

Bangkok Life Assurance Public Company Limited  
Review report and interim financial statements  
For the three-month and nine-month periods ended  
30 September 2008

## **Review Report of Independent Auditor**

To the Shareholders of Bangkok Life Assurance Public Company Limited

I have reviewed the accompanying balance sheet of Bangkok Life Assurance Public Company Limited as at 30 September 2008, the related statements of income for the three-month and nine-month periods ended 30 September 2008, and the statements of changes in shareholders' equity and cash flows for the nine-month period ended 30 September 2008. 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 issue a report on these financial statements based on my review.

I conducted my review in accordance with the auditing standard applicable to review engagements. This standard requires that I plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. I have not performed an audit and, accordingly, I do not express an audit opinion.

Based on my review, nothing has come to my attention that causes me to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

The financial statements of Bangkok Life Assurance Public Company Limited for the nine-month period ended 30 September 2007 and for the year ended 31 December 2007 were audited in accordance with generally accepted auditing standards by another auditor of our firm who, under his reports dated 29 November 2007 and 20 March 2008, respectively, expressed an unqualified opinion on those statements. The balance sheet as at 31 December 2007, the related statements of income, change in shareholders' equity and cash flows for the nine-month period ended 30 September 2007, as presented herein for comparative purposes, formed an integral part of those financial statements which that auditor audited and reported on.

The statements of income for the three-month period ended 30 September 2007 of Bangkok Life Assurance Public Company Limited, as presented herein for comparative purposes, formed an integral part of the interim financial statements which were prepared by the Company's management and were not audited or reviewed by auditor.

Nonglak Pumnoi  
Certified Public Accountant (Thailand) No. 4172

Ernst & Young Office Limited  
Bangkok: 12 November 2008

**Bangkok Life Assurance Public Company Limited**

**Balance sheets**

**As at 30 September 2008 and 31 December 2007**

|   |             | (Unit: Baht)                |                         |
|---|-------------|-----------------------------|-------------------------|
|   | <u>Note</u> | <u>30 September 2008</u>    | <u>31 December 2007</u> |
|   |             | (Unaudited<br>but reviewed) | (Audited)               |
| <b>Assets</b>                               |             |                             |                         |
| Investments in securities                   |             |                             |                         |
| Bonds                                       | 13, 14      | 28,492,251,171              | 24,166,672,624          |
| Notes                                       |             | 4,225,000,000               | 3,667,983,072           |
| Stocks                                      |             | 3,716,165,344               | 3,515,562,509           |
| Debentures                                  |             | 7,233,230,315               | 7,421,758,768           |
| Unit trusts                                 |             | 1,192,794,754               | 1,237,134,068           |
| Total investments in securities             | 5, 7        | 44,859,441,584              | 40,009,111,041          |
| Loans                                       |             |                             |                         |
| Policy loans                                |             | 1,006,479,291               | 827,678,104             |
| Mortgage loans                              |             | 619,342,390                 | 664,643,911             |
| Other loans                                 |             | 11,996,454                  | 9,242,920               |
| Total loans                                 |             | 1,637,818,135               | 1,501,564,935           |
| Less: Allowance for doubtful accounts       |             | (2,539,314)                 | (2,539,314)             |
| Loans - net                                 | 6, 7        | 1,635,278,821               | 1,499,025,621           |
| Cash and deposits at financial Institutions | 7, 8        | 532,920,254                 | 760,039,978             |
| Premises and equipment - net                | 9           | 292,901,388                 | 260,935,735             |
| Due from reinsurers                         |             | 748,269                     | 491,443                 |
| Premium due and uncollected                 | 10          | 1,185,280,976               | 1,042,299,591           |
| Accrued investment income - net             |             | 548,797,591                 | 623,731,810             |
| Other assets                                |             |                             |                         |
| Intangible assets - net                     |             | 17,324,213                  | 16,589,421              |
| Others                                      | 7, 11       | 212,687,211                 | 197,535,330             |
| <b>Total assets</b>                         |             | <b>49,285,380,307</b>       | <b>44,409,759,970</b>   |

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

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

As at 30 September 2008 and 31 December 2007

|   |             | (Unit: Baht)                |                         |
|---|-------------|-----------------------------|-------------------------|
|   | <u>Note</u> | <u>30 September 2008</u>    | <u>31 December 2007</u> |
|   |             | (Unaudited<br>but reviewed) | (Audited)               |
| <b>Liabilities and shareholders' equity</b>       |             |                             |                         |
| <b>Liabilities</b>                                |             |                             |                         |
| Life policy reserve                               |             | 39,916,781,572              | 34,221,696,714          |
| Unpaid policy benefits                            | 7           | 3,841,702,863               | 3,310,972,655           |
| Due to reinsurers                                 | 7           | 65,007,440                  | 85,100,694              |
| Advance premium receipts                          |             | 1,593,840,140               | 1,699,242,005           |
| Other liabilities                                 |             |                             |                         |
| Accrued dividends                                 | 17          | -                           | 1,000,000,000           |
| Corporate income tax payable                      |             | 109,923,382                 | 156,005,035             |
| Others  | 7, 12       | 950,551,921                 | 857,049,561             |
| <b>Total liabilities</b>                          |             | <u>46,477,807,318</u>       | <u>41,330,066,664</u>   |
| <b>Shareholders' equity</b>                       |             |                             |                         |
| Share capital                                     |             |                             |                         |
| Registered share capital                          |             |                             |                         |
| 1,220,000,000 ordinary shares of Baht 1 each      |             | <u>1,220,000,000</u>        | <u>1,220,000,000</u>    |
| Issued and paid-up share capital                  |             |                             |                         |
| 1,000,000,000 ordinary shares of Baht 1 each      |             | 1,000,000,000               | 1,000,000,000           |
| Premium on share capital                          |             | 275,000,000                 | 275,000,000             |
| Surplus on revaluation of investments             |             | 180,351,345                 | 1,128,945,591           |
| Retained earnings                                 |             |                             |                         |
| Appropriated                                      |             |                             |                         |
| Statutory reserve                                 |             | 73,322,619                  | 39,498,923              |
| General reserve                                   |             | 400,000,000                 | 400,000,000             |
| Unappropriated                                    |             | 878,899,025                 | 236,248,792             |
| <b>Total shareholders' equity</b>                 |             | <u>2,807,572,989</u>        | <u>3,079,693,306</u>    |
| <b>Total liabilities and shareholders' equity</b> |             | <u>49,285,380,307</u>       | <u>44,409,759,970</u>   |
|   |             | -                           | -                       |
| <b>Off-balance sheet items - commitments</b>      |             |                             |                         |
| Commitments                                       | 15          | 125,080,826                 | 104,367,218             |

