

**MOVING FORWARD»»**  
**ANNUAL REPORT 2012**



**ศรีอยุธยา แคปปิตอล**  
**SRI AYUDHYA CAPITAL**



**FOCUS ON THE FUTURE**

**GROW WITH A PURPOSE >>**



**ศรีอยุธยา แคปปิตอล**  
**SRI AYUDHYA CAPITAL**



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## MESSAGE FROM CHAIRMAN



2012 saw the Thai economy at the start of recovery from the devastating floods that occurred in the last quarter of 2011. In the first half of the year, the government's measures to remediate and compensate both the public and private sector for the catastrophic damages helped to set the pace for speedy recovery. This was especially evidenced in the manufacturing sector, which extended the renovation process to cover capacity expansion to meet increased domestic demand as well as modifying production processes to accommodate the wage rise. Simultaneously, household consumption and demand rose resulting in improved investors' confidence which helped to propel the economic recovery.

In 2012, the insurance industry made a quick rebound from the floods and satisfactorily returned to growth. There were some unsettled claims outstanding from 2011 which require clarification before claim settlement can be made. Overall direct premiums for the industry totaled Baht 569,903 million, a growth of 21.48%. Premiums for the non-life insurance sector accounted for 31.48% of overall direct insurance premiums, or Baht 179,429 million, a growth of 27.96% over past year. The non-life insurance premiums rose multi-fold after the disastrous floods and as a result of the government's first-time car buyers scheme, resulting in the highest share at 57.89%, or Baht 103,874 million for the motor insurance sector.

For the financial performance 2012, the majority of the income for the Company derived from investment. The Company ended the year with a net profit of Baht 153 million, a decrease from last year's profit which was at Baht 295 million due to sales of our investments to increase the registered capital of our subsidiary (Sri Ayudhya General Insurance PCL) which faced a loss due to the 2011 devastating flood. Moreover, the subsidiary required the additional reserved funds to support future growth. During the year, the Company made an additional investment in a life insurance company to offset the existing risks and to provide the Company with better returns in the long run.

On the performance of the Company and its subsidiaries, the consolidated financial statements showed total premiums income of Baht 2,765 million, an increase of 14.36%. Our performance was still somewhat affected by the floods in 2011, as adjusted by the additional claim compensation of Baht 108 million in 2012. Net profit totaled Baht 95 million, or Baht 0.38 per share. With this result, the Board would like to propose a dividend payment of Baht 0.38 per share, expected to be paid on May 2, 2013 upon the approval of the Shareholders' Meeting.

In 2013, the infrastructure, integrated logistics development and water resources management mega-projects proposed by the government, combined with the new pay structure for civil servants and a reduction of corporate tax rate to 20% should drive the private sector to continue with investment and spending. Thailand's economy is expected to grow 5.5% in 2013 thanks to the expansion of domestic demand; and with a condition that the European crisis will not be worse than now and that the American economy will make some form of recovery, no matter how small.

The insurance industry will continue to grow. However, the growth rate may be lower than last year as the motor insurance sector will have less impact on the overall growth. Property insurance, on the other hand, is likely to rise, in part because of the increased awareness of its importance in the wake of the recent flooding experience. The real estate sector is also expected to continue to grow in 2013.

On behalf of the Board of Directors, I wish to express our gratitude to the Company's management and staff, in particular for this past year, for their dedication, hard work, commitment and unfaltering support in keeping with our promise that our customers get quick and fair claim compensation which would allow them to carry on with their lives and businesses. Lastly, I would like to thank our customers, shareholders, and supporters for continuing to have loyalty and trust in us.



**Mr. Veraphan Teepsuwan**  
Chairman

# FINANCIAL HIGHLIGHTS

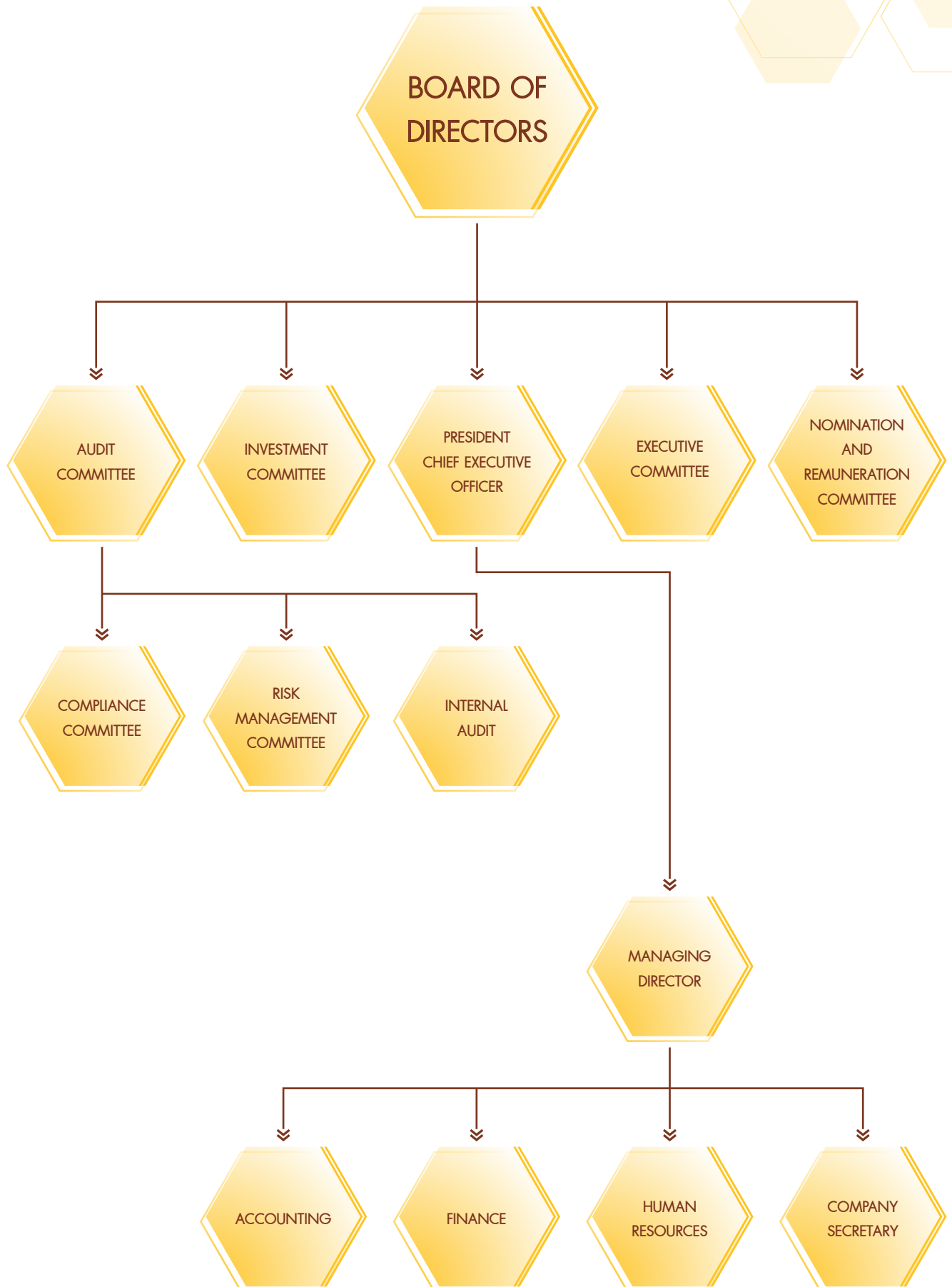
(Unit: Million Baht)

	Consolidated Financial Statements		
	2012	2011	Change (%)
TOTAL ASSETS	9,984.27	12,666.64	(21.18)
ISSUE AND PAID-UP SHARE CAPITAL	250.00	250.00	0.00
TOTAL SHAREHOLDERS' EQUITY	4,751.14	4,700.09	1.09
GROSS PREMIUM WRITTEN	2,765.83	2,418.59	14.36
UNDERWRITING PROFIT (LOSS)	(136.20)	(862.07)	84.20
PROFIT ON INVESTMENT	284.92	332.58	(14.33)
PROFIT (LOSS) BEFORE INCOME TAX	142.29	(519.25)	127.40
NET PROFIT (LOSS)	94.94	(455.09)	120.86
EARNINGS (LOSS) PER SHARE (BAHT)	0.38	(1.82)	120.88
DIVIDEND PER SHARE (BAHT)	*0.38	1.00	

\* Pending approval from Shareholders' Meeting



# ORGANIZATION CHART



# VISION AND MISSION

## OUR BUSINESS

We are an investment holding company that focuses on selecting and accumulating a portfolio of investments primarily in the insurance industry, both life and non-life, and others to create value-added returns for stockholders.

## VISION

To become one of Thailand's leading investment holding companies with primary focus in the insurance sector, leveraging on AYUD's experience, expertise, and network to achieve sustainable growth.

## MISSION

- » Employ skilled, entrepreneurial people
- » Provide exceptional service
- » Ensure sustainable growth
- » Deliver continuous growth in profits
- » Remain committed to change and continuous improvement

## VALUE

- » Responsibility
- » Transparency
- » Respect
- » Fairness
- » Integrity
- » Trust

## STRATEGY

Build value for our group of companies by delivering attractive returns to shareholders through:

- » Approaching the market with a long term view on investment, returns and dividend growth
- » Acquiring holdings in companies with strong brands and/or companies with valuable assets that match with the Company's criteria on investment/risk assessments



## BOARD OF DIRECTORS



**1 Mr. Veraphan Teepsuwan**  
Chairman



**2 Mr. Rowan D'Arcy**  
President & CEO



**3 Mr. Chusak Salee**  
Managing Director



**4 Mr. Laksna Thongthai**  
Director & Assistant Managing Director



**5 Mr. Surachai Prukbamroong**  
Independent Director and Chairman of the Audit Committee



**6 Mr. Savang Tongsmutra**  
Independent Director and Audit Committee Member



**7 Mr. Metha Suvanasarn**  
Independent Director and Member of the Audit Committee  
and Chairman of Nomination & Remuneration Committee



**8 Mr. Adisorn Tantianankul**  
Director



**9 Mr. Andreas Johann Wilhelm, Ph.D.**  
Director, and Member of Nomination  
& Remuneration Committee



**10 Mr. Virojn Srethapramotaya**  
Director



**11 Mr. Suwat Suksongkroh**  
Independent Director

# BOARD OF DIRECTORS INFORMATION

## MR. VERAPHAN TEEPSUWAN CHAIRMAN

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<b>Age</b>	» 71 years old
<b>Education</b>	» MBA, Northeastern University, USA » Bachelor of Economics, Boston University, USA » Certificate - Role of the Chairman (RCP), Thai Institute of Directors Association (IOD)
<b>Other Positions Held</b>	» Chairman: Bank of Ayudhya Plc. » Chairman: Siam City Cement Plc. » Vice President: Eastern Star Real Estate Plc. » Director: Bangkok Broadcasting & TV Co., Ltd. » Director: Exclusive Senior Care International Co., Ltd.
<b>Working Experience for the Past 5 Years</b>	» Chairman: Allianz Ayudhya Assurance PCL (Formerly, Ayudhya Allianz C.P. Life PCL)

## MR. ROWAN D'ARCY PRESIDENT & CEO

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<b>Age</b>	» 58 years old
<b>Education</b>	» University of Witwatersrand, Johannesburg, South Africa » Ashridge Business School, UK » Director Certificate Program (DCP 103/2008)
<b>Other Positions Held</b>	» President & CEO, Sri Ayudhya General Insurance PCL
<b>Working Experience for the Past 5 Years</b>	» Director: The Ayudhya Insurance PCL » Managing Director: Allianz Insurance Company of Singapore Pte. Ltd. » Project Director: Allianz Insurance Management Asia Pacific



## MR. CHUSAK SALEE MANAGING DIRECTOR

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<b>Age</b>	» 59 years old
<b>Education</b>	<ul style="list-style-type: none"> <li>» Bachelor of Science, Agricultural Economics, Kasetsart University</li> <li>» Master of Business Administration, Sul Ross State University, USA</li> <li>» Director Certification Program, Institute of Directors Association (IOD)</li> </ul>
<b>Other Positions Held</b>	» Managing Director, Sri Ayudhya General Insurance PCL
<b>Working Experience for the Past 5 Years</b>	<ul style="list-style-type: none"> <li>» Director: Ayudhya Fund Management Plc.</li> <li>» Director: Ayudhya Development Leasing Co., Ltd.</li> </ul>

## MR. LAKSNA THONGTHAI DIRECTOR & ASSISTANT MANAGING DIRECTOR

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<b>Age</b>	» 58 years old
<b>Education</b>	<ul style="list-style-type: none"> <li>» Ph.D. in Industrial and Systems Engineering, University of Southern California, Los Angeles, USA</li> <li>» M.S. in Systems Engineering, UCLA, Los Angeles, USA</li> <li>» B.S. in Industrial Engineering, Chulalongkorn University</li> <li>» Director Certification Program, Thai Institute of Director Association (IOD)</li> <li>» Diploma Examination Assigned from Graduate Member to become Fellow Member</li> </ul>
<b>Other Positions Held</b>	<ul style="list-style-type: none"> <li>» Director, Nirvana Co., Ltd.</li> <li>» Director, Thongthai Water Pipe &amp; Chemical Co., Ltd.</li> </ul>
<b>Working Experience for the Past 5 Years</b>	<ul style="list-style-type: none"> <li>» Director, Ayudhya Fund Management Plc.</li> <li>» Director, Ayudhya Development Leasing Co., Ltd.</li> </ul>

## MR. SURACHAI PRUKBAMROONG INDEPENDENT DIRECTOR AND CHAIRMAN OF THE AUDIT COMMITTEE

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<b>Age</b>	» 74 years old
<b>Education</b>	» Bachelor of Accountancy and Bachelor of Commerce, Thammasat University » Certificate of Bank Examiner, Bank of Examination School, Federal Deposit Insurance Corporation, USA » Certificate - Pacific Rim Bankers Program, University of Washington, USA » Certificate - Senior Management, University of California, Berkeley, USA » Certificate of Banking, The Bank of Tokyo, Japan » Certificate - Executive Information System, IBM Certificate of Executive Information System, IBM Education Center » Senior Executive Program, Sasin Graduate Institute of Business Administration of Chulalongkorn University » Certificate - Financial Executive, The Thai Institute of Banking and Finance Association Role of Chairman Program (RCP) (Chairman 2000), Directors Accreditation Program (DAP), Board Performance Evaluation (BPE), Corporate Governance Report of Thai Listed Companies (CGR), DCP Refresher Course, Director Forum - Thai Institute of Director Association (IOD)
<b>Other Positions Held</b>	» Independent Director and Chairman of the Audit Committee, Sri Ayudhya General Insurance PCL

## MR. SAVANG TONGSMUTRA INDEPENDENT DIRECTOR AND AUDIT COMMITTEE MEMBER

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<b>Age</b>	» 74 years old
<b>Education</b>	» B.A. Accountancy, Thammasat University » Director Accreditation Program (DAP 4/2003), Thai Institute of Director Association (IOD)
<b>Other Positions Held</b>	» Independent Director and Member of Audit Committee, Sri Ayudhya General Insurance PCL
<b>Working Experience for the Past 5 Years</b>	» Director and Chairman of the Audit Committee, Ayudhya Auto Lease Plc. » Director and Member of the Audit Committee, Media of Medias Plc.



## MR. METHA SUVANASARN

### INDEPENDENT DIRECTOR AND MEMBER OF THE AUDIT COMMITTEE AND CHAIRMAN OF NOMINATION & REMUNERATION COMMITTEE

<b>Age</b>	» 72 years old
<b>Education</b>	<ul style="list-style-type: none"> <li>» B.A. Accountancy, Thammasat University</li> <li>» Director Certification Program, Thai Institute of Directors Association (IOD), Role of the Compensation Committee (RCC 9/2009), Thai Institute of Directors (IOD)</li> <li>» Certified in the Governance of the Enterprise IT (CGEIT), USA</li> <li>» Certified Internal Audit (CIA), USA</li> <li>» Certified Public Accountant (CPA), Thailand</li> <li>» Computer Audit Certificate, Federal Deposit Insurance Corporation (FDIC), USA</li> <li>» Management Certificate, University of California at Berkeley, USA</li> <li>» Advanced Management Certificate, Harvard University Graduate School of Business Administration, USA</li> <li>» New Era Governance Certificate, Harvard Business School, USA</li> </ul>
<b>Other Positions Held</b>	<ul style="list-style-type: none"> <li>» Vice Chairman of Thailand Information Security Association (TISA)</li> <li>» Director, Information Security, National Electronics and Computer Technology Center (NECTEC)</li> <li>» Audit Chairman of ISACA, Bangkok Chapter</li> <li>» IT Examination Specialist of Bank of Thailand</li> <li>» Working Committee for CA, National Electronics and Computer Technology Center (NECTEC)</li> <li>» Independent Director and Member of the Audit Committee, Sri Ayudhya General Insurance PCL</li> </ul>
<b>Working Experience for the Past 5 Years</b>	<ul style="list-style-type: none"> <li>» Chairman of the Audit Committee, Software Industry Promotion Agency (public organization)</li> <li>» Sub-Committee Standard Development, Office of the Auditor General of Thailand</li> <li>» Sub-Committee Member, Governance of State Enterprise, Ministry of Finance</li> </ul>

## MR. ADISORN TANTIANANKUL

### DIRECTOR

<b>Age</b>	» 65 years old
<b>Education</b>	<ul style="list-style-type: none"> <li>» ANZIIF Australian New Zealand Insurance Institute and Finance</li> <li>» Director Certification Program and Financial Statements for Directors (FSD/2009), Thai Institute of Directors Association (IOD)</li> </ul>
<b>Working Experience for the Past 5 Years</b>	<ul style="list-style-type: none"> <li>» Director, Ayudhya Development Leasing Co., Ltd.</li> <li>» Director, Thai Reinsurance Plc.</li> </ul>

## MR. ANDREAS JOHANN WILHELM, PH.D. DIRECTOR AND MEMBER OF NOMINATION & REMUNERATION COMMITTEE

<b>Age</b>	» 48 years old
<b>Education</b>	<ul style="list-style-type: none"> <li>» Ph.D., Albert-Ludwig's University, Germany</li> <li>» Trent University, Canada</li> <li>» University of Basel, Switzerland</li> </ul>
<b>Other Positions Held</b>	<ul style="list-style-type: none"> <li>» Chief Operating Officer, Asia Pacific Allianz Insurance Management Asia Pacific, Singapore</li> <li>» Director, Sri Ayudhya General Insurance PCL.</li> </ul>
<b>Working Experience for the Past 5 Years</b>	<ul style="list-style-type: none"> <li>» Deputy Chief Executive Officer Allianz Life Insurance, Korea</li> <li>» Head of Synergy Project, Head of M&amp;A for Korea, Allianz AG, Germany</li> <li>» Chief Operating Officer, Head of Mergers and Acquisition in Asia Pacific Allianz Insurance Management Asia Pacific, Singapore</li> </ul>

## MR. VIROJN SRETHAPRAMOTAYA DIRECTOR

<b>Age</b>	» 61 years old
<b>Education</b>	<ul style="list-style-type: none"> <li>» MBA, Jacksonville State University, USA</li> <li>» Bachelor of Accountancy, Chulalongkorn University</li> <li>» Advanced Management Program for International Bankers, The Wharton School, University of Pennsylvania, USA</li> <li>» Certificate of Financial Executive, The Thai Institute of Banking and Finance Association, The Thai Bankers' Association</li> <li>» Certificate of Director Accreditation Program (DAP), Director Certification Program (DCP), Directors Diploma Examination (DDE), Role of the Chairman Program (RCP), DCP Refresher Course, Successful Formulation &amp; Execution of Strategy (SFE), Financial Institutions Governance program (FGP), Audit Committee Program (ACP), Monitoring Fraud Risk Management (MFM), Monitoring the Internal Audit Function (MIA), Monitoring the System of Internal Control and Risk Management (MIR), Chartered Director Class (CDC), Thai Institute of Directors Association (IOD)</li> </ul>
<b>Other Positions Held</b>	<ul style="list-style-type: none"> <li>» Director, Bank of Ayudhya Plc.</li> <li>» Chairman, Sri Ayudhya General Insurance PCL</li> <li>» Director and Audit Committee Member , Allianz Ayudhya Assurance PCL (Formerly, Ayudhya Allianz C.P. Life PCL)</li> </ul>
<b>Working Experience for the Past 5 Years</b>	<ul style="list-style-type: none"> <li>» Positions within Bank of Ayudhya Plc. <ul style="list-style-type: none"> <li>- Senior Advisor to the Corporate Banking Group</li> <li>- Head of Corporate Banking</li> <li>- Credit Committee Member</li> <li>- Executive Committee Member</li> <li>- Senior Executive Vice President</li> <li>- Risk Management Committee Member</li> <li>- Compliance Review Committee Member</li> </ul> </li> <li>» Chairman, The Ayudhya Factoring Co., Ltd.</li> <li>» Director, Ayudhya Development Leasing Co., Ltd.</li> <li>» Chairman, and Chairman of the Executive, Ayudhya Auto Lease Plc.</li> <li>» Chairman, The Thai Institute of Banking and Finance Association (TIBFA)</li> </ul>

## MR. SUWAT SUKSONGKROH

### INDEPENDENT DIRECTOR

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<b>Age</b>	» 66 years old
<b>Education</b>	» Bachelor of Law, Thammasat University » Thai Barrister at Law » Directors Certification Program (DCP 12/2001), Company Secretary Program (CSP 1/2002), DCP Refresher Course (DCP 2/2006), Thai Institute of Directors Association (IOD)
<b>Other Positions Held</b>	» Independent Director, Sri Ayudhya General Insurance PCL
<b>Working Experience for the Past 5 Years</b>	» Secretary to the Board of Directors and Executive Board of Directors, Bank of Ayudhya Plc. » Director, Ayudhya Securities Plc.

