	<u>3.93</u>

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

BANGKOK LIFE ASSURANCE LIMITED
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

	<u>2006</u>	<u>2005</u>
		(Unit: Baht)
Cash flows from (used in) operating activities		
Net premiums written	10,090,074,307	8,889,172,470
Net investments income	1,709,717,097	1,351,730,802
Other income	17,936,388	9,262,192
Benefit payments to life policies during the year	-2,922,268,922	-2,377,605,935
Dividends to policyholders	-60,000	-210,000
Commissions and brokerages	-1,615,460,762	-1,622,136,504
Other underwriting expenses	-137,547,236	-121,826,185
Operating expenses	-671,955,173	-366,485,906
Income tax	-168,090,884	-114,799,635
Net cash from operating activities	<u>6,302,344,815</u>	<u>5,647,101,299</u>
Cash flows from (used in) investing activities		
<u>Cash flows from</u>		
Investments in securities	21,237,575,788	27,792,706,903
Loans	89,777,981	139,949,602
Deposits at financial institutions	12,000,000	-
Premises and equipment	15,706,672	622,150
Net cash from investing activities	<u>21,355,060,441</u>	<u>27,933,278,655</u>
<u>Cash flows used in</u>		
Investments in securities	-26,889,765,193	-32,403,477,792
Loans	-417,987,845	-619,521,011
Deposits at financial institutions	-182,000,000	-
Premises and equipment	-38,607,682	-36,706,643
Net cash used in investing activities	<u>-27,528,360,720</u>	<u>-33,059,705,446</u>
Net cash used in investing activities	<u>-6,173,300,279</u>	<u>-5,126,426,791</u>
Cash flows from (used in) financing activities		
Dividend paid	-200,000,000	-150,000,000
Net cash used in financing activities	<u>-200,000,000</u>	<u>-150,000,000</u>
Net (decrease) increase in cash and cash equivalents	-70,955,464	370,674,508
Cash and cash equivalents at beginning of year	534,943,563	164,269,055
Cash and cash equivalents at end of year (Note 6)	<u><u>463,988,099</u></u>	<u><u>534,943,563</u></u>

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

BANGKOK LIFE ASSURANCE LIMITED
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit: Baht)

	Issued and paid-up share capital	Premium on shares capital	Surplus on revaluation of investments	Retained earnings			Total
				Appropriated		Unappropriated	
				statutory reserve	general reserve		
Balance as at 1 January 2005	1,000,000,000	275,000,000	667,496,338	1,000,000	-	459,498,360	2,402,994,698
Unrealised gain from change in value of investments	-	-	55,805,414	-	-	-	55,805,414
Net income for the year	-	-	-	-	-	392,927,690	392,927,690
Dividend paid (Note 19)	-	-	-	-	-	-150,000,000	-150,000,000
Balance as at 31 December 2005	1,000,000,000	275,000,000	723,301,752	1,000,000	-	702,426,050	2,701,727,802
Unrealised gain from change in value of investments	-	-	138,441,523	-	-	-	138,441,523
Net income for the year	-	-	-	-	-	652,343,215	652,343,215
Transfer to general reserve (Note 15)	-	-	-	-	400,000,000	-400,000,000	-
Dividend paid (Note 19)	-	-	-	-	-	-200,000,000	-200,000,000
Balance as at 31 December 2006	1,000,000,000	275,000,000	861,743,275	1,000,000	400,000,000	754,769,265	3,292,512,540

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