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

Directors

**Bangkok Life Assurance Public Company Limited****Statements of cash flows****For the nine-month periods ended 30 September 2008 and 2007**

|  | (Unit: Baht)                |                         |
|--|-----------------------------|-------------------------|
|  | <u>2008</u>                 | <u>2007</u>             |
|  | (Unaudited<br>but reviewed) | (Audited)               |
| <b>Cash flows from (used in) operating activities</b>      |                             |                         |
| Net premiums written                                       | 10,281,559,412              | 8,269,086,737           |
| Net investments income                                     | 1,984,719,099               | 1,705,508,341           |
| Other income   | 16,881,284                  | 14,385,813              |
| Benefit payments to life policies during the period        | (2,950,347,695)             | (2,554,638,993)         |
| Dividends to policyholders                                 | (315,000)                   | (120,000)               |
| Commissions and brokerages                                 | (1,515,841,312)             | (1,243,382,533)         |
| Other underwriting expenses                                | (217,876,474)               | (119,061,271)           |
| Operating expenses   | (500,591,023)               | (290,223,742)           |
| Income tax   | (314,926,038)               | (247,206,644)           |
| <b>Net cash from operating activities</b>                  | <u>6,783,262,253</u>        | <u>5,534,347,708</u>    |
| <b>Cash flows from (used in) investing activities</b>      |                             |                         |
| Cash flows from  |                             |                         |
| Investments in securities                                  | 27,774,932,513              | 5,632,525,236           |
| Loans  | 234,454,695                 | 169,406,513             |
| Deposits at financial institutions                         | 595,186,555                 | -                       |
| Premises and equipment                                     | 4,644,504                   | 2,214,198               |
| Net cash from investing activities                         | <u>28,609,218,267</u>       | <u>5,804,145,947</u>    |
| Cash flows used in   |                             |                         |
| Investments in securities                                  | (33,676,038,862)            | (10,903,229,794)        |
| Loans  | (281,275,312)               | (236,684,350)           |
| Deposits at financial institutions                         | (420,186,555)               | -                       |
| Premises and equipment                                     | (67,099,515)                | (19,188,794)            |
| Net cash used in investing activities                      | <u>(34,444,600,244)</u>     | <u>(11,159,102,938)</u> |
| <b>Net cash used in investing activities</b>               | <u>(5,835,381,977)</u>      | <u>(5,354,956,991)</u>  |
| <b>Cash flows used in financing activities</b>             |                             |                         |
| Dividend paid  | (1,000,000,000)             | (250,000,000)           |
| <b>Net cash used in financing activities</b>               | <u>(1,000,000,000)</u>      | <u>(250,000,000)</u>    |
| <b>Net decrease in cash and cash equivalents</b>           | (52,119,724)                | (70,609,283)            |
| Cash and cash equivalents at beginning of period           | 285,039,978                 | 463,988,099             |
| <b>Cash and cash equivalents at end of period (Note 8)</b> | <u>232,920,254</u>          | <u>393,378,816</u>      |

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

**Bangkok Life Assurance Public Company Limited****Income statements****For the three-month periods ended 30 September 2008 and 2007**

|   | <u>Note</u> | <u>2008</u><br>(Unaudited<br>but reviewed) |
|---|-------------|--|
| <b>Revenues</b>                                       |             |  |
| Net premiums written                                  | 7           | 4,129,199,932                              |
| Net investments income                                | 7           | 648,420,136                                |
| Gains (losses) on investment in securities            |             | -60,175,932                                |
| Other income  |             |  |
| Gains on sales of assets                              |             | 4,102,001                                  |
| Others  |             | 10,842,226                                 |
| <b>Total revenues</b>                                 |             | <u>4,732,388,363</u>                       |
| <b>Expenses</b>                                       |             |  |
| Underwriting expenses                                 |             |  |
| Life policy reserve increase from the previous period |             | 2,391,130,788                              |
| Benefit payments to life policies during the period   | 7           | 1,288,038,808                              |
| Dividends to policyholders                            |             | 150,000                                    |
| Commissions and brokerages                            | 7           | 470,772,831                                |
| Sales promotion expenses                              |             | 68,862,852                                 |
| Other underwriting expenses                           | 7           | 2,894,206                                  |
| Total underwriting expenses                           |             | <u>4,221,849,485</u>                       |
| Operating expenses                                    |             |  |
| Personnel expenses                                    |             | 127,706,230                                |
| Premises and equipment expenses                       | 7           | 27,511,487                                 |
| Taxes and duties                                      |             | 17,124,025                                 |
| Directors' remuneration                               |             | 1,070,000                                  |
| Operating expenses - branches                         |             | 13,614,631                                 |
| Contribution to the Office of Insurance Commission    |             | 7,379,513                                  |
| Other operating expenses                              | 7           | 56,920,085                                 |
| Total operating expenses                              |             | <u>251,325,971</u>                         |
| Losses (gains) on exchange                            |             | <u>-229,500</u>                            |
| <b>Total expenses</b>                                 |             | <u>4,472,945,956</u>                       |
| Income before income tax                              |             | 259,442,407                                |
| Corporate income tax                                  |             | -83,825,212                                |
| <b>Net income for the period</b>                      |             | <u>175,617,195</u>                         |
| <br><b>Basic earnings per share</b>                   |             |  |
| Net income  |             | 0.18                                       |
| Weighted average number of ordinary shares (shares)   |             | <u>1,000,000,000</u>                       |