# MAJOR SHAREHOLDERS

Top ten major shareholders as at April 2, 2012

No	Name of Shareholders	No. of Shares	Percentage
1	DEUTSCHE BANK AG, FRANKFURT A/C CLIENTS ACCOUNT-DCS	42,104,000	16.842
2	Bangkok Broadcasting & Television Company Limited	28,802,500	11.521
3	Bank of Ayudhya Public Company Limited	27,288,700	10.915
4	TRIPLE PRIME TEAM HOLDINGS COMPANY LIMITED	25,238,750	10.096
5	BBTV Equity Company Limited	21,946,000	8.778
6	Thongthai (1956) Company Limited	9,610,000	3.844
7	Great Fortune Equity Company Limited	7,045,000	2.818
8	CITIBANK NOMINEES SINGAPORE PTE LTD-UBS AG LONDON BRANCH-NRBS IPB CLIENT SEG	6,664,200	2.666
9	Mrs. Sudthida Ratanarak	6,344,870	2.538
10	Krungthai Panich Insurance Company Limited	3,938,400	1.575

# SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS

As at December 31, 2012

No.	Board of Directors	Designation	31 December 2012		31 December 2011	
			Shares	Proportion (%)	Shares	Proportion (%)
1	Mr. Veraphan Teepsuwan	Chairman	-	-	-	-
2	Mr. Surachai Prukbamroong	Director	-	-	-	-
3	Mr. Metha Suvanasarn	Director	-	-	-	-
4	Mr. Savang Tongsmutra	Director	-	-	-	-
5	Mr. Suwat Suksongkroh	Director	32,500	0.013	32,500	0.013
6	Mr. Adisorn Tantianankul	Director	15,000	0.006	15,000	0.006
7	Mr. Virojn Srethapramotaya	Director	-	-	-	-
8	Mr. Andreas Johann Wilhelm, Ph.D.	Director	-	-	-	-
9	Mr. Rowan D'Arcy	Director	-	-	-	-
10	Mr. Chusak Salee	Director	*42,000	0.016	*42,000	0.016
11	Mr. Laksna Thongthai	Director	-	-	-	-

Remark: Including spouse



# CORPORATE SOCIAL RESPONSIBILITY

## PHILOSOPHY

SMILE

### VISION & MISSION

Our business is complete only when we can do good things in return for the society in which we live and that supports us. As a contributing member of Thai society, we embrace the responsibility of being a good corporate citizen, and express this through corporate social responsibility (CSR) programs. These programs are voluntary and we encourage employees at every level to get involved in social and environmental development programs that they have personal interest in. Whatever programs chosen, the essence is engagement and accountability that goes hand-in-hand to ensure quality delivery of development and change, no matter how big or small.

### Pillar of AYUD CSR: Conscientious Involvement

At the heart of AYUD CSR, it is about conscientious involvement. AYUD empowers employees to spend the time and efforts to support corporate social responsibility programs they choose to get involved in. For any program to qualify AYUD's involvement and funding, the following thoughts are to be followed to ensure that we are guided by real needs and that we can follow through with the intended change.



- » **Insight** A thorough understanding of the need for the proposed program.
- » **Localization** The proposed programs are community-based so AYUD employees can offer and extend assistance.
- » **Involvement** Required time and efforts involved to make the program a success and funds required to make impact and change.
- » **Transformation** Vision of the change after completion of the program.

### Personal Satisfaction and Corporate Recognition

Aside from personal satisfaction our employees gained from participating and seeing their supported social contribution to its fruition, AYUD recognizes their efforts in the corporate social contribution as well. Once a year, all social contribution initiatives undergo a management review process to identify and give recognition to staff with outstanding programs that meet with the Company's values on social contribution.



## MANAGEMENT STRUCTURE

The Company's Management structure is comprised of the Board of Directors and and four sub-committees that are appointed by the Board of Directors:

1. The Executive Committee
2. The Investment Committee
3. The Audit Committee
4. The Nomination & Remuneration Committee

In accordance with the Articles of Association, the Company shall have a Board of Directors comprised of at least five members to conduct the business of the Company, not less than half of whom shall reside within the country. As of 31 December 2012, the Board of Directors consists of 11 members:

Non-executive Directors	4	members
Independent Directors	4	members
Executive Directors	3	members

Board members are qualified to assure adherence to the relevant rules and regulations set forth by the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET). The term of reference for each board member is three years.

### COMPANY DIRECTORS

As of 31 December 2012, the following are members of the Board of Directors registered in the Ministry of Commerce certificate:

NO.	Name	Designation	Year Appointed
1	Mr. Veraphan Teepsuwan	Non-Executive Director	2002
2	Mr. Rowan D'Arcy	Executive Director	2007
3	Mr. Chusak Salee	Executive Director	1997
4	Mr. Laksna Thongthai	Executive Director	1994

NO.	Name	Designation	Year Appointed
5	Mr. Surachai Prukbamroong	Independent Director	1999
6	Mr. Metha Suvanasarn	Independent Director	2005
7	Mr. Savang Tongsmutra	Independent Director	2000
8	Mr. Suwat Suksongkroh	Independent Director	1994
9	Mr. Adisorn Tantianankul	Non-Executive Director	1996
10	Mr. Andreas Johann Wilhelm, Ph.D.	Non-Executive Director	2006
11	Mr. Virojn Srethapramotaya	Non-Executive Director	1998
	Ms. Jiratcha Ruplek	Secretary to the Board	2008

Note: Ms. Jiratcha Ruplek was appointed Secretary to the Board on 15 August 2008.

## COMPANY SIGNATORIES

The Articles of Association stipulate that the Board has the authority to assign a director or a number of directors to sign or act on behalf of the Company, with criteria stipulated by the Board as per company registration details. The certified registration specifies the four authorized directors, namely Mr. Rowan D'Arcy, Mr.Chusak Salee, Mr.Laksna Thongthai, and Mr.Virojn Srethapramotaya.

Report on Changes in Shareholding of Directors and Executives as of 31 December 2012 (Ordinary Shares) as per Shares Held by Members of the Board of Directors is shown herein the Annual Report.

## CHARTER OF THE BOARD OF DIRECTORS

### 1. Achieving the Vision

The Board of Directors (the "Board") of Sri Ayudhya Capital Public Company Limited (the "Company") recognizes the importance of good corporate governance in promoting and strengthening the trust of its shareholders, stakeholders and the public, and believes that good corporate governance will enhance shareholder value.

In pursuing the Vision of the Company: To become one of Thailand's leading investment holding companies with primary focus in the insurance sector, leveraging on AYUD's experience, expertise, and network to achieve sustainable growth, the Board will conduct itself in accordance with the law and the highest ethical standards in the best interests of its shareholders.

### 2. Functions and Responsibilities

The functions and responsibilities of the Board are as stipulated by law and the resolutions of shareholders' meetings, including:

- 2.1 Directing the policies, strategies and financial objectives of the Company and monitoring the implementation of these policies, strategies and financial objectives, with an aim to maximizing economic value and shareholder wealth;
- 2.2 Creating structures and procedures designed to ensure compliance with regulatory requirements, the Articles of Association, resolutions of shareholders' meetings and ethical standards in good faith and with care;
- 2.3 Creating structures and procedures designed to ensure that there are appropriate systems of risk management, internal compliance and control;
- 2.4 Monitoring and assessing management performance in achieving strategies and budgets approved by the Board (at least semi-annually);
- 2.5 Setting criteria for, and evaluating, the performance of the President, and other senior management (at least annually);



2.6 Reviewing on a regular and continuing basis the succession plan for the position of President; and

2.7 Observing and ensuring compliance with the Directors' Code of Conduct.

### 3. Authority

The Board exercises its authority as stipulated by law and the resolutions of shareholders' meetings, including:

3.1 Appointing and determining the remuneration and conditions of service of the President & CEO;

3.2 Appointing the Managing Director; and

3.3 Approving:

3.3.1 The Strategic Plan (to be reviewed annually);

3.3.2 The Annual Business Plan;

3.3.3 The Annual Budget;

3.3.4 The Quarterly, Semi-annual and Annual Financial Reports;

3.3.5 The remuneration of members of Board Committees (within the overall amount approved by shareholders);

3.3.6 The remuneration and conditions of service for the President, following annual review;

3.3.7 Changes to organizational structure at the group level and other significant organizational changes;

3.3.8 The acquisition, establishment, disposal or cessation of any significant asset or business of the Company;

3.3.9 Any changes to the authority delegated by the Board; and

3.4 All matters not otherwise delegated to the Executive Committee, the President or management.

### 4. Composition

At least four members or one third of the Board (whichever is higher) shall be Independent Directors, and not more than one-third of the Board shall be Executive Directors.

### 5. Criteria for Board Membership

In proposing directors, the Board will take into consideration experience in at least one area of significance to the Board (e.g., banking, business, marketing, human resources, finance, law, management or management consulting); the ability to contribute to deliberations of the Board; the ability to exercise sound business judgment; the ability to think strategically; demonstrated leadership experience; and a high level of professional skill and integrity; as well as other appropriate personal qualities.

### 6. Types of Director

#### 6.1 Independent Directors

"Independent Director" means a director who has no business transaction or participation in business management which may impact his/her independent decision-making. The qualifications for the Company's Independent Directors are defined

in a more restrictive manner than the criteria set by the Securities and Exchange Commission (SEC) and the Capital Market Supervisory Board. Details of the Independent Director's qualifications are as follows:

- (1) Not hold shares exceeding 0.5% of the total number of voting rights of the Company, its parent company, subsidiary, affiliate, principal shareholder or controlling person of the Company, including shares held by persons related to the Independent Director.
- (2) Neither be nor have been an executive director, employee, staff, or advisor who receives salary, or a controlling person of the Company, its parent company, subsidiary, affiliate, same-level subsidiary, principal shareholder or controlling person of the Company unless the foregoing status has ended not less than two years prior to the date of company filing with the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET); however, the prohibition excludes Independent Directors who were government officers or advisors of the government agencies that are major shareholder or controlling person of the Company.
- (3) Not being a person related by blood or registration under laws, such as father, mother, spouse, sibling, and child, including spouse of the children, executives, major shareholders, controlling persons, or persons to be nominated as executive or controlling persons of the Company or its subsidiary.
- (4) Not have a business relationship with the Company, its parent company, subsidiary, affiliate, major shareholder or controlling person of the Company, in a manner which may interfere with his/her independent judgment, and neither be nor have been a principal shareholder or controlling person of any business having a relationship with the Company, its parent company, subsidiary, affiliate, major shareholder or controlling person of the Company unless the foregoing relationship has ended not less than two years prior to the date of company filing with the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET). The term "business relationship" aforementioned under paragraph one includes any normal business transaction, rental or lease of immovable property, transaction relating to assets or services or grant or receipt of financial assistance through receiving or extending loans or guarantees, providing assets as collateral, including any other similar actions that result in the Company or his/her counterparty being subject to indebtedness payable to the other party in the amount of 3% or more of the net tangible assets of the Company or Baht 20,000,000 (Baht Twenty Million) or more, whichever is lower. The amount of such indebtedness shall be calculated according to the calculation method for value of connected transactions under the Notification of Capital Market Supervisory Board concerning rules on connected transactions mutatis mutandis. The combination of such indebtedness shall include indebtedness taking place during the course of one year prior to the date on which the business relationship with the person commences.
- (5) Neither be nor have been an auditor of the Company, its parent company, subsidiary, affiliate, major shareholder or controlling person of the Company, and not be a principal shareholder or controlling person, or partner of an audit firm which is employed to audit the Company, its parent company, subsidiary, affiliate, major shareholders or controlling person of the Company unless the foregoing relationship has ended not less than two years from the date of the Company filing with the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET).
- (6) Neither be nor having been a professional advisor, including legal advisor or financial advisor, who receives an annual service fee exceeding Baht 2,000,000 (Baht Two Million) from the Company, its parent company, subsidiary, affiliate, major shareholders or controlling person of the Company, and neither be nor have been a principal shareholder, controlling person or partner of the professional advisor unless the foregoing relationship has ended not less than two years from the date of the Company filing with the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET).
- (7) Not be a director who has been appointed as a representative of the Company's director, major shareholder or shareholders who are related to the major shareholder.

(8) Not operate any business of the same nature and in significant competition with the business of the Company or its subsidiary, or be a principal competitor in any partnership, or be an executive director, employee, staff or advisor who receives salary, or hold shares not exceeding 0.5% of the total number of voting rights of any other company operating a business of the same nature as, and in significant competition with, the business of the company or its subsidiary.

(9) Not have any characteristics which make him/her incapable of expressing independent opinions with regard to the Company's business affairs.

## 6.2 Executive Directors

An executive director is a Director who is involved in company management on a full-time basis, and receives regular monthly remuneration from the Company in the form of salary or its equivalent (an "Executive Director").

## 7. Retirement and Election

7.1 One-third of the Directors shall retire from office at every Annual General Meeting. If the number of Directors to retire from office is not a multiple of three, then the number nearest to but not exceeding one-third shall retire.

7.2 The Nomination and Remuneration Committee will propose candidates for consideration by the Board.

7.3 The Board shall elect one of the Directors (not an Executive Director) as Chairman.

## 8. Induction

Newly appointed directors will be provided with appropriate briefings and information relating to the Company, and be advised of the legal, regulatory and other duties of Directors of listed companies.

## 9. Meetings

9.1 The Board shall meet no fewer than five times a year. Directors are obliged to meet legal attendance requirements and are expected to attend all Board meetings.

9.2 At least one-half of the Directors must be present at a Board meeting to constitute a quorum.

9.3 Decisions of the Board shall be made by majority vote. A Director having an interest in a given matter must not participate in any decisions relating to that matter.

9.4 Board and Committee papers shall be provided to Directors at least seven days prior to the relevant meeting.

## 10. Board Committees

10.1 The Board may establish Committees to assist it in carrying out its responsibilities, which shall include Audit Committee, Nomination and Remuneration Committees, Investment Committee, and an Executive Committee.

10.2 The Board shall approve Committee members and Charters, setting out matters relevant to their composition, responsibilities and administration, and other matters relating to such committees as the Board may consider appropriate.

## 11. Self-Assessment

The Board shall undertake an annual Board performance evaluation that compares the performance of the Board with the requirements of this Charter, and considers and implements any improvements to the Board Charter.

## THE EXECUTIVE COMMITTEE

As of 31 December 2012, the Executive Committee was comprised of the following:

No.	Name	Designation	Attendance
1	Mr. Rowan D'Arcy	Chairman	11/11
2	Mr. Chusak Salee	Member and Secretary	11/11
3	Mr. Laksna Thongthai	Member	11/11

## ROLES AND DUTIES OF THE EXECUTIVE COMMITTEE

### 1. Responsibilities

- 1.1 Assure that the Company's operations are in-line with the provisions of the Civil and Commercial Code on Limited Companies, the Public Company Limited Act, the Securities and Exchange Act and other pertinent laws that are pending and will be enforced in the future.
- 1.2 Assure that the Company's operations are conducted with fidelity, justice and morals, and that the Executive Committee continues to rigorously adhere to its underlying philosophy of operating the business with caution to achieve the Company's objectives.
- 1.3 Prepare and submit monthly financial balance sheets and profit and loss accounts to the Executive Committee within the twentieth of the month to be compared with the same month of the previous year.
- 1.4 Prepare the budget and forecast plan for the following year and propose it at the first Board of Directors meeting for consideration, together with the Annual Report for each year for resolution.

### 2. Authority

- 2.1 To determine the investment policy and risk management policy;
- 2.2 To determine the management structure and organization chart;
- 2.3 To determine policies and procedures for upgrading human resources, e.g., company regulations, staff welfare, provident fund, etc;
- 2.4 To revise annual business plan;
- 2.5 To consider and appoint senior management, from the Assistant Managing Director to the Managing Director;
- 2.6 To review the budget for staff salary increments, cost-of-living adjustments and annual bonuses for senior department managers, from the Assistant Managing Director to the Managing Director;
- 2.7 To determine the scope of authority for signing off on Company policies and procedures;
- 2.8 To allocate reserves against risks into categories by preparing the annual budget, which shall be performed separately as per the Chart of Account in advance;
- 2.9 To approve the purchase of fixed assets that are considered necessary for Company operations; if beyond the budget and forecast plan, approval must be obtained from Board of Directors for each amount less than Baht 1.5 million (Baht One Million Five Hundred Thousand) and overall expenses shall not exceed Baht 5 million (Baht Five Million) per annum;

2.10 To approve any expenses incurred over-budget at an amount not exceeding 5% of the overall budget, and other expenses that are not indicated in the annual budget or forecast plan, amounting to Baht 500,000 (Baht Five Hundred Thousand) for each expense. Overall expenses shall not exceed Baht 2,000,000 (Baht Two Million) per annum; and

2.11 In case of an emergency, immediate action must be taken to prevent the Company from potential damage and to protect benefits deemed appropriate. Reports of such proceedings shall be submitted at the next Board of Directors meeting at the first stage.

## AUDIT COMMITTEE

The Company established an Audit Committee on 12 October 1999 comprised of three independent directors; the tenure of committee members shall be for a period of three years and shall run concurrently with their tenure on the Board.

At Board of Directors Meeting No. 6/2011 held on 19 August 2011, a resolution was passed to re-elect for another term Audit Committee members who are retiring by rotation.

The Audit Committee was comprised of the following members:

No.	Name	Designation	Attendance
1	Mr. Surachai Prukbamroong	Chairman of the Meeting	8/8
2	Mr. Metha Suvanasarn	Member	8/8
3	Mr. Savang Tongsmutra	Member	8/8
	Miss Paporn Piyayodilokchai	Secretary	

Note: Miss Paporn Piyayodilokchai was as appointed Secretary to the meeting on 21 May 2001.

## AUDIT COMMITTEE CHARTER \*

### Purpose

The Audit Committee was established with the approval of the Board of Directors to be an independent organization that will support and operate in the name of the Board of Directors, reviewing the financial information proposed to shareholders and concerned parties, reviewing the internal control system and internal auditing process determined by Management and the Board of Directors, communicating with the auditors of the Company, and considering any items that may be contrary to the benefit of the Company.

### Authority

The Audit Committee will carry out the following duties:

1. Consider, select and propose for appointment capable persons with the independence to perform the duties of auditors of the Company for the Board of Directors, together with the annual audit fee, for approval at the Shareholders' Meeting.
2. Review the work of the auditors or external audit offices and determine the remuneration for external auditors.
3. Consider and resolve any disagreements between management and the auditor regarding financial reporting.
4. The Audit Committee is entitled to audit and investigate persons and related matters within the scope of its authority and duties; the Audit Committee must have the authority to employ specialists to help audit and investigate as it deems suitable.
5. The Audit Committee is entitled to audit if informed by the auditors that dubious behavior has been discovered on the part of Directors, managers or persons in charge of the operations of the Company, or that an offense has been committed.

6. The Audit Committee is entitled to meet with company officers, or outside counsel, as necessary.
7. The role and duties of members of the Audit Committee must be secondary to those of the Company's Board of Directors.
8. The Audit Committee shall not perform any role or duty other than those specified in this Charter unless the Company's Board of Directors specifies otherwise with the consent of the Audit Committee.

#### **Composition**

9. The Audit Committee must be comprised of at least three highly qualified persons in accordance with the regulations set forth by Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET). At least one member must have sufficient knowledge and experience to reliably review the financial statements. The Chairman of the Audit Committee shall be appointed by the Company's Board of Directors, or the Audit Committee, which is appointed by the Company's Board of Directors, will select the Chairman of Audit Committee among themselves.

#### **Meetings**

10. The Audit Committee will organize at least four meetings per annum, and more if necessary. The Audit Committee may invite Management or persons involved to join the meetings and supply any pertinent information. Audit Committee members will attend each meeting in person or via tele- or video-conference. Meeting agendas will be prepared and provided in advance to the participants, along with pertinent information. Minutes will be prepared.

#### **Responsibilities**

The Audit Committee will carry out the following responsibilities:

#### **Financial Reports**

11. Review the Company's financial reports correctly and sufficiently.
12. Consider the following factors with Management and the auditor upon completion of quarterly and annual audits:
  - 12.1 Financial statement for the quarter and year;
  - 12.2 Audit report;
  - 12.3 Observations and additional suggestions regarding the auditor's plans;
  - 12.4 Troubles and conflicts that are significant to Management regarding the work of the Auditor; and
  - 12.5 Other matters relating to the auditing standards that the Audit Committee should understand or communicate to the auditor.
13. Review the accuracy and completeness of the information in the Annual Report.
14. Understand how Management develops interim financial information, and the nature and extent of internal and external auditor involvement.

#### **Internal Control**

15. Review the Company's internal control and internal audit systems to assure that they are appropriate and successful, considering the independence of Internal Audit Department.

16. Review and consider with the auditor and the Internal Audit Department Manager the adequacy of:
  - 16.1 The internal control system, including information technology security and control; and
  - 16.2 Significant carelessness about which the auditor, the Internal Audit Department Manager and Management are in agreement.
17. Review and consider the level of major risk as well as the method of risk reduction from Management, the Internal Audit Department Manager and the auditor.

#### **Internal Audit**

18. Review and approve the annual audit plan.
19. Review and consider with Management and the Internal Audit Department Manager the following matters:
  - 19.1 Significant carelessness discovered during the year and the response from Management; and
  - 19.2 Troubles occurring during the audit that include the scope of work or access to the information necessary for auditing.
  - 19.3 Changing the scope of the audit from the one in the auditing plan.
  - 19.4 The budget and headcount of the Internal Audit Department.
  - 19.5 The Internal Audit Department Charter.
  - 19.6 The standard of work performance of the Internal Audit Department should be in line with that of the Institute of Internal Auditors of Thailand as stipulated herein.
20. Consent to the appointment, deposition, transfer or dismissal, and make an evaluation of the annual performance of the Internal Audit Department Manager.
21. Participate in a meeting with the Internal Audit Department Manager without the participation of Management at least once per annum.

#### **External Audit**

22. Review and consider the proposed scope of the external auditors' work and approach, including coordination of audit efforts with the internal audit.
23. Review the performance of the external auditors and select and propose for appointment, or change, the external auditors.
24. Review the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Company.
25. Participate in a meeting with the auditors without the participation of Management at least once per annum.

#### **Compliance**

26. Review the effectiveness of the system for compliance with laws and regulations, monitor the findings of Management's investigations, and follow up on any instances of non-compliance, including taking disciplinary action.
27. Review the findings of any examinations by regulatory agencies, and any auditor observations.

28. Review the process for communicating the code of conduct to company personnel, and monitor compliance therewith.
29. Obtain regular updates from Management and the Company's legal counsel regarding compliance matters.
30. Review to assure company compliance with the regulations of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET), the determinations of the Stock Exchange of Thailand (SET), and the laws concerning the business of the Company.
31. Consider determinations of the Stock Exchange of Thailand (SET) that may be contrary to the benefit of the Company to assure that such items are reasonable and provide maximum benefit to the Company.

#### Reporting Responsibilities

32. Prepare the Audit Committee Meeting minutes to be proposed to the Company's Board of Directors.
33. Prepare the Report of the Audit Committee detailing the responsibilities and performance of the Audit Committee to be proposed to the Company's Board of Directors and included in the Company's Annual Report. The Report of the Audit Committee must at least consist of the information required by the Stock Exchange of Thailand (SET).

#### Other Responsibilities

34. Coordinate the same trend of understanding among the Board of Directors, the Auditor and the Internal Audit Department and provide confidence and confirmation of the independence of the Internal Auditor and the Auditor.
35. Review and amend the Audit Committee Charter to suit the environment of the organization and propose amendments to the Company's Board of Directors for approval.
36. Review the Company's good corporate governance results to assure that they are suitable and in line with the policies specified by the supervisory unit.
37. The Chairman of the Audit Committee acknowledges the interests of the Directors and the Administrators and associated persons according to the copy of the report on the interests received from the Secretary of the Company.
38. Evaluate the committee's or individual member's performance on a regular basis.

- \* This Audit Committee Charter has been written as a Thai issue and translated into English. In the event of any discrepancies, the Thai issue shall prevail.

Qualifications and past experience of three audit committee members who have adequate expertise and experience to review the credibility of the Company's financial statements:

1. **Mr. Surachai Prukbamroong**, Chairman of the Audit Committee, held various positions with the Bank of Thailand for 39 years from 1959 to 1998 and other significant positions as follows:
  - » Senior Director, Bank Examination and Analysis Department
  - » Senior Director, Deposit and Bond Department
  - » Senior Director, Administrative Department
  - » Senior Deputy Director, Deposit and Bond Department
  - » Deputy Director, Bank Supervision and Examination Department



2. **Mr. Metha Suvanasarn**, Member, has held various positions with the Bank of Thailand and other significant positions as follows:
- » Chairman of the Audit Committee, Software Industry Promotion Agency
  - » Sub-Committee Member, Standard Development - Office of the Auditor General of Thailand
  - » Risk Management Specialist, SME Development Bank of Thailand
  - » Chairman of the Advanced Technology Committee, The Institute of Internal Auditors of Thailand
  - » Senior Director, The Note Printing Works, Bank of Thailand
  - » Director, Bank of Thailand, Khonkaen Regional Office
3. **Mr. Savang Tongsmutra**, Member, has held various positions with the Bank of Ayudhya PCL for 32 years from 1966 to 1998 as follows:
- » Senior Vice President & Vice President, Accounting Department
  - » Deputy Vice President, Audit Department
  - » Vice President, Audit Department

## NOMINATION & REMUNERATION COMMITTEE

The Company established the Nomination & Remuneration Committee on 19 January 2007. The committee is comprised of Independent/non-executive directors, and the tenure of committee members shall be for a period of three years which shall run concurrently with their tenure on the Board.

As of 31 December 2012, the Nomination & Remuneration Committee was comprised of the following directors:

No.	Name	Designation	Status	Attendance
1	Mr. Metha Suvanasarn	Chairman	Independent	4/4
2	Mr. Andreas Johann Wilhelm, Ph.D.	Member & Secretary	Non-Executive	4/4

## NOMINATION & REMUNERATION CHARTER

The terms of reference set out by the Nomination and Remuneration Committee (the "Committee") shall be constituted and shall operate as follows:

### Membership

- » The Committee shall be comprised of at least three non-executive directors, one of whom shall be an independent director. Directors who are not Committee members may attend Committee meetings at the invitation of the Committee.
- » The Chairman and other members of the Committee will be disclosed in the Company's Annual Report and Accounts. Terms of Reference, membership of the Committee and a schedule of remuneration consultants to the Committee (including any other connections to the Company) shall be made available to any person upon request and shall also be available on the Company's corporate website. The schedule of remuneration consultants shall be attached as an appendix to these Terms of Reference and will be updated and revised from time to time as necessary.

- » In appointing the members of the Committee, the Board will give due consideration to the Principles of Good Corporate Governance for Listed Companies guidelines as recommended by the Stock Exchange of Thailand (SET) and the Stock and Exchange Commission (SEC).
- » The Chairman of the Committee shall be an independent director and shall be appointed by the Board. The Company Chairman shall not be the Chairman of the Committee.
- » One member (or his/her nominee) shall act as Secretary to the Committee.
- » The tenure of Committee members shall be for a period of three years and shall run concurrently with their tenure on the Board.

#### Frequency of Meetings and Quorum

- a. Meetings shall be held quarterly and at such other times and locations as may be deemed appropriate;
- b. A quorum of the Committee shall be three members present throughout the meeting, which can also be held via teleconference or e-mail.
- c. The Chairman of the Committee (or failing him/her, a nominee who shall be a member of the Committee) shall attend Annual General Meetings of the Company.

#### Nomination Terms of Reference

- » The Committee is authorized by the Board to exercise such of the powers and discretions of the Board as it deems necessary or expedient to provide a formal selection and recommendation procedure for new Board appointments, CEO and CEO direct reports, with the exception that without the sanction of a resolution of the Board of Directors of the Company, the Committee shall not have any of the powers or discretions of the Board in relation to any of the matters exclusively reserved for the Board of Directors from time to time.
- » The Committee is authorized by the Board to obtain independent professional advice, at the Company's expense, if it considers this necessary to the fulfilment of its duties.

#### Nomination Duties and Scope of Responsibilities

1. Review regularly the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;
2. Be responsible for identifying and nominating candidates for the approval of the Board for any new appointments (including appointments to committees) whether of executive or non-executive directors. The Committee may use either an external search consultancy or open advertising to assist in the recruitment process;
3. With the Board's approval, proceed toward a final recommendation subsequent to having followed a formal selection procedure;
4. Subsequent to approval from the Board, ensure that a newly appointed director receives a full and proper induction into the Company's affairs, including external training, as appropriate;
5. Be responsible for reviewing and providing to the Board a recommendation as appropriate on any extension of a non-executive director's term of appointment on expiry; and
6. Recommend directors who are retiring by rotation to be put forward (or not as the case may be) for re-election.

### Nomination Proceedings

1. The meetings and proceedings of the Committee shall be governed, mutatis mutandis, by the provisions of the Company's Articles of Association regulating the meetings and proceedings of the Directors, so far as the same are not superseded by any regulations imposed by the Committee.
2. Where at all possible not less than seven days' prior notice of a meeting will be given, such notice to include the distribution of an agenda and supporting papers in respect thereof to all Committee members.
3. Minutes of Committee meetings will be circulated to all Committee members, other directors (provided no conflict of interest exists) and the Company Secretary as soon as reasonably practicable after each meeting.
4. The Committee's remit shall be subject to review and approval by the Board at least annually.

### Nomination & Remuneration - Terms of Reference

Subject to the restrictions set out under Excluded Matters below, the role of the Committee will be to determine on behalf of the Board and shareholders and within these terms of reference the following:

1. Specific remuneration packages for executive directors, the Chief Executive Officer's senior direct reports and the Chairman of the Company including, but not limited to, any pension rights and compensation payments; and
2. Recommendations to the Board on the Company's framework of executive remuneration and its cost.

The Committee, in carrying out its duties under these terms of reference, will:

3. Comply with all legal requirements including those of the Stock and Exchange Commission (SEC) Listing Authority's Listing Rules, Disclosure Rules and Prospectus Rules and give due consideration to the Principles of Good Corporate Governance practices as recommended by the Stock Exchange of Thailand (SET); and
4. Give due regard to the proportion of the Executive Director's and Chief Executive Officer's senior direct reports' remuneration, which should be structured so as to link rewards to corporate, business sector and individual performance.

Without prejudice to the generality of the terms of the Committee set out above, the Committee will:

1. Satisfy itself that appropriate supervision is in place for the Company's executive remuneration such as share options and similar schemes, determine grants of options to be made to executive directors, senior executives and other employees (having received written recommendations in respect of the same from the Chief Executive Officer), and determine any performance conditions to apply to the exercise of such options or award of shares;
2. Review the design of all share-based incentive plans for approval by the Board and/or shareholders. In designing schemes of performance-related remuneration, the Committee shall duly regard the provisions contained in the legal requirements including those of the Securities and Exchange Commission (SEC) Listing Authority's Listing Rules, Disclosure Rules and Prospectus Rules and give due consideration to the principles of good corporate governance practices as recommended by the Stock Exchange of Thailand (SET);
3. Monitor and review (at least annually) the remuneration packages and terms and conditions of Executive Directors' employment contracts and the Chief Executive Officer's senior direct reports' employment contracts;
4. In determining specific remuneration packages for executive directors and for the Chief Executive Officer's senior direct reports, determine basic salary, any benefits in kind, any annual bonuses, participation in any long-term incentive plans, any pension entitlements and other compensation payments;

5. Ensure that the Chairman (or in his absence, an alternative member) of the Committee attends the Company's Annual General Meeting to answer questions concerning executive directors' remuneration;
6. Be authorized by the Board to obtain such outside or other independent professional advice as it considers necessary in the fulfilment of its duties, all of which shall be at the Company's expense;
7. Consult with the Chairman of the Company in formulating the Committee's remuneration policy and consult with the Chief Executive Officer when determining specific remuneration packages for his/her senior direct reports;
8. Liaise with the Board in relation to the preparation of the statement of remuneration policy for executive directors in the Annual Report to shareholders;
9. Review the Remuneration Report appearing within the Annual Report and Accounts and make any necessary recommendations to the Board in respect of disclosure so as to comply with all applicable legal and Stock and Exchange Commission (SEC) requirements.

#### **Remuneration - Excluded Matters**

For the avoidance of doubt the Committee will not (but the Board will):

- (a) Determine the remuneration of any non-executive director (with the exception of the Company Chairman);
- (b) Determine the terms of any consultancy agreement of any non-executive director including the members of this Committee;
- (c) Report and account directly to shareholders on remuneration policies for both executive and non-executive directors;
- (d) Determine any other matter which the Board shall advise the Committee is reserved to be determined by the Board; and
- (e) Ensure that, through the Chairman of the Board, the Company maintains contact as required with its principal shareholders about executive remuneration.

Notwithstanding the above, the Committee may at any time make recommendations to the Board in respect of the above matters for the Board to consider and/or decide as it sees fit.

#### **Remuneration Proceedings**

- » The meetings and proceedings of the Committee will be governed by the Company's Articles of Association regulating the meetings and proceedings of directors.
- » Where at all possible, not less than seven days' prior notice of a meeting will be given of the Committee. Such notice will include the agenda and any supporting papers.
- » Minutes of meetings shall be taken by the Secretary and will be circulated to all Committee members and, upon request, made available to other Board directors as soon as reasonably practicable after each meeting.

#### **Remuneration - General Matters**

The Committee in carrying out its tasks under these terms of reference:

- (a) Shall normally invite the Chief Executive Officer to attend meetings to discuss the performance of other executive directors and make proposals as necessary. Others may be called upon or shall be able to speak by prior arrangement with the Chairman of the Committee. No Committee attendee shall participate in any discussion or decision on their own remuneration.

- (b) May wish to consult with the other non-executive Board directors in its evaluation of the Chief Executive Officer.
- (c) Has exclusive authority to review and approve in advance any new pension arrangement (whether in respect of an executive director or any other employee of the Company) in excess of the Inland Revenue's statutory earnings cap, as amended from time to time.

The Board will ensure that the Committee has access to professional advice both inside and outside the Company, such advice to be provided at the Company's expense.

These terms of reference will be subject to annual review (unless required earlier) and approval by the Board.

## APPENDIX

In order to assist the Committee in carrying out its duties, the Committee consults on a regular basis with its independent external remuneration advisers.

With respect to the remuneration of senior executives (for whom the Company's remuneration policy also applies), the Committee also consults with the Chief Executive Officer.

## INVESTMENT COMMITTEE

The Company established an Investment Committee on 9 May 1996. Members hold a one-year tenureship. As of 31 December 2012, the Investment Committee was comprised of the following members:

No.	Name	Designation	Attendance
1	Mr. Rowan D'Arcy	Chairman	4/4
2	Mr. Andreas Johann Wilhelm, Ph.D.	Member	4/4
3	Mr. Chusak Salee	Member and Secretary	4/4
4	Mr. Surajak Kotikula	Consultant	4/4

## INVESTMENT COMMITTEE CHARTER

The Investment Committee establishes investment guidelines and supervises the investment activity of the Company. The Investment Committee regularly monitors overall investment results, reviews compliance with investment objectives and guidelines, and ultimately reports the overall investment results to the Board of Directors. These guidelines specify minimum criteria on the overall credit quality and liquidity characteristics of the Company's portfolio. They include limitations on the size of certain holdings as well as restrictions on purchasing certain types of securities or investing in certain industries.

### 1. Purpose of the Committee

The purposes of the Investment Committee (the "Committee") of the Board of Directors (the "Board") of Sri Ayudhya Capital Public Company Limited (the "Company") shall be to oversee the Company's investment transactions, management, policies and guidelines, including review of investment manager selection, establishment of investment benchmarks, review of investment performance and oversight of investment risk management exposure policies and guidelines.

### 2. Composition of the Committee

The Committee shall be comprised of three or more directors. The members of the Committee shall be elected annually to one-year terms by the affirmative vote of a majority of the Board members at the first meeting of the Board to be held following the annual general meeting of shareholders or as soon thereafter as practicable. Vacancies on the Committee shall be filled by like vote of the Board at the next meeting of the Board following the occurrence of the vacancy or as soon thereafter as practicable. A member may be removed from the Committee at any time, with or without cause, by vote of the Board.

### 3. Meetings and Procedures of the Committee

The Board shall designate one member of the Committee as its Chairman.

The Committee shall fix its own rules of procedure, which shall be consistent with the By-Laws of the Company and this Charter.

The Committee shall establish a regular meeting schedule, which shall be at least two times annually or more frequently as circumstances require.

The Chairman of the Committee or a majority of the members of the Committee may also call a special meeting of the Committee.

A majority of the members of the Committee present in person, or by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, shall constitute a quorum.

All actions of the Committee will require the vote of a majority of its members present at a meeting of the Committee at which a quorum is present.

The Committee shall maintain minutes of its meetings and shall regularly report on its actions to the Board.

The Committee may form sub-committees for any purpose that the Committee deems appropriate and may delegate to such sub-committees such power and authority as the Committee deems appropriate; provided, however, that no sub-committee shall consist of fewer than two members; and, provided further, that the Committee shall not delegate to a sub-committee any power or authority required by any law, regulation or listing standard to be exercised by the Committee as a whole.

The Committee shall have access to any of the books and records of the Company that the Committee shall consider relevant to carrying out its duties and may require any officer or employee of the Company to attend meetings of the Committee and provide it with any information available to the Company relevant to the Committee's activities, except as the Board may otherwise direct.

### 4. Committee Responsibilities

The Committee shall have the following goals and responsibilities with respect to the Company's investment transactions, management, policies and guidelines:

- (a) To review and approve on a quarterly basis any loan or investment made by or on behalf of the Company;
- (b) To review and approve periodically policies and guidelines governing the Company's investment portfolio and monitor compliance with those policies;
- (c) To review and approve periodically policies and guidelines regarding the Company's use of derivatives and monitor compliance with those policies;
- (d) To review and approve periodically any investment benchmarks or other measurement devices employed by the Company to monitor the performance of its investment portfolio;
- (e) To monitor on an on-going basis the performance of the Company's investment advisers and retain and terminate such advisers as it deems appropriate; and
- (f) To perform such other responsibilities regarding the Company's investment activities or policies or other matters as the Board may from time to time assign the Committee.