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

**Bangkok Life Assurance Public Company Limited****Income statements****For the nine-month periods ended 30 September 2008 and 2007**

|   | <u>Note</u> | <u>2008</u><br>(Unaudited<br>but reviewed) |
|---|-------------|--|
| <b>Revenues</b>                                       |             |  |
| Net premiums written                                  | 7           | 10,698,918,892                             |
| Net investments income                                | 7           | 1,816,967,260                              |
| Gains (losses) on investments in securities           |             | (47,388,202)                               |
| Other income  |             |  |
| Gains on sales of assets                              |             | 3,906,520                                  |
| Others  |             | 16,913,527                                 |
| <b>Total revenues</b>                                 |             | <u>12,489,317,997</u>                      |
| <b>Expenses</b>                                       |             |  |
| Underwriting expenses                                 |             |  |
| Life policy reserve increase from the previous period |             | 5,695,084,858                              |
| Benefit payments to life policies during the period   | 7           | 3,481,990,903                              |
| Dividends to policyholders                            |             | 315,000                                    |
| Commissions and brokerages                            | 7           | 1,441,246,856                              |
| Sales promotion expenses                              |             | 197,148,807                                |
| Other underwriting expenses                           | 7           | 8,431,297                                  |
| Total underwriting expenses                           |             | <u>10,824,217,721</u>                      |
| Operating expenses                                    |             |  |
| Personnel expenses                                    |             | 368,642,875                                |
| Premises and equipment expenses                       | 7           | 80,670,313                                 |
| Taxes and duties                                      |             | 49,150,002                                 |
| Directors' remuneration                               |             | 8,910,000                                  |
| Operating expenses - branches                         |             | 40,024,094                                 |
| Contribution to the Office of Insurance Commission    |             | 20,382,063                                 |
| Other operating expenses                              | 7           | 147,407,014                                |
| Total operating expenses                              |             | <u>715,186,361</u>                         |
| Losses on exchange                                    |             | <u>4,595,600</u>                           |
| <b>Total expenses</b>                                 |             | <u>11,543,999,682</u>                      |
| Income before income tax                              |             | 945,318,315                                |
| Corporate income tax                                  |             | -268,844,386                               |
| <b>Net income for the period</b>                      |             | <u>676,473,929</u>                         |
| <b>Basic earnings per share</b>                       |             |  |
| Net income  |             | 0.68                                       |
| Weighted average number of ordinary shares (shares)   |             | <u>1,000,000,000</u>                       |

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



(Unit: Baht)

2007

(Unaudited  
and unreviewed)

3,585,457,383

517,646,254

16,145,324

1,262,440

3,578,850

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4,124,090,251

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2,057,830,418

1,175,087,956

-

447,471,119

43,644,008

4,600,621

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3,728,634,122

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101,982,601

25,776,552

14,417,891

3,910,000

12,285,910

-

43,807,195

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202,180,149

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3,390,650

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3,934,204,921

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189,885,330

(57,073,002)

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132,812,328

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0.13

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1,000,000,000

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(Unit: Baht)

2007

(Audited)

8,680,395,605

1,475,595,746

144,838,643

1,440,121

8,614,598

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10,310,884,713

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4,416,051,096

3,081,603,217

120,000

1,206,133,861

98,837,153

9,726,440

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8,812,471,767

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299,309,563

77,807,997

40,676,584

10,880,000

35,428,654

-

163,197,225

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627,300,023

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2,848,147

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9,442,619,937

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868,264,776

(233,850,247)

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634,414,529

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0.63

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1,000,000,000

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**Bangkok Life Assurance Public Company Limited**

**Statements of changes in shareholders' equity**

**For the nine-month periods ended 30 September 2008 and 2007**

(Unit: Baht)

|  | Issued and<br>paid-up<br>share capital | Premium on<br>share capital | Surplus (deficit) on<br>revaluation of<br>investments | Retained earnings |                    |                      | Total                |
|--|--|-----------------------------|---|-------------------|--------------------|----------------------|----------------------|
|  |  |                             |   | Appropriated      |                    | Unappropriated       |                      |
|  |  |                             |   | Statutory reserve | General reserve    |                      |                      |
| <b>(Audited)</b>   |  |                             |   |                   |                    |                      |                      |
| <b>Balance as at 1 January 2007</b>                      | 1,000,000,000                          | 275,000,000                 | 861,743,275   | 1,000,000         | 400,000,000        | 754,769,265          | 3,292,512,540        |
| Unrealised gain from changes in values of<br>investments | -                                      | -                           | 373,123,766   | -                 | -                  | -                    | 373,123,766          |
| Net income for the period                                | -                                      | -                           | -   | -                 | -                  | 634,414,529          | 634,414,529          |
| Dividend paid (Note 19)                                  | -                                      | -                           | -   | -                 | -                  | (250,000,000)        | (250,000,000)        |
| <b>Balance as at 30 September 2007</b>                   | <u>1,000,000,000</u>                   | <u>275,000,000</u>          | <u>1,234,867,041</u>                                  | <u>1,000,000</u>  | <u>400,000,000</u> | <u>1,139,183,794</u> | <u>4,050,050,835</u> |
| <b>(Unaudited but reviewed)</b>                          |  |                             |   |                   |                    |                      |                      |
| <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          | 3,079,693,306        |
| Unrealised loss from changes in values of<br>investments | -                                      | -                           | (948,594,246)   | -                 | -                  | -                    | (948,594,246)        |
| Transfer to statutory reserve                            | -                                      | -                           | -   | 33,823,696        | -                  | (33,823,696)         | -                    |
| Net income for the period                                | -                                      | -                           | -   | -                 | -                  | 676,473,929          | 676,473,929          |
| <b>Balance as at 30 September 2008</b>                   | <u>1,000,000,000</u>                   | <u>275,000,000</u>          | <u>180,351,345</u>                                    | <u>73,322,619</u> | <u>400,000,000</u> | <u>878,899,025</u>   | <u>2,807,572,989</u> |
|  | -                                      | -                           | -   | -                 | -                  | -                    | -                    |
|  | -                                      | -                           | -   | -                 | -                  | -                    | -                    |

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

**Bangkok Life Assurance Public Company Limited**

**Notes to interim financial statements**

**For the three-month and nine-month periods ended 30 September 2008 and 2007**

**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 69 branches (31 December 2007: 65 branches) and its registered office is located at 23/115-121, Royal City Avenue, Rama 9 Road, Bangkok, Huaykwang, Bangkok.