## 5. Investigations, Studies and Outside Advisers

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities, and may retain, at the Company's expense, such independent counsel or other advisers as it deems necessary for the proper performance of its responsibilities.

The Company's Chief Investment Officer, with the approval of the Chief Executive Officer and the Committee, shall have the authority to retain or terminate any consultant or adviser retained at the direction of the Committee or the Company's Chief Investment Officer to assist the Committee in carrying out its responsibilities, including the authority to approve the fees or other compensation, and other retention terms, of such consultant or advisor, such fees or other compensation to be borne by the Company.

## 6. Evaluation of the Committee's Performance

The Committee shall, on an annual basis, evaluate its performance under this Charter. In conducting this review, the Committee shall evaluate whether this Charter appropriately addresses the matters that are or should be within its scope.

The Committee shall address all matters that the Committee considers relevant to its performance, including at least the following:

- a. The adequacy, appropriateness and quality of the information received by the Committee and presented by the Committee to the Board; and
- b. The adequacy of the Committee's deliberations regarding the matters reported to and acted upon by the Committee and of the deliberations of the Board regarding the matters reported to and recommended to the Board by the Committee.

The Committee shall deliver to the Board a report setting forth the results of its evaluation, including any recommended amendments to this Charter and any recommended changes to the Company's or the Board's policies or procedures.

**The Company's Senior Management, as stipulated by the Securities and Exchange Commission (SEC), is defined as follows:**

The top 5 executives starting from the President & CEO, and executives with positions equivalent to the 5th ranked executive are:

1	Mr. Rowan D'Arcy	President & CEO
2	Mr. Chusak Salee	Managing Director
3	Mr. Laksana Thongthai	Director and Assistant Managing Director
4	Ms. Orathai Rongthongaram	Accounting Department Manager
5.	Mrs. Paporn Piyayodilokchai	Internal Audit Department Manager

### Company Secretary

Miss Jiratcha Ruplek, Company Secretary

At the Board of Directors Meeting No.4/2008, a resolution was passed to appoint Ms. Jiratcha Ruplek to the position of Secretary to the Board in compliance with SEC Act (No.4) B.E. 2551 in effect 15 August 2008.

# THE NOMINATION OF DIRECTORS AND EXECUTIVE OFFICERS

## APPOINTMENT OF THE BOARD OF DIRECTORS

Selection and appointment of the Board of Directors from qualified persons is adjudicated by the Nomination & Remuneration Committee. However, to appoint the Board of Directors, the following Company guidelines are followed.

The appointment procedure must be in compliance with the good corporate governance practices of the Stock Exchange of Thailand (SET) and the regulations stipulated in Section 68 of the Public Limited Company Act B.E. 2535 and the Company regulation stated in Article of Association No. 17, as follows:

### Members of the Board of Directors shall be comprised of persons with the following particulars

1. They shall be a sui juris.
2. They shall not be adjudged bankrupt, incompetent or quasi-incompetent.
3. They shall never have been sentenced to imprisonment upon final judgment for offences relating to property obtained dishonestly.
4. They shall not be a person who was dismissed or removed from a government office, organization or state enterprise for dishonesty.

### Procedures for the selection and appointment of the Board of Directors are summarized in these two approaches:

1. The appointment of directors must be carried out by a resolution made at the organizational meeting of shareholders. The election of replacements for retiring directors or new additional directors shall be approved at the shareholders' meeting. The Board of Directors shall nominate candidates for director who meet at the relevant qualifications and do not have any of the prohibited characteristics specified by the laws, notifications, rules and regulations issued by relevant commission to the shareholders' meeting. The directors shall be elected at the shareholders' meeting in accordance with Article of Association No. 18, as follows:
  - 1.1 Each shareholder shall have the number of votes equal to the number of shares held.
  - 1.2 One or more directors may be elected by vote at the same time, as the shareholders' meeting may deem appropriate. Each shareholder must exercise all of the votes he or she has under 1.1 to elect one or several persons to be a director or directors and must not allot his or her votes to any person in any number.
  - 1.3 The persons having the highest number of votes shall be elected as the directors. In cases where the numbers of votes for the candidates are equal, the Chairman shall have the decisive vote.
2. In cases of vacancies on the Board of Directors for reasons other than rotation, the Board of Directors shall elect a person who meets at relevant qualifications and does not possess any of the characteristics prohibited by law to be a substitute director at the next meeting of the Board, unless the remaining term of directors in office is less than two (2) months. The Board of Directors shall nominate director candidates who meet all the relevant qualifications and do not have any of the prohibited characteristics specified by the laws, notifications, rules and regulations of the relevant commission using the criteria and election procedures stipulated in Section 75 of the Public Limited Company Act B.E. 2535 (1992) and the Company's Article of Association No. 22 stating that the resolution of the Board of Directors must be reached by not less than three-fourths (3/4) of the remaining directors. A replacement director's term is limited to the remaining time in the term of the director he or she is replacing.

Directors shall be nominated at the shareholders' meeting in accordance with the following rules and procedures:

- 2.1 Each shareholder shall have the number of votes equal to the number of shares held.



2.2 One or more directors may be elected by vote at the same time, as the shareholders' meeting may deem appropriate. Each shareholder must exercise all of the votes he or she has under 2.1 to elect one or several persons to be a director or directors and must not allot his or her votes to any person in any number.

2.3 The persons having the highest number of votes shall be elected as the directors. In cases where the numbers of votes for the candidates are equal, the Chairman shall have the decisive vote.

## PROCEDURE TO REVOKE A DIRECTOR

At every Annual General Shareholders Meeting, one-third (1/3) of the directors shall retire from office. If the number of directors cannot be divided evenly into three (3) parts, the nearest number to such one-third (1/3) of the directors shall retire from office. A director who retires in due course may be re-elected after retirement and may revoke by following reason.

### A director shall be terminated/dismissed in the case of:

1. Death.
2. Resignation.
3. Lack of qualifications or possession of characteristics prohibited by law.
4. Resolution of a shareholders' meeting: an ordinary resolution shall require not less than three-fourths (3/4) of the number of shareowners present at the meeting and entitled to vote and representing total shares of not less than half of the number of shares held by the shareholders present at the meeting and entitled to vote.
5. Removal by court order.

Any director leaving office must submit letter of resignation to the Company. Resignation is effective from the date that the resignation letter is received by the Company.

### Summary of All Committee Meetings (Number of attendance) 1 January - 31 December 2012

No.	Name	Directors	Executive Committee	Investment Committee	Audit Committee	Nomination and Remuneration Committee
1	Mr. Veraphan Teepsuwan	8/8				
2	Mr. Surachai Prukbamroong	8/8			8/8	
3	Mr. Metha Suvanasarn	7/8			8/8	4/4
4	Mr. Savang Tongsmutra	8/8			8/8	
5	Mr. Suwat Suksongkroh	8/8				
6	Mr. Adisorn Tantianankul	8/8				
7	Mr. Virojn Srethapramotaya	8/8				
8	Mr. Andreas Johann Wilhelm, Ph.D.	8/8		4/4		4/4
9	Mr. Rowan D'Arcy	8/8	11/11	4/4		
10	Mr. Chusak Salee	8/8	11/11	4/4		
11	Mr. Laksna Thongthai	8/8	11/11			

# REMUNERATION FOR DIRECTORS AND EXECUTIVE MANAGEMENT

## CASH REMUNERATION

The remuneration paid to the Company's Board of Directors, subsidiary and Executives were approved through the Nomination and Remuneration Committee and based on both the nature and extent of each person's duties and responsibilities, in line with comparable companies in the same industry.

In 2011, Board Members received in total the sum of Baht 9,289,400 which included annual remuneration and bonus, and in 2012, it was decided that Board Members would receive in total the sum of Baht 9,779,900 the details as per the following comparison schedule:

Comparison of Board Remuneration 2011 and 2012

No	Name	2011			2012		
		Remuneration	Bonus	Total	Remuneration	Bonus	Total
1	Mr. Veraphan Teepsuwan	495,330	415,800	911,130	480,000	462,500	942,500
2	Mr. Surachai Prukbamroong	633,240	406,350	1,039,590	633,240	456,000	1,089,240
3	Mr. Savang Tongsmutra	582,000	368,550	950,550	582,000	409,500	991,500
4	Mr. Metha Suvanasarn	629,160	387,450	1,016,610	629,160	430,500	1,059,660
5	Mr. Adisorn Tantianankul	360,000	321,300	681,300	360,000	357,000	717,000
6	Mr. Chusak Salee	480,000	226,800	706,800	480,000	252,000	732,000
7	Mr. Laksna Thongthai	360,000	207,900	567,900	360,000	231,000	591,000
8	Mr. Virojn Srethapramotaya	566,690	321,300	887,990	660,000	357,000	1,017,000
9	Mr. Andreas J. Wilhelm, Ph.D.	576,000	340,200	916,200	576,000	378,000	954,000
10	Mr. Suwat Suksongkroh	488,370	321,300	809,670	500,040	357,000	857,040
11	Mr. Rowan D'Arcy	555,960	245,700	801,660	555,960	273,000	828,960
	<b>Total</b>	<b><u>5,726,750</u></b>	<b><u>3,562,650</u></b>	<b><u>9,289,400</u></b>	<b><u>5,816,400</u></b>	<b><u>3,963,500</u></b>	<b><u>9,779,900</u></b>

## REMUNERATION FOR THE MANAGEMENT TEAM

In 2012, the total remuneration for the five members of the management team of the Company as defined by the Securities and Exchange Commission was Baht 33.68 million which comprised salaries, annual retainer payments, the provident fund and other benefits. The total remuneration of the 14 members of the management team of the subsidiary was Baht 21.16 million.

## OTHER REMUNERATIONS

No Directors or Executives had a direct or indirect interest in any agreement entered into by the Company, i.e. ordinary shares/warrants.

# REPORT ON GOOD CORPORATE GOVERNANCE PRACTICES

## POLICY ON CORPORATE GOVERNANCE

Good corporate governance refers to fair, transparent and equitable business administration and management by persons authorized to manage and make decisions for the business. These authorized persons need to be held responsible for their duties and accountable for their actions by all stakeholders of the Company, which includes shareholders, creditors, employees, customers and the general public.

The Board of Directors has placed much importance on the creation of a good system of corporate governance. It is envisioned that business operations be carried out efficiently, with stability and sustainable growth, as well as value added to the economy. The Company strives toward business prosperity and pays due regard to the interests of stakeholders. The Company pursues an administrative policy based on the principles of the sufficiency economy, through reason, loyalty, honesty and fairness to all stakeholders pursuant the principles of good corporate governance outlined by the Stock Exchange of Thailand.

Pursuant to the Good Corporate Governance Policy For Listed Companies of the Stock Exchange of Thailand, the Company addresses five areas.

### Section 1: Rights of Shareholders

The Company appreciates all aspects of shareholders' rights. Guidelines have been laid down for the preservation of rights and equality of all shareholders as prescribed by the articles and the Company's code of conduct in order to engender the confidence of shareholders that they are receiving ample protection. Such rights consist of the right to trade or transfer shares, to have the benefit of profits or dividends, to receive adequate news and information on the business, to attend shareholders' meetings and express opinions and vote on such matters as electing and removing directors, determining directors' remuneration, and approving the appointment of auditors and transactions that affect the Company.

1. The Company has provided for the extensive disclosure of information and performance, as well as connected transactions, and essential information for shareholders to make decisions, in addition to resolutions of the Board of Directors on dividend payments and information about ordinary shareholders' meetings approximately two months in advance. This is disseminated in both Thai and English media through the SCP system of the Stock Exchange of Thailand and the Company's website: [www.ayud.co.th](http://www.ayud.co.th).
2. The Company has additional channels for distributing notices of ordinary shareholders' meetings and relevant documents, in Thai and English, through the Company's website 30 days in advance of the ordinary shareholders' meeting date and before receiving meeting documents. This is to furnish shareholders with additional time to consider the materials.
3. Shareholders have the right to attend the ordinary shareholders' meeting held annually within 120 days of the closing date of the Company's fiscal year at 31 December. The date, time and venue are scheduled appropriately for the convenience of shareholders, as follows:
  - » The meeting date will be set on a business day between 08.00 and 16.00 hrs;
  - » The meeting venue will be in Bangkok or a metropolitan area with convenient transport; and
  - » The Company uses a barcode system and employs officials for convenience of registration, as well as the provision of duty stamps in the case of proxies.

The Company's Board of Directors always realizes the importance of shareholders' rights, and encourages them to exercise their rights. In this regard, in 2012 the Company has set the date for Shareholders' Meeting No. 63 on April 30, 2012 at the Ballroom, The Sukhothai Bangkok Hotel at 13/3 South Sathorn Road, Bangkok with the following proceedings:

- (1) To send notices calling the meeting, the Company has entrusted the Securities Depository (Thailand) Company Limited, which acts as the Company's share registrar, to send notices of ordinary shareholders' meetings and relevant documents containing adequate and complete information together with the facts and opinions of the Board of Directors on every item on the agenda. The Company also provides proxy forms, which may also be downloaded via [www.ayud.co.th](http://www.ayud.co.th), in accordance with the regulations of the Ministry of Commerce so that shareholders who cannot attend the meeting in person may grant proxies to others, or independent directors specified by the Company to attend the meeting on his/her behalf and cast votes on resolutions. A map of the meeting venue is also provided. These documents allow shareholders to consider their vote on any item on the agenda at least seven days in advance, or 14 days in advance. Furthermore, the Company places advertisements in daily newspapers for three consecutive days at least three days before the meeting date. As a result of providing such documents, shareholders attend meetings regularly, and registration of attendance is carried out conveniently, at least two hours prior to the meeting. An appropriate reception is also provided for attendees.
- (2) To provide shareholders with the opportunity of proposing an agenda to nominate candidates for the Board of Directors: At the Shareholders' Meeting No. 63, the Company provided for an additional agenda calling for nomination of candidates for the Board of Directors in advance with specific criteria announced via [www.ayud.co.th](http://www.ayud.co.th), and the SCP system of the Stock Exchange of Thailand.
4. Any shareholder who attends a meeting after its commencement is entitled to vote on the agenda under consideration and not yet decided and is counted as part of the quorum on the agenda he/she considers and votes on unless others shareholders view otherwise.
5. At the meeting of shareholders, prior to proceeding to the agenda
  - » The Board of Directors will announce the number and proportions of shareholders present at the meeting and the number of proxies granted.
  - » The Chairman will introduce all committees in attendance.
  - » The President/Managing Director will provide an explanation on voting and vote-counting procedures that will be implemented for each agenda item pursuant to Company regulations. Votes are cast openly on every agenda item.
6. The Chairman allocates ample time for meetings. Every shareholder has equal and full opportunity to express opinions and recommendations. The Chairman will answer all questions clearly and directly throughout the meeting. Furthermore, the minutes of the meeting are completely recorded, and the resolutions and votes of all stakeholders are summarized transparently and fairly.
7. The Company discloses the structure of shareholding and the 10 major shareholders of the Company as at the closing date before the meeting date through the Company's website to make its shareholders confident in its operations. The Company also considers suitable compensation in return for its shareholders.
8. All directors stress the importance of attending Annual Shareholders Meetings, at which shareholders can ask relevant questions directly to the chairpersons of the committees responsible for specific issues.

In 2012, the Company set the Shareholders' Meeting No. 63 on April 30, 2012 and all relevant documents were sent 14 days in advance to provide shareholders with support information on all items of the agenda for voting. Altogether, 11 Directors attended the General Shareholders' Meeting of 2012, including the Chairman of the Board, Chairman of the Audit Committee, Chairman of Nomination & Remuneration Committee, President & CEO, Managing Director and the Company's external auditors. The barcode system was used to register attendance and votes. The entire Meeting was also recorded and may be viewed via [www.ayud.co.th](http://www.ayud.co.th).

The Board of Directors also set the date for the next Shareholders' Meeting No. 64 for April 22, 2013 at 14.00 hrs at the Function Room Lotus Suite 7 on the 22nd Floor, Centara Grand at CentralWorld, 999/99 Rama1 Road, Pathumwan, Bangkok 10330. The notice calling the meeting and relevant documents were disseminated through the Company's website, [www.ayud.co.th](http://www.ayud.co.th), where shareholders could receive the information a month in advance. Again, the barcode system for registration of attendance and votes will be used as well as the capturing of the entire meeting via video recording.

## Section 2: Equality of Shareholders

1. The Company organizes its shareholders' meeting with equal treatment to all shareholders, whether Thais or foreigners. In cases of foreigners, the Company sends the notice calling the meeting and all relevant documents, as well as proxy forms, both in Thai and English, to enable all shareholders to participate in the deliberations and cast their votes on the various activities of the Company in accordance with the Company agenda.
2. The right to vote at the meeting is in accordance with the number of shares held, with one share equalling one vote.
3. The Company will not add any addenda to the agenda of the shareholder meeting without advance notice and will convey the information at the meeting pursuant to the notice so that shareholders can consider items before making a decision on each.
4. In cases where a shareholder cannot attend the meeting, the Company provides him/her with a proxy form attached to the notice calling the meeting so such shareholder can authorize another person or the Chairman of the Audit Committee or an independent director to attend the meeting on his/her behalf for the protection of his/her rights.
5. Votes are cast openly, and ballot papers are provided for every item on the agenda. Shareholders have the opportunity to vote as they see fit. Ballot papers are collected in cases of disapprovals or abstentions for each item. The results are then aggregated and processed with the total number of votes in attendance at the meeting. Before announcing the final votes at the resolution of the meeting, the Company summarizes the results and displays them on a screen for all shareholders to acknowledge simultaneously at the meeting. In addition, for transparency, the ballot papers are kept at the head office in Bangkok, and are open to inspection after the conclusion of the meetings.
6. Minutes of the meeting are recorded accurately and comprehensively and signed by the company Chairman who presides over the meeting. Such minutes are sent to the Stock Exchange of Thailand within 14 days of the date of the General Shareholders Meeting. Publication is also made on the Company's website in both Thai and English to provide a channel for shareholders to acknowledge and examine information without having to wait for the next meeting. The documents are sent to the Ministry of Commerce within the deadline prescribed by law.
7. The monitoring and internal control of data is stipulated in the Code of Conduct. Directors, executives, and other employees involved with internal data, are forbidden to trade the Company's securities within one month prior to the disclosure of the Company's financial statements to the public. If a trade occurs, it must be reported to the Company and the Securities and Exchange Commission within three business days of the date of the trade. The updated information of securities held by Directors, executives and external auditors will be reported to executives at the board meeting. The Company discloses information on shareholding structure and shares held by the Board in the annual report.
8. Company by-laws allow the right to vote at the meeting on the election of directors in accordance with the number of shares held, with one share equaling one vote. A resolution of the Board of Directors must be passed by majority vote. In casting votes at a general meeting, the decision of the Chairman of the Meeting shall be the decisive vote.

## Section 3: Role of Stakeholders

The Company recognizes the rights of various groups of stakeholders that are related to the Company such as customers, management and employees, stakeholders, competitors and shareholders. The legal and other relevant regulations on the rights of the aforementioned communities are rigorously followed:

Shareholders: The Company is focused on growing the business through building long term value of the Company for better returns. Dividend payments are based on the result of the business as well as the economic position.

Customers: The Company delivers services to customers with integrity and fairness.

**Staff:** Employees are essential to driving the Company toward its business targets. Policies are laid down in the Code of Conduct manual, providing guidance on fair treatment, in terms of opportunity, remuneration, appointments and transfers, as well as the importance of supporting the development of the potential and competence of employees at all levels. The working knowledge and skills of employees are enhanced and potential is developed toward leadership. Employees are also able to participate in determining the direction of operations so as to reach a unified vision. The working culture and environment are consistently maintained in a manner that is safe for the life, health and property of employees. Regarding health, sanitation and employee safety, measures have been implemented along with sufficient and appropriate vocational health and environmental measures to avoid loss of life from accidents and prevent injuries and illnesses as a result of work. A number of welfare benefits are also provided, such as annual health check-ups, a provident fund and an old-age retirement pension. Fair compensation is paid to employees commensurate to performance.

Furthermore, Executive Management set up sub-committees to encourage employees to take part in the management of various company matters to assure they are accurate, appropriate, efficient and effective. These three sub-committees each contain a member of the Executive Committee in an advisory capacity.

» Risk Management Committee

» Compliance Committee

» Provident Fund Committee

**Partners:** In setting Company policy and the operation plan, the Company takes into consideration fairness to agents, brokers, auto dealers and financial institutions for the long-term benefit of the Company.

**Competitors:** The Company adheres to sound and fair competitive practices. This forms part of the stimulus for the development of innovative products and prompt after-sales service that make a lasting impression. We cooperate with competitors that operate their business similarly to the Company's by avoiding any unscrupulous behaviour.

**Creditors:** The Company adheres strictly to the terms as agreed with creditors and fosters an environment of mutual respect and trust.

**Social, Community and Environment:** The Company takes into account the effects of its operations on resource conservation and the environment, and emphasizes energy conservation and participates in many activities that improve the quality of life of the people in our society.

#### **Section 4: Disclosure and Transparency**

The Board of Directors is responsible for financial statements and financial information technology as specified in the annual report. The financial statements have been prepared in conformity with Thai accounting standards and practices generally accepted in Thailand, and the appropriate accounting policy is used regularly. Also, significant disclosure has been revealed in a section of Notes to the Financial Statements herein. The Board of Directors appointed an Audit Committee comprised of Non-Executive Directors and Independent Directors that is responsible for the quality of financial statements and the internal control system.

The Company has clear regulations concerning internal control and monitoring day-to-day management performance. The Audit Committee is responsible for maintaining internal control and providing reasonable assurance of the integrity and reliability of the financial statements.

The Board of Directors appointed the Audit Committee consisting of Independent Directors and Non-Executive Directors to be responsible for the quality of financial reports and internal controls.

The Board of Directors is satisfied that internal controls are sufficient to provide confidence in the reliability of the financial statements as at December 31, 2012.

Additionally, risk management — the assessment of major risk factors such as providing credit terms, investment risks, and major client risks are detailed in the Risk Factors section.

The Board of Directors has attended to the disclosure of the Company financial and general information correctly and transparently with emphasis on the policies mandated by the Securities and Exchange Commission and the Stock Exchange of Thailand.

The Company has not yet set up the Investor Relations Unit because of limited activities that bear communication with shareholders, financial institutions, analysts and government offices. However, important information regarding the Company is continuously communicated and updated via the Company's website at [www.ayud.co.th](http://www.ayud.co.th). Additional information, if needed, may be obtained from the Company by telephone at (622) 263-0335.

## Section 5: Responsibilities of the Board of Directors

### 1. Structure of the Company's Board of Directors

- 1.1 The Board of Directors determines policy and business direction, and supervises and monitors management operations to assure compliance with the Company policy and objectives, toward the successful implementation the vision, strategy, target, and business plan for the best interests of the Company and shareholders. Their function is to operate the Company in line with the business plan and contribute to its service efficiency to the benefit of customers, shareholders and the Company, based on honesty, fairness and sincerity.

The duties, responsibilities and authority of the Board of Directors, Executive Committee, Investment Committee, Audit Committee and Nomination & Remuneration Committee are detailed in Company Management Structure herein.

The Chairman, President and Managing Director enjoy clear separation of power and authority in accordance with the corporate governance and Company management structures.

As at 31 December 2012, the Company had 11 members on its Board of Directors:

- » Executive Directors                      3 persons
- » Non-Executive Directors                4 persons
- » Independent Directors                 4 persons or 36.36% of the Board of Directors

The Company is confident that the Executive Directors, Non-Executive Directors and Independent Directors will independently perform and approve policies in the best interests of the Company. Moreover, each of the Independent Directors was trained and passed the DAP and DCP courses held by the Institution of Directors (IOD).

The Board of Directors clearly determines the charter of each appointed committee. The President & CEO, as the head of the executive team, is responsible for the Board of Directors' business operations and performance in accordance with the Board of Directors charter.

### 1.2 Terms of Directors

The term of office of the Board of Directors is specified in the by-laws of the Company and the Public Limited Company Act. When a term expires, the Board member may be re-elected. The Company appoints the Nomination & Remuneration Committee, which is independent and responsible for recruiting qualified directors with competence in diversified fields, vision, ethics and transparency.

### 1.3 Definition & Qualifications of Independent Directors

In compliance with the minimum requirements of the Securities and Exchange Commission and the Stock Exchange of Thailand, an Independent Director is a director who can express his/her opinions freely with an aim to improving the

management of the organization and leading it toward progress, transparency and good governance. The qualifications of an Independent Director are as follows:

- (a) Holding shares not exceeding 0.5 percent of the total number of voting rights of the company, its parent company, subsidiary, affiliate, principal shareholder or controlling person of the company, including the shares held by related persons of the independent director.
- (b) Neither being nor having been an executive director, employee, staff, or advisor who receives salary, or a controlling person of the company, its parent company, subsidiary, affiliate, same-level subsidiary, principal shareholder or controlling person of the company unless the foregoing status has ended not less than two years prior to the date of company filing with the Securities and Exchange Commission and the Stock Exchange of Thailand; however, the prohibition excludes independent director who was government officer or adviser of the government agencies that are major shareholder or controlling person of the company.
- (c) Not being a person related by blood or registration under laws, such as father, mother, spouse, sibling, and child, including spouse of the children, executives, major shareholders, controlling persons, or persons to be nominated as executive or controlling persons of the company or its subsidiary.
- (d) Not having a business relationship with the company, its parent company, subsidiary, affiliate, major shareholder or controlling person of the company, in the manner which may interfere with his independent judgment, and neither being nor having been a principal shareholder or controlling person of any having business relationship with the company, its parent company, subsidiary, affiliate, major shareholder or controlling person of the company unless the foregoing relationship has ended not less than two years prior to the date of company filing with the Securities and Exchange Commission and the Stock Exchange of Thailand. The term business relationship aforementioned under paragraph one includes any normal business transaction, rental or lease of immovable property, transaction relating to assets or services or grant or receipt of financial assistance through receiving or extending loans, guarantee, providing assets as collateral, including any other similar actions, which result in the company or his counterparty being subject to indebtedness payable to the other party in the amount of three percent or more of the net tangible assets of the company or Baht twenty million or more, whichever is lower. The amount of such indebtedness shall be calculated according to the calculation method for value of connected transactions under the Notification of Capital Market Supervisory Board concerning rules on connected transactions mutatis mutandis. The combination of such indebtedness shall include indebtedness taking place during the course of one year prior to the date on which the business relationship with the person commences.
- (e) Neither being nor having been an auditor of the Company, its parent company, subsidiary, affiliate, major shareholder or controlling person of the company, and not being a principal shareholder or controlling person, or partner of an audit firm which employs audits of the Company, its parent company, subsidiary, affiliate, major shareholders or controlling person of the company unless the foregoing relationship has ended not less than two years from the date of company filing with the Securities and Exchange Commission and the Stock Exchange of Thailand.
- (f) Neither being nor having been any professional advisor including legal advisor or financial adviser who receives an annual service fee exceeding Baht two million from the Company, its parent company, subsidiary, affiliate, major shareholders or controlling person of the company, and neither being nor having been a principal shareholder, controlling person or partner of the professional advisor unless the foregoing relationship has ended not less than two years from the date of the Company filing with the Securities and Exchange Commission and the Stock Exchange of Thailand.
- (g) Not being a director who has been appointed as a representative of the Company's director. Major shareholder or shareholders who are related to the major shareholder;
- (h) Not operating any business which has the same nature as and is in significant competition with the business of the Company or subsidiary, or not being a principal competition in any partnership, or not being an executive director, employee, staff, or advisor who receives salary; or holding shares not exceeding 0.5 percent of the total number of



voting rights of any other company operating business which has the same nature as and is in significant competition with the business of the Company or subsidiary.

- (i) Not having any characteristics which make him incapable of expressing independent opinions with regard to the Company's business affairs.

#### 1.4 Number of Companies in which Directors Have a Position

The Company discloses any other companies where directors are working in the same or another position in Form 56-1 and in the annual report. At present, the Company is assured that there are no negative effects arising from other positions and all directors have ample time for the Company, attend meetings regularly and benefit the Company.

#### 1.5 Aggregation and Delegation of Authority

The Chairman of the Board is not the same person as the President & CEO and is not related in a any manner to the executive team. These two persons hold different positions, perform different duties, and are independent from each other.

The by-laws of the Company clearly provide for the delegation of authority among the Board of Directors and the management team at all levels. Essential issues must be approved by both to maintain the balance of authority, and assure transparency and good corporate governance.

#### 1.6 Company Secretary

A resolution was passed at Board of Directors Meeting No. 4/2008 held on 15 August 2008 to appoint Ms.JiratchaRuplek as Company Secretary, which role and responsibilities are in accordance with the policies set forth by the SEC and SET:

1. To arrange the Annual Shareholders Meeting and Board of Directors Meeting, prepare minutes of the meeting, and follow up on Board resolutions in compliance with the rules and regulations of the Company.
2. To serve the Board of Directors in providing legal advice, taking care of the activities, and monitoring compliance with resolutions.
3. To advise on rules, regulations and guidelines that should be acknowledged and complied with by the Board of Directors.
4. To supervise and assure the proper and prudent discharge of functions by the Board of Directors and executive officers, taking into consideration the rights and fair treatment of shareholders.
5. To communicate with the relevant supervisory authorities

## 2. Sub-Committees

The Board of Directors has appointed 4 sub-committees: Executive Management Committee, Investment Committee, Audit Committee, and Nomination & Remuneration Committee. Certain sub-committees are not comprised entirely of independent members, but of Non-Executive Directors, Executive Directors and Independent Directors. All members are qualified persons who possess an understanding of the roles and charters of Company Directors and sub-committee members. Charters are discharged responsibly, loyalty, honestly, fairly, prudently, diligently and independently. It is believed that all committee members understand and strictly adhere to these principles and the structures of each committee are accepted by shareholders. Details are shown in the Shareholding and Management Structure section.

## 3. Roles, Charters and Responsibilities of Committees

3.1 The Board of Directors is comprised of members with knowledge, expertise and experience in the core business of the Company. The Board sets the vision, mission, strategies, goals, annual operating plan and budget for the utmost efficiency of operations and to achieve Company targets. The Board monitors the performance of the executives to assure compliance with operating plans, and stipulates and separates roles, duties and responsibilities among its members, the executives, employees and relevant persons.

The Board entrusts the Audit Committee to supervise the performance of the Internal Control Department and sets the internal control system to assure that it is sufficient. In addition, the Board monitors risk management and applies the principles of good corporate governance to add value to the business and shareholders.

In order to achieve the leadership and vision of the Board in terms of knowledge, competence and capabilities, the Company encourages the Board to participate in seminars and training programs that are useful in the performance of its duties.

3.2 The Board of Directors appreciates the importance of good corporate governance and good practices of listed company directors, and continually undertakes to enhance the efficiency, effectiveness and transparency of the organization's operating systems. The Company seeks to engender the trust and confidence of shareholders, investors and the general public, which in turn will promote the advancement and stability of the business and consequently confer benefits upon shareholders, interested persons and the society as a whole as well as enhance the prospects of the Company's employees. Hence, the following corporate governance policies have been prescribed in writing, and disseminated on the Company's website and intranet. These consist of three parts: Policy on Corporate Governance, Code of Ethics, and Code of Conduct. These good corporate governance policies are as follows:

- (1) Procedures should be implemented to ensure that the Company's management structure has a clear scope of the mandates, functions and responsibilities of each committee and executive.
- (2) Procedures should be implemented to assure confidence that financial statements accurately reflect the Company's performance and appraisals, and that prescriptions and measures are imposed to prevent and maintain risks at appropriate levels.
- (3) Procedures should be implemented to assure confidence that the Company's various processes are efficient and effective subject to checks and balances that ensure transparency and accountability.
- (4) Procedures should be implemented to eliminate conflicts of interest, with the Company's interests the initial consideration. For this reason, a transparent operating system must be utilized.
- (5) Procedures should be implemented to disclose accurate and complete data to the extent it does not prejudice the legitimate interests of the Company.
- (6) The Company's objective is business excellence on the basis of customer satisfaction by having an open mind to suggestions and performing self-assessments to ensure continued exciting innovations.
- (7) Employees are trained in ethics and morals along with the development of their career potential.
- (8) The ownership status of the shareholder is appreciated and respected along with the rights of every interested person. Treatment of such persons is equitable.
- (9) Business is undertaken with the awareness of accountability to shareholders, interested persons and society as a whole.
- (10) Business is undertaken with an appreciation of environmental responsibility.

3.3 The Company issues the Code of Ethics for the Board of Directors, executives and employees to adhere to as guidelines in dealing with the Company, shareholders, customers, employees, agents/brokers, society, the environment and competitors for the purpose of attaining the utmost good faith, honesty and fairness in its operations.

Furthermore, the Company issues the Code of Conduct in writing, which was approved by the Board of Directors, executives and employees. This Code of Conduct, available via the company's intranet and website, is the guidebook of practices all people in the organization must adhere to in fulfilling their duties with good intentions that will lead to good corporate governance, and as a result, create confidence among shareholders, allies and competitors.

3.4 Following are the practical measures established by the Company's Board of Directors to prevent conflicts of interest for the maximum benefit of the Company and shareholders:

Items that may lead to conflicts of interest are revealed at the meeting of the Board, in terms of value, parties concerned and reasons supported, according to the applicable rules promulgated by the Stock Exchange of Thailand. Directors with conflicts of interest must leave the meeting room and are not allowed to vote on the agenda relating to such items.

Furthermore, such items will be promptly and transparently disclosed and included in the Annual Report and Form 56-1.

3.5 The Board of Directors pays attention to the internal control of financial operations, business performance and corporate governance, including the computer system. Accordingly, an internal audit was established to monitor these controls and provide recommendations directly to the Audit Committee, as well as report annually to assure confidence that these controls follow the stipulated guidelines, are effective and independent, and fulfill the functions of monitoring and balancing.

Both the Board of Directors and the Audit Committee concur that the Company has a proper and adequate internal control system, as shown in the Audit Committee Report included in the Annual Report and Form 56-1.

3.6 The Board of Directors appreciates the importance of risk factors in the continual management of the organization. The committee was entrusted with the task of managing these factors and controlling activities and processes, in order to reduce factors that may be detrimental to the organization and maintain the level and extent of any damages that could arise at a level that is acceptable to the organization, assessable, controllable and reviewable systematically to assure compliance with the Company's targets and assure significant risks as well as areas are effectively managed across the enterprise. These risks can be viewed from three perspectives:

- » Strategic risks;
- » Financial risks, classified into two major types: (a) market risks and (b) credit control risks
- » Operational risks

Management assesses risk and regularly reviews any significant risk mitigation to ensure that the Company can prevent and handle incidents in a timely manner. The Risk Management Committee continually raises the issue of risk awareness to management and employees.

The Risk Management Committee regularly monitors risk revision status and reports to the OIC annually in accordance with the OIC Notification dated December 30, 2009.

The Company has a Business Continuity Plan and conducts annual virtual tests with staff members to minimize any disruption to its operations.

The Risk Management Committee consists of executives of each departments and division. The scope of its functions has been prescribed with a view to jointly implementing a more systematic and efficient risk management system. These operations commenced in 2008.

#### 4. Board Meetings

Board of Directors Meetings are normally scheduled not less than once every three months. The agenda and minutes of the previous meeting, together with supporting documents, are submitted to Board of Directors seven days in advance to enable directors to undertake adequate considerations and studies of the information prior to attending the meeting. The exception is when there is an emergency relating to the protection of Company interests, in which case less than seven days' notice may be given. The duration of each meeting is approximately two hours. During the meeting, directors are allowed to express opinions openly and freely, and the Company chairman will consolidate the opinions and conclusions reached. Directors having

an interest must leave the meeting during the consideration of such matter, which must subsequently contain half of the Board of Directors. All meetings are attended by the Board Secretary in order to record it and take minutes, which will be approved by the meeting and verified by the Company Chairman and Board Secretary.

Board of Directors Meetings are scheduled five times annually. If there is an emergency, additional meetings may be called. The Audit Committee, President, Managing Director, Accounting Department Manager and internal audit units schedule regular joint meetings with the Company auditor quarterly.

In a meeting of the Board of Directors, if there is query, or additional information is required from relevant persons, the President/ Managing Director will invite the appropriate high-level executive officers to give explanations if applicable.

Moreover the Board of Directors has delegated to the President the task of scheduling meetings of the Executive Committee at least once a month. Additional meetings may, however, be called in cases of emergency.

The Board of Directors has also delegated to the President the task of scheduling meetings of the Investment Committee, accompanied by an investment consultant, quarterly. Additional meetings may be called in cases of emergency.

Minutes of Board meetings and meetings of sub-committees are recorded in writing and the originals filed at the Company's head office for the convenience of reference by the Board of Directors and relevant persons.

The comparative attendance of the Board of Directors is shown in the Nomination and Executive Officers section.

#### 5. Board Self-Assessment

In 2012, the Board of Directors drew up a self-assessment form for its performance, which exhibits the opinions of each director on the overall performance of the Board of Directors, and is not an evaluation of individual directors. The objective is to enable a review of the performance and any problems that may require further modification and improvement. The exercise promotes efficiency in the discharge of functions by the Board of Directors and aids in fostering relationships between the Board of Directors and the executives.

#### 6. Remuneration of Directors and Executives

The Company Director appointed the Nomination & Remuneration Committee to recommend appropriate compensation to the Company's directors and executives. The Shareholders' Meeting assumes responsibility for approving this remuneration and assigning the Board of Directors to allocate it.

Ordinary Shareholders Meeting No. 63 held on April 30, 2012 approved remuneration that amounted to not more than Baht 4,410,000.00 million per annum. The remuneration is a Company asset and will be allocated appropriately.

Remuneration for Directors and Management is as follows:

- » Remuneration for Directors — an appropriate amount is clearly specified and approved by shareholders' resolution.
- » Remuneration for Management — this is paid to each management executive in compliance with Company policy, which is related to operating results and their work experience.

Remuneration for Directors and Executive Management in 2012 is showed in detail in Comparison of Board Remuneration 2011 and 2012.



No.	Name	RCP	DAP	DCP	Fellow ship	RCC	ACP	FN	FSD	CGR	SFE	FGP	DCP Refresher Course	MFM	MIA	MIR	CDC	CSP
10	Mr. Suwat Suksongkroh			x									x					x
11	Mr. Rowan D'Arcy			x														

b. Succession Plan

Executive Committee is appointed by the Board of Directors and is responsible for preparing the succession plan in order to ensure that the Company's objectives are reached with continuity.

### Internal Control

The Company has clear regulations concerning shareholding reporting stipulating that directors and Executive Committee members must report their shareholdings, as well as any of their spouse and their children under legal age, and related directors and/or senior executives, in accordance with Section No. 258 of the Securities and Exchange Act and the Stock Exchange of Thailand Act, B.E. 2535 (1992), which stipulate that the SET must be advised of any transfer of any shareholdings within three days of the date such action was taken. Additionally, the Company's policy under Section No. 7 regarding disciplinary action and penalties is enforced for the following violations:

- No. 1.12 Any direct and/or indirect involvement or undertaking of consultation for businesses that may be of similar nature to the Company's business.
- No. 1.22 Any direct and/or indirect use of position to acquire personal benefits and/or others' benefits by illegal means.
- No. 1.25 To disclose policy and business performance that is kept confidential to outsiders.
- No. 1.36 To obtain photocopies of essential company documents without permission and/or inform those not related to the Company of its business performance.

## 8. Human Resources

### Number of staff

As of 31 December 2012, the Company and its subsidiary had a total staff of 406, with the subsidiary having 385 staff broken down into Underwriting, Claims, and Marketing totaling 316 and 69 in support functions.

In the past three years, there have been no significant changes in the number of staff and no legal disputes involving domestic staff.