**Fall on investment value**

Due to the Western financial turmoil and local political uncertainties, the Thailand stock index has fallen drastically. As at 11 November 2008, the fair value of the Company's investment portfolio has fallen by Baht 687.83 million since the balance sheet date (30 September 2008). This includes decreases in the fair value of trading securities amounting to Baht 38.97 million, decreases in the fair value of available-for-sale securities amounting to Baht 534.82 million and loss from sale of investments amounting to Baht 114.04 million. The effect of changes in the fair value of the investment portfolio will be accounted for in the fourth quarter of the current year.

**2. Basis for the preparation of interim financial statements**

These interim financial statements are prepared in accordance with Accounting Standards Pronouncement No. 41 (revised 2007) “Interim financial statements”, with the Company choosing to present condensed interim financial statements. However the Company has presented the balance sheets, and the statements of income, changes in shareholders’ equity and cash flows in the same format as that used for the annual financial statements.

These interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

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

### 3. Accounting Standards which are effective for the current year

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

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

### 4. Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2007.

### 5. Investments in securities

|                                       | (Unit: Baht)                   |                    |                                |                    |
|---------------------------------------|--------------------------------|--------------------|--------------------------------|--------------------|
|                                       | 30 September 2008              |                    | 31 December 2007               |                    |
|                                       | Cost/<br><u>Amortised cost</u> | <u>Fair value</u>  | Cost/<br><u>Amortised cost</u> | <u>Fair value</u>  |
| <b>Trading securities</b>             |                                |                    |                                |                    |
| Equity securities                     |                                |                    |                                |                    |
| Common stocks                         | 520,358,546                    | 430,186,950        | 209,292,030                    | 193,350,000        |
| Deficit on revaluation of investments | (90,171,596)                   | -                  | (15,942,030)                   | -                  |
|                                       | <u>430,186,950</u>             | <u>430,186,950</u> | <u>193,350,000</u>             | <u>193,350,000</u> |

## (Unaudited but reviewed)

(Unit: Baht)

|  | 30 September 2008     |                      | 31 December 2007      |                      |
|--|-----------------------|----------------------|-----------------------|----------------------|
|  | Cost/                 |                      | Cost/                 |                      |
|  | <u>Amortised cost</u> | <u>Fair value</u>    | <u>Amortised cost</u> | <u>Fair value</u>    |
| Debt securities                                    |                       |                      |                       |                      |
| Government bonds - net                             | -                     | -                    | 344,988,316           | 339,258,485          |
| Deficit on revaluation of investments              | -                     | -                    | (5,729,831)           | -                    |
|  | -                     | -                    | 339,258,485           | 339,258,485          |
| <b>Total trading securities</b>                    | <b>430,186,950</b>    | <b>430,186,950</b>   | <b>532,608,485</b>    | <b>532,608,485</b>   |
| <b>Available-for-sale securities</b>               |                       |                      |                       |                      |
| Equity securities                                  |                       |                      |                       |                      |
| Common stocks                                      | 3,082,086,291         | 3,273,933,694        | 2,099,691,619         | 3,286,852,807        |
| Unit trusts  | 1,214,230,949         | 1,192,794,754        | 1,217,175,096         | 1,237,134,068        |
| Surplus on revaluation of investments              | 170,411,208           | -                    | 1,207,120,160         | -                    |
|  | 4,466,728,448         | 4,466,728,448        | 4,523,986,875         | 4,523,986,875        |
| Debt securities                                    |                       |                      |                       |                      |
| Government bonds - net                             | 2,066,634,007         | 2,071,327,015        | 2,178,658,078         | 2,094,468,587        |
| Debentures - net                                   | 100,001,140           | 105,248,269          | 100,001,396           | 106,016,319          |
| Surplus (deficit) on revaluation<br>of investments | 9,940,137             | -                    | (78,174,568)          | -                    |
|  | 2,176,575,284         | 2,176,575,284        | 2,200,484,906         | 2,200,484,906        |
| <b>Total available-for-sale securities</b>         | <b>6,643,303,732</b>  | <b>6,643,303,732</b> | <b>6,724,471,781</b>  | <b>6,724,471,781</b> |
| <b>Held-to-maturity debt securities</b>            |                       |                      |                       |                      |
| Government and state enterprise<br>bonds - net     | 26,420,924,156        |                      | 21,732,945,552        |                      |
| Notes - net  | 4,225,000,000         |                      | 3,667,983,072         |                      |
| Debentures - net                                   | 7,138,582,046         |                      | 7,326,342,449         |                      |
| Less: Allowance for impairment                     | (10,600,000)          |                      | (10,600,000)          |                      |
| <b>Total held-to-maturity debt securities</b>      | <b>37,773,906,202</b> |                      | <b>32,716,671,073</b> |                      |
| <b>Other investments</b>                           |                       |                      |                       |                      |
| Common stocks                                      | 12,044,700            |                      | 35,359,702            |                      |
| <b>Total other investments</b>                     | <b>12,044,700</b>     |                      | <b>35,359,702</b>     |                      |
| <b>Total investments in securities</b>             | <b>44,859,441,584</b> |                      | <b>40,009,111,041</b> |                      |

(Unaudited but reviewed)

Investments in debt securities as at 30 September 2008 and 31 December 2007 will be due as follows:

(Unit: Baht)

|   | 30 September 2008 |                    |                     |                |
|---|-------------------|--------------------|---------------------|----------------|
|   | Due within        |                    |                     |                |
|   | <u>1 year</u>     | <u>2 - 5 years</u> | <u>Over 5 years</u> | <u>Total</u>   |
| <b>Available-for-sale securities</b>    |                   |                    |                     |                |
| Government bonds                        | -                 | 343,292,668        | 1,728,034,347       | 2,071,327,015  |
| Debentures                              | -                 | 105,248,269        | -                   | 105,248,269    |
|   | -                 | 448,540,937        | 1,728,034,347       | 2,176,575,284  |
| <b>Held-to-maturity debt securities</b> |                   |                    |                     |                |
| Government and state enterprise         |                   |                    |                     |                |
| bonds - net                             | 2,009,084,445     | 4,219,996,079      | 20,191,843,632      | 26,420,924,156 |
| Notes - net                             | 1,600,000,000     | 395,000,000        | 2,230,000,000       | 4,225,000,000  |
| Debentures - net                        | 302,160,676       | 1,307,369,589      | 5,518,451,781       | 7,127,982,046  |
|   | 3,911,245,121     | 5,922,365,668      | 27,940,295,413      | 37,773,906,202 |
| Total                                   | 3,911,245,121     | 6,370,906,605      | 29,668,329,760      | 39,950,481,486 |

(Unit: Baht)

|   | 31 December 2007 |                    |                     |                |
|---|------------------|--------------------|---------------------|----------------|
|   | Due within       |                    |                     |                |
|   | <u>1 year</u>    | <u>2 - 5 years</u> | <u>Over 5 years</u> | <u>Total</u>   |
| <b>Trading securities</b>               |                  |                    |                     |                |
| Government bonds                        | -                | 80,474,118         | 258,784,367         | 339,258,485    |
| <b>Available-for-sale securities</b>    |                  |                    |                     |                |
| Government bonds                        | -                | 30,000,016         | 2,064,468,571       | 2,094,468,587  |
| Debentures                              | -                | 106,016,319        | -                   | 106,016,319    |
|   | -                | 136,016,335        | 2,064,468,571       | 2,200,484,906  |
| <b>Held-to-maturity debt securities</b> |                  |                    |                     |                |
| Government and state enterprise         |                  |                    |                     |                |
| bonds - net                             | 377,524,535      | 2,820,339,953      | 18,535,081,064      | 21,732,945,552 |
| Notes - net                             | 1,482,983,072    | 395,000,000        | 1,790,000,000       | 3,667,983,072  |
| Debentures - net                        | 177,492,586      | 1,520,189,911      | 5,618,059,952       | 7,315,742,449  |
|   | 2,038,000,193    | 4,735,529,864      | 25,943,141,016      | 32,716,671,073 |
| Total                                   | 2,038,000,193    | 4,952,020,317      | 28,266,393,954      | 35,256,414,464 |

The Company has pledged government and state enterprise bonds of Baht 8,483.23 million (31 December 2007: Baht 6,891.3 million) as life assurance policy reserve and assets pledged with the Life Assurance Registrar in accordance with the Life Assurance Act (No. 2) B.E. 2551 as mentioned in Notes 13 and 14.

- (a) As at 30 September 2008, the Company has investments of Baht 1,000 million (31 December 2007: Baht 1,200 million) in promissory notes and bills of exchange, which have been classified as held-to-maturity investments and are presented at amortised cost. Such notes were issued by local banks and branches of foreign commercial banks, have remaining lives of 6-14 years, and contain conditions related to early redemption rights or put options obliging the Company to purchase additional notes released by issuers.
- (b) As at 30 September 2008, the Company has investments of Baht 400 million (31 December 2007: 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 7 years, and contain conditions linking the interest to be received to financial indices.
- (c) As at 30 September 2008, the Company has investments of Baht 830 million (31 December 2007: Baht 560 million) in promissory notes and bills of exchange, which have been classified as held-to-maturity investments and are presented at amortised cost. Such notes were issued by branches of foreign commercial banks, have remaining lives of 8 years, and contain conditions whereby settlement of principal and interest is to be received on the maturity date per the agreement.



## 6. Loans and accrued interest

As at 30 September 2008 and 31 December 2007, the balances of loans and accrued interest are aged by principal and accrued interest as follows:

(Unit: Baht)

| 30 September 2008                     |               |            |                |           |             |          |               |            |               |
|---------------------------------------|---------------|------------|----------------|-----------|-------------|----------|---------------|------------|---------------|
| Outstanding period                    | Policy loans  |            | Mortgage loans |           | Other loans |          | Total         |            |               |
|                                       | Accrued       |            | Accrued        |           | Accrued     |          | Accrued       |            |               |
|                                       | Principal     | interest   | Principal      | interest  | Principal   | interest | Principal     | interest   | Total         |
| Current                               | 1,006,479,291 | 70,674,410 | 610,936,516    | 2,031,811 | 11,888,761  | -        | 1,629,304,568 | 72,706,221 | 1,702,010,789 |
| Overdue:                              |               |            |                |           |             |          |               |            |               |
| Less than 6 months                    | -             | -          | 2,433,364      | 9,000     | -           | -        | 2,433,364     | 9,000      | 2,442,364     |
| Over 12 months                        | -             | -          | 5,972,510      | 370,376   | 107,693     | 6,491    | 6,080,203     | 376,867    | 6,457,070     |
| Total                                 | 1,006,479,291 | 70,674,410 | 619,342,390    | 2,411,187 | 11,996,454  | 6,491    | 1,637,818,135 | 73,092,088 | 1,710,910,223 |
| Less: Allowance for doubtful accounts | -             | -          | (2,539,314)    | (260,528) | -           | -        | (2,539,314)   | (260,528)  | (2,799,842)   |
| Loans and accrued interest - net      | 1,006,479,291 | 70,674,410 | 616,803,076    | 2,150,659 | 11,996,454  | 6,491    | 1,635,278,821 | 72,831,560 | 1,708,110,381 |

(Unit: Baht)

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

Loans provided to employees are in accordance with employee's benefits plan under a credit line of Baht 100,000 or less for personal guarantee loans. In case of secured loans, the credit line is not to exceed 50 times the employee's salary. The interest rates for the loans charge at the rates of 6% and 5% per annum, respectively. As at 30 September 2008, loans to employees and agents totaled Baht 43.34 million (31 December 2007: Baht 18.26 million).