### Employee Remuneration

The Company and its subsidiary paid remuneration to staff in 2012 as follows:

- » Salary Baht 158.26 million
- » Social Security Contributions Baht 2.50 million
- » Post employment benefits Baht 7.35 million
- » Provident Fund Baht 6.82 million
- » Other benefits Baht 51.98 million



## INTERNAL CONTROL

The Company's Board of Directors is of the opinion that internal controls are sufficient and appropriate, and contributing to the efficiency and effectiveness of the Company's operations. Financial reports are reliable and timely, and can be used with confidence to make sound business decisions. Operations are in compliance with the law, and the regulations and policies of the Company are in accordance with the Board's Recommendation No. 2/2013 dated 26 February 2013, the full review of internal control was completed by three Internal Audit Committee members, summarized as follows:

### 1. ORGANIZATION AND ENVIRONMENT

- » Clear business objectives and measurable output. The annual budget was analyzed carefully by management and approved in the Board of Directors meeting. In setting policies and drafting the operations plan, fairness to business partners was taken into consideration for the long-term benefit of the Company.
- » An organizational structure with clearly defined responsibilities. Each division of the Company will function in accordance with the organizational chart and written operational rules and manuals. The Company rules specify morals and regulations that prohibit staff members from actions that would be counter-productive to the interests of the Company, as well as penalties for any violations.

### 2. RISK MANAGEMENT

- » The Company set up a group of committees that will be responsible for the Company's Risk Management procedures. These procedures are designed to mitigate significant risks to an extent that they are very unlikely to occur, including operational risks, insurance business risks, investment risks and risks involving particular principal clients. The committee will review and evaluate the system and standards, as well as the effectiveness of these procedures, once a year or as required.
- » Early warnings will be investigated. In order to avoid any misbehavior, the Risk Management Team also established Fraud Guidance and Whistle Blower procedures via the Company's intranet, which staff can access to assure that business is conducted properly and legally.

### 3. CONTROL OF MANAGEMENT OPERATIONS

- » Delegate authority: Credit authorization will be determined by the administration at each level and clearly defined in writing.
- » Division of authority: This division of authority extends to authorizing and reporting on accounting records and IT, and responsibilities include separating assets for counter-checking.

- » Compliance with SET regulations: The Company will operate in compliance with the Announcements and Regulations of the Stock Exchange of Thailand, as prescribed by the Securities Exchange Commission regarding business operations with major shareholders, the Board, administrators and other related parties.
- » Monitoring: Measures have been put in place to assure that business is conducted properly and prevent any violations.

#### **4. INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS**

- » Compilation of adequate data: The Board will be provided with ample accurate information to be used in making decisions, including letters calling for meetings and documents used in meetings, and the necessary documents and data for consideration will be prepared in advance. Reports of Board Meetings will be sufficiently detailed for shareholders to inspect the work of the Board.
- » Proper records kept: File documents, account records and financial data systematically. This has been achieved using standard certified accounting procedures appropriate to the nature of the Company's business.
- » Compilation of financial data: This includes appropriate, topical, and timely financial data and informational materials relating to various operations that management can use to make decisions on policies and procedures, utilizing IT to assess possible outcomes and assuring that this data is readily accessible to the relevant authorities.
- » Establishment of efficient communications: Establish a system of internal and external communications to keep staff members informed of administrative information and the duties of each person.

#### **5. MONITORING SYSTEM**

- » Dealing with discrepancies: Management compared output with objectives and presented their findings to the Board. When discrepancies occurred between objectives and results, Management will immediately determine the cause and take corrective and timely measures. It is the Company policy that Management report to the Board immediately in cases of dishonesty or suspected dishonesty, violation of the law or other wrongdoings that could have significant implications for the Company and damage its name or financial standing.
- » The Audit Committee: The committee is responsible for monitoring finances and financial procedures through a system of internal controls and audits, in compliance with the relevant laws and regulations. The remuneration and nomination of auditors was specified.
- » The Internal Audit Department: The department is responsible for checking internal control systems. The internal auditor may work independently and submit reports in a frank manner. If a significant error is detected, it will be reported to the Board and the Audit Committee for a determination of corrective measures within an appropriate time frame.



# REVIEW OF BUSINESS OPERATION

Presently, Sri Ayudhya Capital PCL is an investment holding company focused primarily on investing in insurance sector, with minor investments in other businesses. The Company has a registered capital of Baht 500 million and holds a 'public company' status. It is registered in the Stock Exchange of Thailand as AYUD.

The head office is situated at 898 Ploenchit Tower, 7th floor, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330. Telephone: (662) 263-0335. Fax: (662) 263-0589. Website: [www.ayud.co.th](http://www.ayud.co.th). E-mail: [info@ayud.co.th](mailto:info@ayud.co.th)

The Company has been serving customers for 63 years, principled on honesty and fairness.

## HISTORY AND KEY DEVELOPMENT

Sri Ayudhya Capital PCL, previously named The Ayudhya Insurance PCL, was a leading non-life insurance company. It was first established on October 7, 1950 with a registered capital of Baht 2 million to conduct non-life insurance businesses including fire, marine & transportation, miscellaneous and motor.

## CHANGES IN 2011

In 2011, the Company and its subsidiary, Sri Ayudhya General Insurance PCL, entered into a transfer of business agreement to transfer all insurance policies, including assets and liabilities relating to non-life insurance operation to the subsidiary. The responsibilities and obligations under existing insurance policies made between the Company and customers and/or other parties will be held by the subsidiary.

The Company then returned its insurance license to the Office of Insurance (OIC) and changed its company status to 'investment holding company' with the purpose of investing in other businesses as specified in the Company's acquisition plan, effective December 20, 2011. The Company continues to keep its status a registered company in the Stock Exchange of Thailand.

## SUBSIDIARY BUSINESS

Sri Ayudhya General Insurance PCL (subsidiary), (formerly BT Insurance Co., Ltd.) was established in Thailand on September 21, 1982, and received the license to conduct all types of non-life insurance businesses on September 24, 1982.

On March 31, 2011, the subsidiary registered to change the company name from "BT Insurance Company Limited" to "Sri Ayudhya General Insurance Company Limited" with the Department of Business Development, Ministry of Commerce and increased its registered capital from Baht 300 million to Baht 1,200 million, the difference of Baht 900 million was registered.

On October 3, 2011, the subsidiary registered to change its company status to a public company with the Department of Business Development, Ministry of Commerce and received the approval from the Office of Insurance (OIC).

On April 12, 2012, at the 2nd extraordinary shareholders' meeting of the subsidiary, shareholders approved the increase of the capital of Baht 1,200 million (120 million ordinary shares at Baht 10.00 per share) to Baht 2,400 million (240 million ordinary shares at Baht 10.00 per share) by issuing 120 new shares and offered to existing shareholders at Baht 10.00 per share, totaling Baht 1,200 million. The subsidiary called for share subscription payment totaling 60 million amounting to Baht 600 million which then paid for the increase in capital with the Department of Business Development, Ministry of Commerce on May 4, 2012.

Presently, the subsidiary's head office is situated at 898 Ploenchit Tower, 18th floor, Zone A, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330.

## COMPANY REVENUE STRUCTURE

The main income of the Company and its subsidiary can be divided into two parts: Underwriting income and investment income. Details of income as of 31 December for 2012, 2011, and 2010 are as follows:

(Unit: Baht)

	2012		2011		2010	
	Amount	%	Amount	%	Amount	%
Underwriting Income*						
Fire	377,216,931	19.8	431,948,963	22.9	379,202,588	26.2
Marine and Transport	184,091,421	9.74	148,675,232	7.94	124,805,982	8.64
Miscellaneous	559,780,439	29.4	534,891,524	28.4	343,711,393	23.7
Motor	780,373,022	41.1	767,856,966	40.8	600,249,796	41.5
<b>Total</b>	<b>1,901,461,813</b>	<b>100.0</b>	<b>1,883,372,715</b>	<b>100.0</b>	<b>1,447,969,759</b>	<b>100.0</b>

\* Underwriting income comprised of net earned premium and commissions and brokerages.

(Unit: Baht)

	2012		2011		2010	
	Amount	%	Amount	%	Amount	%
Net Earned Premium						
Fire	341,344,058	20.0	386,345,575	23.2	339,930,727	27.0
Marine and Transport	97,060,741	5.7	74,838,185	4.5	61,538,936	4.94
Miscellaneous	491,086,102	28.7	441,529,152	26.6	268,221,740	21.3
Motor	780,379,006	45.6	758,748,126	45.7	590,000,063	46.8
<b>Total</b>	<b>1,709,869,907</b>	<b>100.0</b>	<b>1,661,461,038</b>	<b>100.0</b>	<b>1,259,691,466</b>	<b>100.0</b>

(Unit: Baht)

	2012		2011		2010	
	Amount	%	Amount	%	Amount	%
1. Underwriting Income	1,901,461,813	86.6	1,883,372,715	84.1	1,447,969,759	81.8
2. Investment Income	284,924,149	13.0	332,575,070	14.9	313,058,858	17.7
3. Other	7,991,835	0.4	22,602,565	1.0	9,063,831	1.5
<b>Total income</b>	<b>2,194,377,797</b>	<b>100.0</b>	<b>2,238,550,350</b>	<b>100.0</b>	<b>1,770,092,448</b>	<b>100.0</b>

The proportion of the Company and its subsidiary's income structure changed from the previous year. Underwriting income increased from 84.1% of revenue in 2011 to 86.6% in 2012 as a result of the Company's continued expansion of its distribution channels in the provinces in 2012, with the increased support of Bancassurance contracts with Bank of Ayudhya Plc., and CIMB Bank Thai Plc.

The net investment income of the Company decreased from 14.9% in 2011 to 13.0% in 2012 due to additional investment of Baht 600 million in registered capital of the subsidiary.

# 2012 OPERATING RESULTS

## Explanation and Analysis

Investors are advised to study the consolidated and separate financial statements and summary of operating results, both past and present, together with the notes to the consolidated and separate financial statements and other pertinent information herein.

### 1. 2012 Operating Results for the Company and its Subsidiary

In 2012, the Company and its subsidiary showed earned premiums of Baht 1,709.87 million, an increase of Baht 48.41 million, or 2.91%, over the previous year. Net investment income from interest and dividends was Baht 179.37 million, a decrease of Baht 55.26 million, or 23.55%, from the previous year. Gains on investments in securities totaled Baht 79.68 million, a decrease of Baht 18.27 million, or 18.65%, from last year's Baht 97.95 million. In 2012, the Company increased its registered capital in the subsidiary by Baht 600 million and invested Baht 1,270.12 million in an associate company, Allianz Ayudhya Assurance Public Company Limited, resulting in a total holding equivalent to 20.17% of its paid-up capital. In 2012, the Company recognized Baht 25.87 million in profit from its investment in the associate company, using the equity method in the consolidated financial statements. Other income in 2012 was Baht 7.99 million, down Baht 14.61 million, or 64.64%, from the previous year, due to gains on sales of assets, which decreased by Baht 5.17 million, or 58.05%.

The Company and its subsidiary's two major expenditures were underwriting and operating expenses. Underwriting expenses were comprised of losses incurred, loss adjustment expenses, commissions and brokerages, and other expenses on which the commissions and brokerages and other relevant expenses were variable costs related directly to underwriting income. Loss incurred and loss adjustment expenses depended on the losses incurred by policyholders during the year. The Company had underwriting expenses of Baht 2,037.66 million, a decrease of Baht 707.78 million, or 25.78%, from last year's Baht 2,745.44 million. The reason for this substantial decrease in underwriting expenses was the high losses incurred from the 2011 flooding. Claims from general operations increased by Baht 145 million, or 18.11%, while claims from the flood totaled Baht 108.58 million. The loss ratio, excluding loss from the flood, equaled 55.31%, from 48.20% over the same period last year. Commissions and brokerages increased over last year by Baht 39.83 million, or 11.04%, and total underwriting expenses increased by Baht 23.40 million, or 8.67%, due to the increased volume of business. In 2012, operating expenses increased by Baht 5.80 million, or 2.05%, over last year, personnel expenses decreased by Baht 0.88 million, or 0.38%, and premises and equipment expenses increased from Baht 99.62 million to Baht 100.21 million, a Baht 0.59 million, or 0.59%, rise. This was due to the Company's investment in information technology to reduce redundancy, increase speed, efficiency and delivery of service, and support new innovative products.

The flood that occurred in the fourth quarter of 2011 still caused a loss on underwriting of Baht 136.20 million in the consolidated financial statements in 2012, while in 2011 the loss on underwriting was Baht 862.07 million.

As shown in the consolidated financial statements, operating results in 2012 showed a gain of Baht 156.71 million, in contrast to a loss of Baht 506.89 million in 2011.

In 2012, the consolidated financial statements showed a pre-tax profit of Baht 142.29 million, while the year before showed a pre-tax loss of Baht 519.25 million. As a result of reducing deferred income tax from 23% to 20% of net profit in 2013, the income tax expense of the Company and its subsidiary totaled Baht 47.35 million in 2012, while the previous year saw an income tax expense of Baht 64.16 million. Therefore, the operating results for 2012 in the consolidated financial statements showed a net profit of Baht 94.94 million and earnings per share of Baht 0.38, while 2011 showed a net loss of Baht 455.09 million and a loss per share of Baht 1.82.

Other factors affecting the Company and its subsidiary's performance during the past year included:

- (1) Stronger competition brought on by insurance companies with foreign interests that are equipped with sophisticated information technology, and use telecommunications and direct marketing to attract new customers. These firms introduced innovative insurance products to meet customer requirements, offering coverage for other risks and other services. To maintain its competitiveness, the Company invested more in technology and human resources, resulting in an increase in operating expenses.
- (2) The insurance business in 2012 earned total direct premiums of Baht 179,459 million, and showed 29.33% growth over the same period of the previous year. This growth rate is an indication of the strength and sustainability of the general insurance industry as it steadily overcame the effects of the flood crisis and other external factors such as increasing oil prices and the slowdown in household spending due to the higher prices of consumer goods. However, the flood that occurred in the fourth quarter of 2011 affected Thailand's economy more severely than was predicted, particularly the manufacturing sector, which was affected both directly and indirectly, as well as the agricultural sector. In 2012, Thailand's economy expanded at a rate of 6.4%, while the insurance business over the past five years has expanded steadily and developed to its current strong position. Changes in social behavior, attitudes and values had a direct impact on the growth of the insurance business. Families began to realize the value of insurance as a mechanism to relieve some of the burden resulting from the economic slowdown and other crises, viewing insurance as a basic necessity. As the fundamental principle of insurance is to mitigate the risks of unexpected and unforeseeable circumstances, once people realize this benefit, and the increases in crude oil prices, droughts, floods, earthquakes, and the disturbances in the three southern provinces continue, the insurance business will be only slightly affected no matter what the state of the economy may be. Educational campaigns were conducted to raise public awareness of these risks and the importance of having insurance.

#### Underwriting Results

In 2012, the Company and its subsidiary generated gross premiums written of Baht 2,765.83 million, and increase over the previous year of Baht 347.25 million, or 14.36%. The increase in gross premiums was derived from all lines of business: Fire, Marine and Transportation, Miscellaneous and Motor. Marine and Transportation premiums increased substantially due to business expansion resulting from accepting more risk from agents. The increase seen in Miscellaneous premiums was due to more sales via Bank of Ayudhya Plc.'s Bancassurance. The increase in Motor and Fire premiums was due to the Company's expansion in sales and marketing and distribution channels through provincial branches and sub-branches throughout the country. The Company paid Baht 954.75 million in reinsurance premiums, 34.52% of overall premiums. The Company's retention was Baht 1,811.08 million and the net written premium ratio per equity was 0.38 times, in contrast to the previous year's 0.25 times. Earned premiums were Baht 1,709.87 million, an increase of Baht 48.41 million, or 2.91%, over the previous year.

The gross profit margin in 2012 was -7.52% of net written premiums, while in the previous year it was -68.46%. This was because of a loss on underwriting of Baht 136.20 million and Baht 862.70 million in the consolidated financial statements in 2012 and 2011, respectively, resulting from the flood that occurred in the fourth quarter of 2011. Claims from the flood totaled Baht 108.58 million, while claims from general operations were Baht 945.78 million, an increase of Baht 145 million, or 18.11%, over last year's Baht 800.78 million. The loss ratio, excluding losses from the flood, equaled 55.31%, while last year it was 48.20%. Commissions and brokerages totaled Baht 400.74 million, an increase of Baht 39.83 million, or 11.04%, over last year's Baht 360.91 million. Total underwriting expenses were Baht 293.38 million, an increase of Baht 23.40 million, or 8.67%, over last year's Baht 269.98 million. Operating expenses were Baht 289.19 million, up by Baht 5.81 million, or 2.05%, from last year's Baht 283.38 million. All of these factors influenced a decrease of Baht 707.78 million, or 25.78%, in total underwriting expenses from 2012's Baht 2,037.66 million. Results from the decrease in flood claims caused a loss on underwriting in 2012 of Baht 136.20 million, while the previous year's loss on underwriting was Baht 862.07 million.

The retention rate in 2012 was 65.48%, against 52.06% last year, due to an increase in premium income of Baht 347.25 million, or 14.36%, while reinsurance increased by Baht 131.38 million, or 15.96%. As a result, net written premiums rose from Baht 1,595.21 million to Baht 1,811.08 million, an increase of Baht 215.87 million, or 13.53%.

The ratio of underwriting expenses for 2012 equaled 57.51% of earned premiums, against last year of 55.03%, due to the Company's underwriting expenses and operating expenses, which increased by Baht 69.03 million, or 7.55%. That notwithstanding, earned premiums increased by Baht 48.41 million, or 2.91%.

## Fire Insurance

The Company and its subsidiary generated gross premiums written in the amount of Baht 538.34 million, an increase of Baht 35.16 million, or 6.99%, over the previous year. The fire insurance business represented 19.46% of total premiums. The Company ceded reinsurance premiums in the amount of Baht 229.73 million, or 42.67%, of total Fire premiums. The Company and its subsidiary retained Baht 308.61 million, or 57.33% of total Fire premiums. The unearned premium reserve for Fire insurance decreased from last year by Baht 7.92 million, or 31.91%, while earned premiums were Baht 341.34 million, down from the previous year by Baht 45 million, or 11.65%. Income from commissions and brokerages was Baht 35.87 million, a decrease of Baht 9.73 million, or 21.34%, from the previous year. As a result, the Company and its subsidiary had underwriting income of Baht 377.21 million, down from last year by Baht 54.73 million, or 12.67%.

In 2012, losses incurred from Fire totaled Baht 196.61 million, which came from general claims of Baht 122.25 million and losses from the flood of Baht 74.36 million. Losses incurred from Fire, excluding losses from the flood, increased over the previous year by 58.56 million, or 91.94%. The Fire loss ratio equaled 35.81% of earned premiums, a 16.49% increase over last year's. Commission and brokerage expenses increased by Baht 4.36 million, or 3.86%, over last year, and other underwriting expenses amounted to Baht 38.34 million, down from last year by Baht 34.21 million, or 47.15%. Consequently, profits from Fire amounted to Baht 24.76 million, down Baht 105 million, or 24.76% from the previous year.

Written Fire premiums in 2012 grew by 6.99% from such significant sources as agents, brokers, Bank of Ayudhya Plc. and other financial institutions.

## Marine and Transportation Insurance

Marine and Transportation gross premiums written in 2012 totaled Baht 393.51 million, an increase over last year of Baht 74.65 million, or 23.41%. This segment of business generated 14.23% of total premiums. The Company ceded reinsurance premiums in the amount of Baht 291.74 million, or 74.14%, of total Marine and Transportation premiums. Net retention amounted to Baht 101.77 million, or 25.86%, of total Marine and Transportation premiums. Earned premiums totaled Baht 97.06 million, an increase over last year of Baht 22.22 million, or 29.69%. Income from commissions and brokerages was Baht 87.03 million, a Baht 13.19 million, or 17.87%, increase over the previous year. As a result, the Company and its subsidiary had underwriting income of Baht 184.09 million, a Baht 35.42 million, or 23.82%, increase over last year.

Losses incurred in 2012 totaled Baht 35.73 million, an increase over 2011 of Baht 9.96 million, or 38.64%, and the loss ratio equaled 36.81% of earned premiums. Total underwriting expenses increased over last year in the amount of Baht 22.34 million, or 23.82%. As a result, profit on underwriting rose to Baht 67.94 million in 2012, up from the year before by Baht 13.07 million, or 23.83%.

In 2012, premiums for the Marine and Transportation sector grew 23.41%. These may be divided into Marine Cargo, which grew by 26.15%, and Marine Hull, which grew by 13.44%. The growth in written premiums for Marine and Transportation is attributable to the Company's business expansion through agents and brokers.

The primary source of business for Marine and Transportation insurance came from agents who are satisfied with the quality and efficiency of our service.

## Motor Insurance

Motor gross premiums written in 2012 totaled Baht 854.84 million, an increase over last year of Baht 73.58 million, or 9.42%. The segment represented 30.91% of overall written premiums. Retention of Motor premiums was Baht 845.31 million, or 98.89% of total Motor premiums. The Motor unearned premium reserve increased over the previous year by Baht 76.01 million, or 686.15%, which resulted in net earned premiums for Motor of Baht 780.38 million, up from the previous year by Baht 21.63 million, or 2.85%. Income from commissions and brokerages decreased from last year by Baht 9.11 million, or 100.07%. As a result, the Company and its subsidiary had underwriting income of Baht 780.37 million, a Baht 12.52 million, or 1.63%, increase over last year.

Motor claims in 2012 amounted to Baht 478.10 million, an increase of Baht 0.43 million, or 0.09%, over last year. The loss ratio was 61.27% of earned premiums, while in 2011 it was 62.95%. Underwriting expenses increased Baht 10.17 million, or 1.55%. The Company earned Baht 115.37 million in profit in 2012, an increase over last year of Baht 2.34 million, or 2.07%.

In 2012, the growth of Motor premiums written rose to 9.42%, and came from agents, brokers, vehicle dealers and financial institutions providing auto leasing. The Company's emphasis on providing good service to the insured and the efficient management of branches enhanced the ability of its customers to buy Motor insurance conveniently at Company branch offices.

#### Miscellaneous Insurance

Written Miscellaneous premiums totaled Baht 979.14 million in 2012, an increase over last year of Baht 163.86 million, or 20.10%. This segment represented 35.40% of overall written premiums. The Company ceded reinsurance premiums in the amount of Baht 423.76 million, or 43.28%, of total Miscellaneous premiums. The Company retained Baht 555.38 million, or 56.72%, of total Miscellaneous premiums. The unearned premium reserve increased from the previous year by Baht 97.25 million, or 295.09%, resulting in the increase in earned Miscellaneous premiums of Baht 491.09 million in 2012, up Baht 49.56 million, or 11.22%. Income from commissions and brokerages was Baht 68.69 million, down from last year by Baht 24.67 million, or 26.42%. As a result, the Company and its subsidiary had underwriting income of Baht 559.78 million, Baht 24.89 million, or 4.65%, more than last year.

Losses incurred in 2012 totaled Baht 343.92 million, which came from general claims of Baht 312.08 million and losses from the flood of Baht 31.84 million. Excluding losses from the flood, losses incurred increased over last year by Baht 78.43 million, or 33.57%. The loss ratio equaled 63.55% of earned premiums, an increase over last year of 52.92%. Commission and brokerage expenses increased by Baht 14.39 million, or 14.68%, and other underwriting expenses amounted to Baht 158.95 million, an increase of Baht 56.56 million, or 55.24%. Consequently, losses from Miscellaneous amounted to Baht 55.45 million, while last year's totaled Baht 876.71 million as a result of the flood.

The primary sources of business for Miscellaneous insurance are Bank of Ayudhya Pcl., agents, brokers, and direct accounts. The strong partnership with Bank of Ayudhya Pcl.'s Bancassurance channel continued to help generate sales under the Company's "Prompt" packaged insurance products (PA Prompt, PA Care, PA Prompt Plus, Cancer Prompt Plus, Home Prompt, Senior PA Prompt Plus, Auto Prompt Super 3 Plus, and Auto Prompt 3+ flood protection) and we have received very positive feedback from the bank's customers.

#### Investment

In 2012, investments continued to fluctuate due to numerous risk factors both domestic and foreign such as the American and European economies and low interest rates worldwide. This prompted investment from around the world to flow into Asian markets. Emerging countries, including Thailand, have a sustainable economic structure, resulting in strong foreign investment in the Stock Exchange of Thailand (SET) all through the last year, bringing the SET index to a 16-year high. The SET index closed at 1,391.93 points at end of 2012, while in 2011 it closed at 1,025.32 points.

The Company still has a positive view of equity instruments for medium- to long-term investments. This is because of low interest rates, the government policy of stimulating the economy and encouraging consumption in the country, the continued growth of publicly listed companies, and the attractiveness of the SET. The direction of investment management at the Company remains to select good securities one by one and regularly assess and monitor them in terms of both quality and quantity. This direction assists the Company in creating a good return on investment both medium- and long-term. In addition to considering a reasonable return with an acceptable risk, the stability of investments is also significant and the Company conducts its business with caution and care for the highest benefit to shareholders.

As at December 31, 2012, the Company and its subsidiary had investment assets totaling Baht 5,489.55 million, a decrease of Baht 1,016.34 million, or 15.62%, from last year. Net investment income comprised of interest and dividends totaled Baht 179.37 million, a Baht 55.26 million, or 23.55%, decrease from last year. Profit on investment in securities totaled Baht 79.68 million,



a decrease of Baht 18.27 million, or 18.65%, from last year's Baht 97.95 million. This was due to the Company's increase in share capital of the subsidiary of Baht 600 million and investment of Baht 1,270.12 million in a life insurance company, Allianz Ayudhya Assurance Public Company Limited, resulting in a total holding equivalent to 20.17% of its paid-up capital. In 2012, the Company recognized Baht 25.87 million in profit from its investment in the associated company, which is accounted for using the equity method in the consolidated financial statements.

In 2012, the Company and its subsidiary had a profit on investment of Baht 284.92 million, a decrease of Baht 47.66 million, or 14.33%, from the previous year's Baht 332.58 million, while investment assets decreased from last year by Baht 1,016.34 million, or 15.62%. Thus the return on investment in 2012 increased from 2011's 5.11% to 5.19%.

## 2. Financial Status

### 2.1 Assets

#### (1) Components of assets

The assets of the Company and its subsidiary are comprised of investments in securities, loans, cash and cash equivalents, premises and equipment, intangible assets, premiums due and uncollected, accrued investment income, reinsurance assets, and other assets.

As at December 31, 2012, the Company and its subsidiary had total assets of Baht 9,984.27 million, a decrease from last year of Baht 2,682.37 million, or 21.18%. Investment in securities was Baht 4,841.83 million, down Baht 174.09 million from last year's Baht 5,015.92 million. The Company and its subsidiary had investments in available-for-sale securities totaling Baht 2,148.51 million, down Baht 1,683.97 million from last year's Baht 3,832.48 million. These available-for-sale securities were comprised of government bonds, Bank of Thailand bonds, foreign bonds, treasury bills, stocks, debentures, and unit trusts. Investments in government securities totaled Baht 725.78 million, a decrease of Baht 323.10 million from last year's Baht 1,048.88 million. Investments in private enterprise debt securities totaled Baht 1,015.58 million, down Baht 1,063.16 million from last year's Baht 2,078.74 million. Investments in foreign debt securities totaled Baht 407.15 million, down Baht 297.70 million from last year's Baht 704.85 million. Investments in held-to-maturity investments comprised of treasury bills and deposits at financial institutions with maturity over 3 months and deposits used as collateral totaled Baht 630.30 million, an increase of Baht 217.09 million over last year's Baht 413.21 million. General investment was Baht 549.88 million, down Baht 220.36 million from last year's Baht 770.24 million.

In 2012, the Company invested more in life insurance by purchasing Baht 1,270.12 million in shares of Allianz Ayudhya Assurance Public Company Limited, an increase over last year's Baht 217.14 million. This resulted in a total holding equivalent to 20.17% of its paid-up capital. In 2012, the Company recognized Baht 25.87 million in profit from its investment in the associate company, accounted for using the equity method in the consolidated financial statements.

The Company and its subsidiary had unrealized gains on investments in securities of Baht 158.49 million, an increase over last year of Baht 74.47 million, or 88.63%. This was due to the rise of the SET index, which closed at 1,391.93 points at end of 2012, while end of 2011 it closed at 1,025.32 points.

To comply with the Company's staff welfare policy, the Company made loans to employees with guarantors totaling Baht 4.38 million, a Baht 0.66 million increase over the previous year's Baht 3.72 million.

Cash and cash equivalents at year-end 2012 totaled Baht 643.34 million, down Baht 842.92 million from the previous year's Baht 1,486.26 million due to claims payments resulting from flood losses.

Premises and equipment as at December 31, 2012 totaled Baht 204.67 million, down Baht 5.47 million from the previous year's Baht 210.14 million. This was due to the Company and its subsidiary's Baht 15.48 million investment

in IT equipment, office renovation, and the purchase of new vehicles to replace the existing ones, which had completed their term of use. Meanwhile, old vehicles, office equipment, and computers that needed to be replaced were distributed at cost of Baht 20.95 million.

Premiums due and uncollected as at December 2012 amounted to Baht 250.91 million, an increase of Baht 28.79 million, or 12.96%, over the previous year's Baht 222.12 million. The Company's emphasis on efficiency in following up on outstanding premiums and concentrating on collection is reflected in its clear policy on managing collections, including a monthly review to formulate criteria on credit premium collection. The Company and its subsidiary have also taken stringent legal action against defaulting agents, brokers and clients. The Company's internal auditors have audited outstanding premium data, and followed up on receipt of payments and related accounting records.

The Office of Insurance Commission (OIC) stipulated that motor premium payments must be in compliance with the universal practice of 'Cash-before-Cover' in which the insured has to pay its premium prior to the effective date of the policy. Therefore, the policy of risk in respect of premium collection procedures was published in the form of a Premium Collection Manual, and the Company adheres to the processes and terms of payment and coordinates with all concerned parties.

The Company and its subsidiary managed premium collection by issuing a policy that concisely indicates the credit terms for long-outstanding overdue premiums. A meeting on credit control is held once a month to follow up on long-overdue accounts in order to comply with the regulations stipulated by the OIC. Once an outstanding account exceeds the specific period of agreement, the credit control unit will follow up with the appropriate collection procedures.

## (2) Asset Quality

### a. Assets

As at December 31, 2012, the Company and its subsidiary's investments in securities, including bonds, treasury bills, stocks, debentures, unit trusts, and deposits at financial institutions with a maturity of over three months, totaled Baht 4,841.83 million, which was presented at fair value. The Company and its subsidiary recorded unrealized gains from surplus on revaluation of investment of Baht 126.79 million in equity.

### b. Debtors

In 2012, the Company and its subsidiary's turnover rate of outstanding premiums was 31 days. The Company and its subsidiary have a policy on credit terms for premium payments, allowing 30 days to clients who insure against risk other than motor. Motor clients must comply with the principles of 'Cash before Cover' in which the insured has to pay its premium prior to the effective date of the policy.

As at December 31, 2012, the allowance for doubtful accounts totaled Baht 9.58 million. This estimate of doubtful debt as at year-end was based on the Company's experience in debt collection. The basis for calculating the reserve for doubtful accounts is as follows:

- » Outstanding premiums - 6 months to 1 year The Company set the reserve for doubtful accounts at 50%
- » Outstanding premiums - over 1 year The Company set the reserve for doubtful accounts at 100%

## 2.2 Liquidity

### (1) Cash Flow

In 2012, the Company and its subsidiary had net cash for operations totaling Baht 1,071.04 million, which came from Baht 4,843.76 million in cash received, and cash was used primarily for the payment of flood claims, which amounted to Baht 5,914.80 million. Cash received from investment activities totaled Baht 3,140.97 million and was derived from sales of common stocks and a portion of unit trusts, including mature bonds, debentures, treasury bills, and deposits



at financial institutions. Cash used for investment totaled Baht 2,787.85 million and was used for investments in bonds, stocks, debentures, unit trusts in mutual funds, and deposits at financial institutions, resulting in net cash from investment activities of Baht 353.12 million. The Company has a policy to manage funds for the best returns and adapt to economic changes like fluctuating interest rates and the SET index.

Cash and cash equivalents, including cash on hand and all types of deposits at banks with original maturities not exceeding three months, totaled Baht 643.34 million at December 31, 2012, lower than the previous year's Baht 1,486.26 million due to flood claim payments.

#### (2) Liquidity Ratio

As at December 31, 2012, the Company and its subsidiary recognized an outstanding liquidity ratio of 1.09 times, indicating that the Company and its subsidiary's backup assets were sufficient to pay its current liabilities.

The Office of Insurance Commission (OIC) announced a provision concerning the financial status of non-life insurance companies using both quantity and quality criteria. The ratio of appraising outstanding premiums per total outstanding was the quantity basis used for the evaluation of the liquidity risk of the Company's outstanding premiums. The minimum standard ratio should not be under 75%, and at the end of 2012 the Company and its subsidiary recorded 89.04%.

### 2.3 Sources of Funds

#### (1) Appropriation of Capital Structure

The Company and its subsidiary had a change of capital structure during the past year. As at December 31, 2012, the Company's debt-to-equity ratio was 1.10 times, a decrease from last year's 1.69 times. The debt-to-equity ratio decrease was due to flood claim payments during 2012, and cash reserved for claim payments and accrued claim payments decreased by Baht 3,383.02 million at end of 2012.

#### (2) Shareholders' Equity

The Company's shareholders' equity as at December 31, 2012 was Baht 4,751.14 million, an increase of Baht 51.05 million over last year's Baht 4,700.09 million. This was due to an increase in unrealized gains from surplus on revaluation of investment of Baht 126.79 million, a Baht 61.35 million increase over last year's Baht 65.44 million. Moreover, accumulated loss in the Company's consolidated financial statements amounted Baht 87.83 million, an increase of Baht 10.30 million over last year's accumulated loss of Baht 77.53 million due to claims from the flood in 2011.

#### (3) Liabilities

The Company and its subsidiary had liabilities as at December 31, 2012 totaling Baht 5,233.13 million, a decrease of Baht 2,733.42 million from the previous year's Baht 7,966.55 million. The reason for this was the Baht 3,383.02 million decrease in cash reserved for flood claim payments and the Baht 522.19 million owed to reinsurance companies. The liabilities of the Company and its subsidiary largely arose from its operations, for example, the unearned premium reserve, outstanding claims, the reserve for incurred but unreported claims, amounts withheld on reinsurance treaties due to reinsurers, premiums received in advance, accrued commissions, deferred tax liabilities, accrued operations expenses, and accrued corporate income tax.

### 3. Major factors and influences that could affect the Company's operations and financial status in the future

The Company and its subsidiary's policy on risk management is discussed in the Risk Factors section herein.

4. Maintaining various ratios in accordance with regulatory agencies and key ratios that are characteristic of the industry

4.1. The Company had statutory reserves of Baht 50 million, equivalent to 10% of its authorized capital, in accordance with the Public Limited Company Act, B.E. 2535, stipulating that the Company must allocate a reserve fund from annual net profits of not less than 5%. This is calculated by the total accumulated loss brought forward (if any) until the reserve fund reaches an amount of not less than 10% of the authorized capital. Such reserve fund is not available for dividend distribution.

4.2. At December 31, 2012, the Company had an allocation of unearned premium reserves in the amount of Baht 897.93 million in accordance with the announcement of the Office of Insurance Commission (OIC) concerning the allocation of such reserves.

4.3. The loss ratio from regular operations in 2012 was equal to 55.31% of earned premiums, an increase over last year of 48.20%, excluding losses from the flood incurred in the fourth quarter of 2011.

4.4. On September 1, 2011, the Office of Insurance Commission (OIC) issued a regulation concerning funds of non-life insurance companies that use capital adequacy ratios (CARs) for insurance risk, market risk, credit risk, and concentration risk.

CARs from September 1, 2011 to December 31, 2012 were at the defined minimum ratio of 125% and from January 1, 2013 onward shall not be less than 140%.

As of December 31, 2012, the subsidiary had CARs of 191.68% as a result of the flood crisis.

## GOALS

The Company's operational objectives are to maximize profits, emphasizing the growth of underwriting premiums, managing investment assets to gain high returns, enhancing efficiency, and tightening control of operating expenses.

In 2012, premiums written totaled Baht 2,765.83 million, a 14.36% increase over the previous year's Baht 2,418.59 million. However, the flood that ravaged Thailand in the last quarter of 2011 caused a loss on underwriting of Baht 136.20 million. While claims from general operations increased by Baht 145 million, or 18.11%, claims from the flood totaled Baht 108.58 million. The loss ratio, excluding losses from the flood, was 55.31%, versus 48.20% for the same period last year. Additionally, commissions and brokerages increased by Baht 39.83 million, or 11.04%, over the previous year, underwriting expenses increased Baht 23.40 million, or 8.67%, and operating expenses increased Baht 5.80 million, or 2.05%, all of which are attributable to the increased volume of business.

### The Subsidiary: Sri Ayudhya General Insurance PCL

In 2012, net investment income decreased by Baht 55.26 million, or 23.55%, from the previous year due to the additional Baht 600 million capitalization of the subsidiary (Sri Ayudhya General Insurance PCL), and gains from investment in securities decreased by Baht 18.27 million, or 18.65%. During 2012, the policy rate was reduced twice to stimulate post-flood economic recovery and accelerate the ability of the Thai economy to cope with global risks and maintain its momentum for recovery.

As a result of these policy rate adjustments, interest rates and short-term yields in the money market and capital market decreased and commercial banks reduced their interest rates for savings and loans. Investments were exposed to numerous risks, notably foreign factors such as the American and Eurozone crises, which caused a delay in debt settlements and considerable fluctuation in investments. However, by the end of 2012, the world economy seemed to be on the rebound and foreign investors had returned to the emerging markets. The SET index at the end of 2012 closed at 1,391.93 points, in contrast to 1,025.32 points in 2011.

There is confidence that the Thai economy is on a positive trend of continuing growth. Liquidity was affected as the governments of many countries strongly subsidized their financial institutions to relieve the burden of the crisis, and the Thai government issued measures to stimulate the economy as well.

The Company maintained investment caution throughout the year, utilizing a range of strategies to achieve long-term revenue and assure financial security and good returns, while enhancing its financial security and minimizing risk.

# BUSINESS ENVIRONMENT AND COMPETITION

The performance of our core investment and sole subsidiary, Sri Ayudhya General Insurance PCL, is detailed as follows:

## INDUSTRY, MARKETING AND COMPETITION

### (a) Insurance Industry

During the year 2012, the non-life insurance industry had overall direct premiums income of Baht 179,459 million, representing a 29.33% increase over the same period in 2011. Compared with the same period last year, direct premiums from fire insurance totaled Baht 9,759 million, or a 26.09% increase, whereas marine and transportation insurance represented Baht 5,189 million, or a 17.70% increase, miscellaneous insurance totaled Baht 60,606 million, or a 38.25% increase and motor insurance totaled Baht 103,903 million, or a 25.53% increase. The major reason for the high double-digit increases in all sectors of non-life insurance was due to heightened awareness of risks in natural disasters and the need to be covered against all types of risks.

(Unit: Million Baht)

Line of Business	Non-Life Insurance Industry - Overall Direct Premiums		
	2012	2011	% +/( -)
Fire	9,759,195	8,060,858	26.09
Marine & Transportation	5,189,762	4,585,288	17.70
Miscellaneous	60,606,242	44,197,536	38.25
Motor	103,903,806	82,991,156	25.53
<b>Total</b>	<b>179,459,005</b>	<b>139,834,838</b>	<b>29.33</b>

Source: Statistics Division, Examination Planning and Development, Office of Insurance Commission (OIC)

### Competitive Strategies

In order to compete in the industry, the Company's strategies to gain market share included the following:

1. Development of our staff: Enhance and increase the competencies of our staff in key areas such as technical know-how, servicing customers, and expediency of claim services;
2. Development of our operations: Ensure continuing improvements in our system and process to provide high quality and prompt service to our customers;
3. Development of our technology: Systematically raise the standards of technology to ensure quality of functional system and efficiency in order to support business growth.