## 7. 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 |
| Bangkok Business Building (1987) Co., Ltd.     | Rental of assets     | Related by way of common directors and shareholders                      |
| Royal Cliff Beach Hotel Co., Ltd.              | Tourism & Leisure    | Holding by an individual related to a director of the Company            |
| Thai Rating and Information Services Co., Ltd. | Services             | 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                      |

During the periods, 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)

|  | For the three-month periods |             | For the nine-month periods |             | Pricing policy   |
|--|-----------------------------|-------------|----------------------------|-------------|--|
|  | ended 30 September          |             | ended 30 September         |             |  |
|  | 2008                        | 2007        | 2008                       | 2007        |  |
| Premium written  | 40,788                      | 1,185,380   | 3,546,384                  | 3,533,334   | Normal commercial terms for underwriting   |
| Premium cede   | (235,525)                   | 1,711,588   | 1,820,378                  | 4,215,557   | At a mutually agreed percentage of premium written   |
| Commission and brokerage   | 121,376,198                 | 100,867,763 | 364,420,026                | 193,499,355 | Normal commercial terms for underwriting   |
| Claim payment and diagnose charge                                    | 3,488,557                   | 17,312,600  | 42,424,069                 | 40,780,925  | Normal commercial terms for reinsurance depending on type of insurance and reinsurance contract  |
| Interest income - deposits at banks, promissory notes and debentures | 2,940,746                   | 5,655,109   | 11,889,818                 | 17,000,901  | Same rates as those offered by financial institutions and related companies to general customers   |
| Interest income - mortgage loans                                     | 3,855,557                   | 4,529,867   | 11,931,286                 | 14,289,906  | Same rates as the Company charged to general borrowers who mortgage assets as collateral   |
| Dividend income  | 23,476,318                  | 11,121,666  | 64,157,780                 | 38,991,588  | The declared amount  |
| Bank charges   | 11,046,256                  | 8,729,433   | 32,594,748                 | 27,289,937  | Same rates as those charged by financial institutions and related companies to general customers   |
| Insurance premium  | 231,619                     | 269,680     | 725,592                    | 803,213     | Normal commercial terms for underwriting   |
| Building space rental and services                                   | 27,301,185                  | 25,504,551  | 54,677,045                 | 52,061,737  | 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 125 per square meter per month and service fees approximately Baht 91, Baht 280 per square meter per month.<br>Branch office buildings: Rental fees of approximately Baht 100, Baht 150, Baht 188 and Baht 280 per square meter per month and service fees of approximately Baht 342 and Baht 200 per square meter per month. |

(Unaudited but reviewed)

For the three-month and nine-month periods ended 30 September 2008, the premium generated from the Bancassurance distribution channel represented approximately 42.11% and 34.61% of total net premium written (for the three-month and nine-month periods ended 30 September 2007: 37.91% and 24.60%).

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

|   | (Unit: Baht)       |                    |                    |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | 30 September 2008  |                    | 31 December 2007   |                    |
|   | Cost               | Fair value         | Cost               | Fair value         |
| <b>Investments in securities - stocks</b>         |                    |                    |                    |                    |
| Bangkok Bank Pcl.                                 | 402,202,623        | 474,300,000        | 389,319,558        | 531,600,000        |
| Bangkok Insurance Pcl.                            | 43,562,868         | 95,600,400         | 43,562,868         | 114,888,200        |
| Thai Reinsurance Pcl.                             | 37,667,275         | 96,111,020         | 37,667,275         | 101,961,256        |
| Bumrungrad Hospital Pcl.                          | 10,000,000         | 64,000,000         | 10,000,000         | 80,500,000         |
| Union Textile Industries Pcl.                     | 166,700            | 166,700            | 166,700            | 166,700            |
| Thai Rating and Information Services<br>Co., Ltd. | 1,000,000          | 1,000,000          | 1,000,000          | 1,000,000          |
| Charoen Pokphand Foods Pcl.                       | -                  | -                  | 33,125,296         | 34,500,000         |
| TICON Industrial Connection Pcl.                  | 90,093,376         | 70,694,880         | 11,954,092         | 20,500,000         |
| BBL Asset Management Co., Ltd.                    | 10,000,000         | 10,000,000         | 10,000,000         | 10,000,000         |
|   | <u>594,692,842</u> | <u>811,873,000</u> | <u>536,795,789</u> | <u>895,116,156</u> |
| <b>Investments in securities - unit trust</b>     |                    |                    |                    |                    |
| TICON Property Fund                               | 415,352,628        | 435,524,775        | 408,925,759        | 429,104,775        |
| <b>Investments in securities - debenture</b>      |                    |                    |                    |                    |
| Charoen Pokphand Foods Pcl.                       | <u>150,000,000</u> |                    | <u>150,000,000</u> |                    |
| <b>Investments in securities - note</b>           |                    |                    |                    |                    |
| Bangkok Mitsubishi UFJ Lease Co., Ltd.            | <u>-</u>           |                    | <u>112,983,069</u> |                    |

|  | (Unit: Baht)         |                     |
|--|----------------------|---------------------|
|  | 30 September<br>2008 | 31 December<br>2007 |
|  | <u>2008</u>          | <u>2007</u>         |
| <b>Deposits at financial institution</b> |                      |                     |
| Bangkok Bank Pcl.                        | <u>200,351,331</u>   | <u>427,148,242</u>  |
| <b>Mortgage loans</b>                    |                      |                     |
| Sorachai Vivatn Co., Ltd.                | <u>179,228,297</u>   | <u>234,110,817</u>  |

(Unaudited but reviewed)

(Unit: Baht)

|   | 30 September<br>2008 | 31 December<br>2007 |
|---|----------------------|---------------------|
| <b>Prepaid office rental (including in other assets)</b>                          |                      |                     |
| Narai Ruamphiphat Co., Ltd.   | 143,572,296          | 152,441,565         |
| <b>Claim payables (including in unpaid policy benefits)</b>                       |                      |                     |
| Bumrungrad Hospital Pcl.  | 5,312,854            | 3,641,989           |
| The Phyathai 1 Hospital Co., Ltd.   | 2,619,420            | 1,586,645           |
| The Phyathai 2 Hospital Co., Ltd.   | 6,601,360            | 2,937,103           |
| The Phyathai 3 Hospital Co., Ltd.   | 3,579,954            | 1,641,557           |
|   | 18,113,588           | 9,807,294           |
| <b>Due to reinsurer</b>   |                      |                     |
| Thaire Life Assurance Co., Ltd.   | 1,500,426            | 3,084,970           |
| <b>Accrued commission and brokerage expenses (including in other liabilities)</b> |                      |                     |
| Bangkok Bank Pcl.   | 60,917,969           | 52,873,430          |
| <b>Accrued office rental and services charge (including in other liabilities)</b> |                      |                     |
| Bangkok Insurance Pcl.  | 50,767               | 47,068              |
| Sorachai Vivatn Co., Ltd.   | -                    | 16,554              |
| Rajburi Sugar Co., Ltd.   | 62,681               | -                   |
| Narai Ruamphiphat Co., Ltd.   | 3,057,414            | 164,864             |
| Bangkok Business Building (1987) Co., Ltd.  | 94,004               | 63,023              |
| Bumrungrad Hospital Pcl.  | 28,576               | 826,385             |
| The Phayathai 1 Hospital Co., Ltd.  | 4,110                | 70,890              |
| The Phayathai 2 Hospital Co., Ltd.  | 11,025               | 5,790               |
| The Phayathai 3 Hospital Co., Ltd.  | -                    | 212,820             |
|   | 3,308,577            | 1,407,394           |

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

During the nine-month period ended 30 September 2008, the Company paid salaries, bonuses, meeting allowances, contributions to the provident fund and others to their directors and management totaling Baht 17.05 million (2007: Baht 15.31 million).

**8. Cash and cash equivalents**

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

|  | (Unit: Baht)         |                      |
|--|----------------------|----------------------|
|  | 30 September<br>2008 | 30 September<br>2007 |
| Cash   | 3,454,859            | 2,780,342            |
| Deposits at banks with no fixed maturity date                                      | 229,465,395          | 90,598,474           |
| Deposits at banks with fixed maturity date and negotiable certificates of deposits | 300,000,000          | 470,000,000          |
| Total cash and deposits at financial institutions                                  | 532,920,254          | 563,378,816          |
| Less: Deposits at financial institutions with maturity of more than 3 months       | (300,000,000)        | (170,000,000)        |
| Cash and cash equivalents  | <u>232,920,254</u>   | <u>393,378,816</u>   |

**9. Premises and equipment**

Movements of premises and equipment account during the nine-month period ended 30 September 2008 are summarised below.

|   | (Unit: Baht)       |
|---|--------------------|
|   | 2008               |
| Net book value as at 1 January 2008                       | 260,935,735        |
| Acquisitions during period - at cost                      | 67,099,515         |
| Disposals during period - net book value at disposal date | (737,984)          |
| Depreciation for period                                   | (34,395,878)       |
| Net book value as at 30 September 2008                    | <u>292,901,388</u> |

**10. Premium due and uncollected**

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)         |                      |
|-----------------------------------|----------------------|----------------------|
|                                   | 30 September<br>2008 | 31 December<br>2007  |
| Grace period not exceeded         | 1,143,061,317        | 1,029,425,604        |
| Grace period exceeded             | 42,219,659           | 12,873,987           |
| Total premium due and uncollected | <u>1,185,280,976</u> | <u>1,042,299,591</u> |

(Unaudited but reviewed)

## 11. Other assets

(Unit: Baht)

|                                      | <u>30 September 2008</u> | <u>31 December 2007</u> |
|--------------------------------------|--------------------------|-------------------------|
| Prepaid rental expenses              | 143,572,296              | 152,441,565             |
| Receivable from sales of investments | 4,763,500                | 4,843,500               |
| Prepaid expenses                     | 25,650,439               | 12,806,585              |
| Deposits                             | 17,679,891               | 15,436,401              |
| Others                               | 21,021,085               | 12,007,279              |
| Total                                | <u>212,687,211</u>       | <u>197,535,330</u>      |

## 12. Other liabilities

(Unit: Baht)

|  | <u>30 September 2008</u> | <u>31 December 2007</u> |
|--|--------------------------|-------------------------|
| Accrued commission expenses                            | 311,843,213              | 386,437,669             |
| Accrued expenses                                       | 193,490,647              | 125,210,803             |
| Withholding tax payable                                | 11,669,563               | 32,841,499              |
| Premium received for policies not yet approved         | 122,206,877              | 124,490,043             |
| Amounts received awaiting transfer                     | 124,139,832              | 50,506,034              |
| Unpaid benefits to life policies exempted from premium | 78,892,501               | 75,215,584              |
| Forward contracts payable                              | 23,415,750               | 18,820,150              |
| Payable from purchase of securities                    | 44,644,400               | -                       |
| Others   | 40,249,138               | 43,527,779              |
| Total  | <u>950,551,921</u>       | <u>857,049,561</u>      |

## 13. Assets pledged with registrar

The following assets have been pledged with the Registrar of the Office of Insurance Commission in accordance with Section 20 of the Life Assurance Act (No. 2) B.E. 2551.

(Unit: Baht)

|                  | <u>30 September 2008</u> | <u>31 December 2007</u> |
|------------------|--------------------------|-------------------------|
| Government bonds | <u>20,000,000</u>        | <u>20,000,000</u>       |

**14. Assets reserve with registrar**

The following assets have been pledged as life assurance policy reserve with the Registrar of the Office of Insurance Commission in accordance with Section 16 of the Life Assurance Act (No. 2) B.E. 2551.

|                        | (Unit: Baht)         |                      |
|------------------------|----------------------|----------------------|
|                        | 30 September<br>2008 | 31 December<br>2007  |
| Government bonds       | 3,607,720,636        | 2,362,597,078        |
| State enterprise bonds | 4,855,509,469        | 4,508,698,307        |
| Total                  | <u>8,463,230,105</u> | <u>6,871,295,385</u> |

**15. Commitments**

As at 30 September 2008, the Company has outstanding commitments as follows:

(Unit: Million Baht)

|                            | Pay within    |                    |                     |               |
|----------------------------|---------------|--------------------|---------------------|---------------|
|                            | <u>1 year</u> | <u>2 - 5 years</u> | <u>Over 5 years</u> | <u>Total</u>  |
| Operating lease agreements | 20.33         | 24.07              | 6.89                | 51.29         |
| Services agreements        | 18.61         | 32.47              | 22.71               | 73.79         |
| Total                      | <u>38.94</u>  | <u>56.54</u>       | <u>29.60</u>        | <u>125.08</u> |

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

(Unit: Million Baht)

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

**16. 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.



**17. Accrued dividends**

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

**18. Warrants**

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

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

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

**19. Dividend paid**

Dividend declared in nine-month as at 30 September 2008 and 2007:

|  |   | (Unit: Baht)      |                       |
|--|---|-------------------|-----------------------|
|  | Approved by   | Total<br>dividend | Dividend<br>per share |
| Dividend from net earnings<br>for 2006 | Annual General Meeting of the<br>Shareholders on 26 April<br>2007 | 250,000,000       | 2.5                   |

## **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.

(Unaudited but reviewed)

Significant financial assets as at 30 September 2008 classified by type of interest rates are summarized in the table below.

(Unit: Baht)

|                                    | Balance as at 30 September 2008 |                    |                       |
|------------------------------------|---------------------------------|--------------------|-----------------------|
|                                    | No interest                     | Floating interest  |                       |
|                                    |                                 | rate               | Fixed interest rate   |
| Deposits at financial institutions | 33,976,733                      | 198,943,521        | 300,000,000           |
| Investments in securities-net      |                                 |                    |                       |
| Government and state               |                                 |                    |                       |
| enterprise bonds                   | -                               | -                  | 28,492,251,171        |
| Notes                              | -                               | -                  | 4,225,000,000         |
| Debentures                         | 1,900,000                       | 226,362,995        | 7,004,967,320         |
| Loans - net                        | -                               | 35,746,680         | 1,599,532,141         |
| Total                              | <u>35,876,733</u>               | <u>461,053,196</u> | <u>41,621,750,632</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)

|                                    | Within 1             | 2 - 5 years          | Over 5 years          | Total                 | Average       |
|------------------------------------|----------------------|----------------------|-----------------------|-----------------------|---------------|
|                                    | year                 |                      |                       |                       | interest rate |
|                                    |                      |                      |                       |                       | (% p.a.)      |
| Deposits at financial institutions | -                    | -                    | 300,000,000           | 300,000,000           | 5.35          |
| Investments in securities - net    |                      |                      |                       |                       |               |
| Government and state enterprise    |                      |                      |                       |                       |               |
| bonds                              | 2,009,084,445        | 4,563,288,747        | 21,919,877,979        | 28,492,251,171        | 5.35          |
| Notes                              | 2,150,000,000        | 395,000,000          | 1,680,000,000         | 4,225,000,000         | 4.75          |
| Debentures                         | 264,848,417          | 1,221,667,122        | 5,518,451,781         | 7,004,967,320         | 5.88          |
| Loans - net                        | 229,262              | 17,071,900           | 1,582,230,979         | 1,599,532,141         | 4 - 6.66      |
| Total                              | <u>4,424,162,124</u> | <u>6,197,027,769</u> | <u>31,000,560,739</u> | <u>41,621,750,632</u> |               |

### Foreign currency risk

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

As at 30 September 2008, the balances of financial assets denominated in foreign currencies are summarized below.

| Foreign currency | Financial<br>assets<br>(Million) | Average exchange rate<br>as at 30 September 2008<br>(Baht per 1 foreign currency unit) |
|------------------|----------------------------------|--|
| US dollar        | 67.50                            | 33.93  |

Foreign exchange contracts outstanding at 30 September 2008 are summarized below.

| Foreign currency | Bought<br>amount<br>(Million) | Contractual exchange rate<br>Bought<br>(Baht per 1 foreign currency unit) |
|------------------|-------------------------------|---|
| US dollar        | 67.50                         | 33.00 - 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:

### Investments 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.

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 loans is based on the amount presented in the balance sheet.

As at 30 September 2008, the aggregate carrying values of the Company's financial instruments which are significantly different from their aggregate fair values can be defined as follows:

|  | <u>Carrying value</u> | <u>Fair value</u>                        |
|--|-----------------------|--|
| (Unit: Baht)   |                       |  |
| <b>Held-to-maturity debt securities</b>                        |                       |  |
| Government and state enterprise                                |                       |  |
| bonds - net  | 26,420,924,156        | 27,629,649,627                           |
| Debentures - net   | 7,127,982,046         | 7,388,247,760                            |
| Investment in notes in Note 5 (a)<br>(exclusion of put option) | 1,000,000,000         | 986,524,559                              |
| Investment in notes in Note 5 (b)                              | 400,000,000           | 395,953,013                              |
| Investment in notes in Note 5 (c)                              | 830,000,000           | 1,101,606,100                            |
| Promissory notes   | 1,995,000,000         | the proper value cannot<br>be calculated |

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.

**Investments in notes as Note 5 (a)**

As at 30 September 2008, the Company may need to deposit additional amounts in the future under the promissory notes and bills of exchange agreements, as summarized below.

| Within        | Unit: Million Baht |
|---------------|--------------------|
| within 1 year | 300                |
| 1 - 3 years   | 200                |
| 4 - 6 years   | 300                |
| Total         | 800                |

**21. Reclassification**

Certain amounts in the financial statements for the year ended 31 December 2007 have been reclassified to conform to the current period's classifications, with no effect to previously reported net income or shareholders' equity by another auditor.

**22. Approval of interim financial statements**

These interim financial statements were authorised for issue by the Board of Directors of the Company on 12 November 2008.