### Clientele

Our customers include government agencies and state enterprises, as well as private businesses and the general public. Customers in the private sector include factories, hotels, financial institutions and business concerns, and encompass customer loans from banks, affiliated financial institutions and hire-purchase companies that are required to insure their interests against the risk of loss. We also provide cover to individuals over 20 years of age who wish to insure their homes and motor vehicles. For personal accident insurance, the insured's mandatory age is from 15 to 60 years, whereas there is no mandatory age for travel accident insurance.

In 2012, 52.57% of the total premiums for fire insurance came from Bank of Ayudhya Public Company Limited (properties) and property owners insuring their homes and shops against the risk of fire under bank loans.

### Target Customers

Major customers comprise of three groups:

1. Bank of Ayudhya and customers who insure their residences and shops under bank loans.
2. Business enterprises including industrial factories, financial institutions, and hotels.
3. Individuals over the age of 20 who take out personal accident, travel accident and property insurance for their homes and motor vehicles.

Note: In the past three years, the Company has not relied on major clients whose business exceeds 30% of our total company income.

### Distribution Channels

The Company's primary distribution channels are:

1. Brokers and agents
2. Financial institutions and affiliated companies
3. Direct sales

Proportion of Distribution Channels over the last three years

	2555	2554	2553
1. Brokers and agents	52.59%	50.45%	51.69%
2. Financial institutions and affiliated companies	43.30%	43.78%	42.92%
3. Direct sales	4.11%	5.77%	5.39%

Agents and brokers play a significant role in the Company expansion plan as they are the ones providing consultation to customers on risk management appropriate to customer needs. With that in mind, the Company places high importance in selecting only the most qualified agents and brokers to service our customers. Training programs are offered throughout the year to agents and brokers, to update and increase the level of professionalism criteria set forth by the Company.

### Licensing Regulations for Agent/Brokers and Juristic Persons

To qualify as an agent of the Company, a juristic person must be licensed in accordance with the Non-Life Insurance Act, B.E. 2535 (amended by the Non-Life Insurance Act (No.2) B.E. 2551, promulgated on 6 February 2551). Those whose examination results pass the required level of non-life insurance knowledge are to submit a non-life insurance agent/broker application to the Registrar in the form prescribed by the Registrar.

### (b) Competition within the Insurance Industry

Insurance industry market share in 2012 as provided by Statistics Division, Examination Planning and Development, Office of Insurance Commission (OIC) is shown as follows:

(Unit: Million Baht)

Line of Business	Subsidiary Direct Premium Written	Overall Direct Premium Written (65 companies)	Market Share (%)	Rank
Fire	525,649	9,759,195	5.39	6
Marine & Transportation	375,529	5,189,762	7.24	4
Miscellaneous	961,641	60,606,242	1.59	17
Motor	854,836	103,903,806	0.82	28
<b>Total</b>	<b>2,717,655</b>	<b>179,459,005</b>	<b>1.51</b>	<b>19</b>

As at 31 December 2012, there are 65 general insurance companies in Thailand, 55 of which are Thai general insurance companies, 5 are branches of foreign insurance companies, and 5 are group health insurance companies.

The Company continues to have an edge over competition due to strong financial strengths enabling it to operate efficiently over the past 60 years. The Company is firmly established within the Bank of Ayudhya Public Company Limited network of affiliated companies and is fully supported by them. The Company also has a team of experts on hand for insuring large and complicated risks and operates with caution. This financial stability has allowed the Company to concentrate on building service excellence. At the end of 2012, the Company has 14 branches and 4 sub-branches in the north, central, east, northeast and south. For optimal efficiency and speed of service, all branches are on-line.

#### (C) Provision of Products and Services

##### Source of Funds

Underwriting income and shareholder fund were the source of funds that the subsidiary aimed to maintain in its operating performance to maximize profit, which also represented the efficiency, performance and control of operating expenses that are considered by the Company to be long-term objectives that will yield financial security and good returns.

##### Loans

The policy on risk management of loans must be in compliance with the conditions stipulated in the Notification of the Ministry of Commerce — reinvestment of insurance companies in other businesses.

##### Ability to Maintain Loss Ratio

The Company has set a loss ratio on overall insurance classes of approximately 50%.

##### Liquidity

The Company has a policy in day-to-day business operations of retaining an appropriate amount of cash on hand and in short-term investments to support claims settlements with assurance and efficiency.

#### (D) Work-in-process

None

# REPORT ON THE BOARD OF DIRECTORS' RESPONSIBILITY TOWARDS THE FINANCIAL STATEMENTS

The Board of Directors is responsible for the financial statements of the Company and its subsidiary, the financial information appearing in the annual report and on the internet. As such, the financial statements are prepared in accordance with generally accepted Thai accounting standards, by utilizing appropriate accounting policies, consistency and cautious discretion, and the best methods for calculating estimates. Furthermore, sufficient essential information is disclosed in the footnotes to the financial statements.

The Board of Directors has established and implemented effective internal control systems, to ensure reasonable confidence that the reporting of accounting data is accurate, comprehensive and sufficient to support the business. The ability to identify possible areas of weakness in the systems would reduce the opportunities for fraud or significant misconduct.

Notwithstanding, the Board of Directors has appointed the Audit Committee, which comprises independent directors, to supervise and be responsible for the quality of financial data and the system for internal controls. The opinion of the Audit Committee on this matter is contained in the annual report.

The Board of Directors is of the opinion that the Company and its subsidiary's internal controls are satisfactory and allow for reasonable confidence in the reliability of the financial statements, the consolidated financial statements of the Company and its subsidiary as of 31 December 2012.



**Mr. Veraphan Teepsuwan**  
Chairman



**Mr. Rowan D'Arcy**  
President & CEO

# 2012 REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

Dear Shareholders,

The Nomination and Remuneration Committee is comprised of three non-executive directors: Mr. Metha Suvanasarn serves as Chairman of the Committee, and Mr. Andreas Johann Wilhelm, Ph.D. serves as a member and secretary to the Committee; the Committee is in the process of selecting a suitable candidate to replace a former member who passed away.

The Nomination and Remuneration Committee has performed its duties as assigned by the Board of Directors. In 2012, the Committee held four meetings. Joint meetings were also held with the Company President and senior management to acquire information that will support the Committee in its consideration of the matters in its purview. The results of the Committee's meetings are reported regularly to the Board of Directors. The Committee's significant undertakings in 2012 are as follows:

## Nomination

- » Nominated qualified individuals to serve as directors and/or committee members when the term is complete, pursuant to the Articles of Association of the Company and its subsidiary. These included three members of the Investment Committee.
- » Re-elected the directors at the Annual Shareholders' meeting as they met the requirement of qualified person in compliance with the Public Limited Companies Act, B.E. 2535 and other related regulations.
- » Considered the Nomination and Remuneration Committee charter.
- » To review the progress of candidate selection to fill the vacancy.

## Remuneration

- » Considered the annual salary increment for staff of the Company and its subsidiary.
- » Considered and proposed to the Board of Directors the President's target letter.
- » Considered and proposed to the Board of Directors remuneration of the President and Managing Director.
- » Considered and proposed to the Board of Directors remuneration of the directors.
- » Considered and proposed to the Board of Directors a Board Self Assessment that would improve the corporate governance rating of the Company.

In 2012, the Committee performed its assigned duties fully and properly with competence, dedication and independence in the best interests of the Company and its shareholders.



Mr. Metha Suvanasarn  
Chairman  
Nomination & Remuneration Committee



# REPORT OF THE AUDIT COMMITTEE

To: The Shareholders of Sri Ayudhya Capital Public Company Limited

The Audit Committee is responsible for supervising the Company's financial reports and monitoring the systems of internal control and internal audit. The Committee is also assigned to monitoring the Company's compliance with all rules and regulations promulgated and enforced by the relevant authorities, as well as nominating the Company's auditors and proposing auditing fees.

In 2012, the Audit Committee held 8 meetings, two with the auditor. The three Audit Committee members were present at every meeting, and the key issues can be summarized as follows:

1. To review, and hold discussions with, the internal and external auditors, and the Company's executives, regarding the quarterly consolidate financial statement and separate financial statement and annual consolidated financial statement and separate financial statement, audit results of the Computer Control System, and review the Company's risk management policies.
2. To evaluate the performance of the Company's Internal Audit Department through reviews of audit plans, staffing policies, and audit results, monitor the Company's compliance with the comments and recommendations of the internal auditors, and review the Company's compliance with the principles of good corporate governance.
3. To consider the good corporate governance and internal control material that was disclosed in the Annual Report for the year 2011.
4. To consider the Fraud Guideline and Whistle Blower Policy which had to update.
5. To consider the Preliminary scope of services and estimated fees for Application Control Review from computer auditor of Outsource Company.
6. To consider the internal audit report for work units of Sri Ayudhya General Insurance Public Company Limited.
7. To discuss with the Certified Public Accountants the issues that the Auditor intends to bring to the attention of the Audit Committee regarding auditing, IT auditing, and the efficiency of the Company's internal controls.

The Audit Committee determined that the financial report of the Company is correct and sufficient, and its internal control and internal audit systems are appropriate and efficient, in compliance with the laws of the Securities Exchange of Thailand, the determinations of the Stock Exchange of Thailand, and the laws concerning the business of the Company, and that all related transactions are in compliance with the laws and determinations of the Stock Exchange of Thailand.

Furthermore, the Audit Committee proposed for approval at the Ordinary General Shareholders' Meeting the appointment of Deloitte Touche Tohmatsu Jaiyos Audit Company Limited, with Dr. Suphamit Techamontrikul, and/or Mr. Permsak Wongpatcharapakorn, and/or Mr. Chavala Tienpasertkij, as the Company's auditors for the fiscal year 2013.

The Audit Committee has independently performed its duties with full information and cooperation. The Committee wishes to express its sincere appreciation for the kind cooperation of all concerned.



(Mr. Surachai Prukbamroong)  
Chairman of the Audit Committee  
February 26, 2013

February 26, 2013

Subject : Opinion on Related Transactions

To : The Shareholders of Sri Ayudhya Capital Public Company Limited

We, as Members of The Audit Committee of Sri Ayudhya Capital Public Company Limited have reviewed the related transactions between Sri Ayudhya Capital Public Company Limited and related companies for the fiscal year ended December 31, 2012 and are of the opinion that the transactions were conducted in accordance to the Company's guideline on business operations.

For your acknowledgement.

Respectfully,



(Mr. Surachai Prukbamroong) (Mr. Metha Suvanasarn) (Mr. Vichit Kornvitayakoon)

Members of the Audit Committee

Sri Ayudhya Capital Public Company Limited

# REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

## TO THE SHAREHOLDERS AND THE BOARD OF DIRECTORS SRI AYUDHYA CAPITAL PUBLIC COMPANY LIMITED

We have audited the consolidated financial statements of Sri Ayudhya Capital Public Company Limited and its subsidiary and the separate financial statements of Sri Ayudhya Capital Public Company Limited, which comprise the consolidated and separate statements of financial position as at December 31, 2012, and the related consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### OPINION

In our opinion, the aforementioned consolidated and separate financial statements present fairly, in all material respects, the financial position of Sri Ayudhya Capital Public Company Limited and its subsidiary and of Sri Ayudhya Capital Public Company Limited as at December 31, 2012, and financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.



Niti Jungnitnirundr  
Certified Public Accountant (Thailand)  
Registration No. 3809

# STATEMENTS OF FINANCIAL POSITION

SRI AYUDHYA CAPITAL PUBLIC COMPANY LIMITED AND SUBSIDIARY  
STATEMENTS OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2012 AND 2011

BAHT

	Notes	CONSOLIDATED FINANCIAL STATEMENTS		SEPARATE FINANCIAL STATEMENTS	
		2012	2011	2012	2011
<b>ASSETS</b>					
Cash and cash equivalents	5.2	643,336,334	1,486,255,734	108,594,264	747,417,158
Accrued investment income		20,773,777	20,585,176	12,573,711	14,492,832
Premium due and uncollected - net	6	241,337,045	212,918,012	-	-
Reinsurance assets	7	3,590,959,395	5,258,564,465	-	-
Investments					
Investment in securities	8				
Available for sale securities		2,148,507,241	3,832,476,752	1,386,658,341	2,525,736,362
Held-to-maturity investment securities		630,304,109	413,206,364	277,352,800	272,929,662
General investment securities		549,883,992	770,235,210	548,673,022	769,024,240
Total investment in securities		<u>3,328,695,342</u>	<u>5,015,918,326</u>	<u>2,212,684,163</u>	<u>3,567,690,264</u>
Loans	9	4,378,107	3,715,441	145,338	80,988
Investment in associate	10	1,513,136,319	-	1,487,263,618	-
Investment in subsidiary	10	-	-	1,823,578,981	1,223,578,981
Premises and equipment - net	11	57,447,296	65,193,946	14,450,086	20,225,868
Intangible assets - net	12	117,252,004	123,699,841	3,442	11,615
Deferred tax assets	13	356,907,491	383,624,281	20,558,462	19,696,019
Deferred commission expense	42	39,920,631	38,408,230	-	-
Other assets	42	70,122,222	57,756,721	22,573,120	23,160,798
<b>TOTAL ASSETS</b>		<u>9,984,265,963</u>	<u>12,666,640,173</u>	<u>5,702,425,185</u>	<u>5,616,354,523</u>

# STATEMENTS OF FINANCIAL POSITION (CONTINUED)

SRI AYUDHYA CAPITAL PUBLIC COMPANY LIMITED AND SUBSIDIARY  
STATEMENTS OF FINANCIAL POSITION (CONTINUED)  
AS AT DECEMBER 31, 2012 AND 2011

BAHT

	Notes	CONSOLIDATED		SEPARATE	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		2012	2011	2012	2011
<b>LIABILITIES AND EQUITY</b>					
Income tax payable		1,146,162	17,524,236	1,146,162	17,524,236
Due to reinsurers	14	888,181,628	365,991,552	-	-
Insurance contract liabilities					
Loss reserves and outstanding claims	15	2,931,055,765	6,314,077,900	88,585,047	85,479,975
Premium reserve	16	897,934,687	796,725,368	-	-
Employee benefit obligation	17	57,217,784	53,555,750	12,981,146	15,077,001
Deferred tax liabilities	19	36,637,056	18,583,983	33,823,419	17,696,745
Premium written received in advance		258,459,569	256,904,126	-	-
Commission and brokerage payables		47,104,950	40,040,187	-	-
Accrued expenses	42	47,763,396	48,113,318	16,692,656	33,167,732
Other liabilities	42	67,625,246	55,037,272	1,582,665	770,501
<b>TOTAL LIABILITIES</b>		<u>5,233,126,243</u>	<u>7,966,553,692</u>	<u>154,811,095</u>	<u>169,716,190</u>
<b>EQUITY</b>					
Share capital					
Authorized share capital					
500,000,000 ordinary shares of					
Baht 1.00 each		<u>500,000,000</u>	<u>500,000,000</u>	<u>500,000,000</u>	<u>500,000,000</u>
Issued and paid-up share capital					
250,000,000 ordinary shares of					
Baht 1.00 each		250,000,000	250,000,000	250,000,000	250,000,000
Premium on share capital		3,512,183,950	3,512,183,950	3,512,183,950	3,512,183,950
Retained earnings (deficit)					
Appropriated					
Statutory reserve	20	50,000,000	50,000,000	50,000,000	50,000,000
Others reserve	21	900,000,000	900,000,000	900,000,000	900,000,000
Unappropriated (deficit)		(87,836,359)	(77,534,516)	719,892,557	671,987,656
Other components of equity					
Surplus on revaluation					
of investment	5.1	<u>126,792,129</u>	<u>65,437,047</u>	<u>115,537,583</u>	<u>62,466,727</u>
<b>TOTAL EQUITY</b>		<u>4,751,139,720</u>	<u>4,700,086,481</u>	<u>5,547,614,090</u>	<u>5,446,638,333</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>9,984,265,963</u>	<u>12,666,640,173</u>	<u>5,702,425,185</u>	<u>5,616,354,523</u>

Notes to the financial statements form an integral part of these statements

# STATEMENTS OF COMPREHENSIVE INCOME

SRI AYUDHYA CAPITAL PUBLIC COMPANY LIMITED AND SUBSIDIARY  
STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

BAHT

	Notes	CONSOLIDATED FINANCIAL STATEMENTS		SEPARATE FINANCIAL STATEMENTS	
		2012	2011	2012	2011
<b>CONTINUING OPERATIONS</b>					
<b>Revenues</b>					
Net premium earned	23 and 41	1,709,869,907	1,661,461,038	-	-
Fee and commission income	23 and 41	191,591,906	221,911,677	-	-
<b>Total revenues</b>		<u>1,901,461,813</u>	<u>1,883,372,715</u>	<u>-</u>	<u>-</u>
<b>Expenses</b>					
Underwriting Expenses					
Losses incurred					
Insurance claims and loss adjustment expenses					
- Normal operation	23 and 41	945,783,511	800,779,322	-	-
- Suffering losses from flooding in Thailand	4 and 23	108,578,002	1,030,388,876	-	-
Commissions and brokerages expenses	23 and 41	400,740,578	360,911,724	-	-
Other underwriting expenses	23 and 41	293,375,010	269,978,865	-	-
Operating expenses	24 and 41	289,187,785	283,384,728	82,880,381	76,923,745
<b>Total underwriting expenses</b>		<u>2,037,664,886</u>	<u>2,745,443,515</u>	<u>82,880,381</u>	<u>76,923,745</u>
Loss on underwriting		(136,203,073)	(862,070,800)	(82,880,381)	(76,923,745)
Net investment income		179,372,541	234,627,919	134,028,501	206,172,468
Gain on investment in securities	26	79,678,907	97,947,151	79,312,864	98,099,352
Share of profit of investments in an associate	10.1	25,872,701	-	-	-
Other income		7,991,835	22,602,565	42,454,337	25,862,677
<b>Income (loss) from operation</b>		<u>156,712,911</u>	<u>(506,893,165)</u>	<u>172,915,321</u>	<u>253,210,752</u>

# STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

SRI AYUDHYA CAPITAL PUBLIC COMPANY LIMITED AND SUBSIDIARY  
STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

BAHT

	Notes	CONSOLIDATED FINANCIAL STATEMENTS		SEPARATE FINANCIAL STATEMENTS	
		2012	2011	2012	2011
Contribution to the Office of Insurance Commission		7,294,138	6,737,945	-	-
Contribution to Non-life Guarantee Fund		6,794,138	5,247,980	-	-
Contribution to Road Victims Protection Fund		336,825	341,328	-	-
Finance cost		-	32,772	-	32,772
Income (loss) before income tax expense		142,287,810	(519,253,190)	172,915,321	253,177,980
Income tax - expense (income)	27	47,345,748	(64,160,109)	19,766,515	34,630,798
Profit (loss) from continuing operations		94,942,062	(455,093,081)	153,148,806	218,547,182
<b>DISCONTINUED OPERATIONS</b>					
Profit from discontinued operations - net of tax	41	-	-	-	77,262,333
<b>Net income (loss)</b>		<u>94,942,062</u>	<u>(455,093,081)</u>	<u>153,148,806</u>	<u>295,809,515</u>
<b>Other comprehensive income</b>					
Surplus (deficit) on revaluation of investments	5.1	99,164,250	(160,619,870)	88,953,625	(164,438,459)
Income tax relating to other comprehensive income (loss)	5.1	(18,053,073)	55,297,052	(16,126,674)	55,683,834
Other net comprehensive income (loss) for the years - net of tax		81,111,177	(105,322,818)	72,826,951	(108,754,625)
<b>Total comprehensive income (loss) for the years</b>		<u>176,053,239</u>	<u>(560,415,899)</u>	<u>225,975,757</u>	<u>187,054,890</u>
<b>Basic earnings (loss) per share</b>	28				
From continuing and discontinued operations					
Basic earnings (loss) per share	<b>Baht</b>	0.38	(1.82)	0.61	1.18
From continuing operations					
Basic earnings (loss) per share	<b>Baht</b>	0.38	(1.82)	0.61	0.87

# SEPARATE STATEMENTS OF CHANGES IN EQUITY

SRI AYUDHYA CAPITAL PUBLIC COMPANY LIMITED AND SUBSIDIARY  
SEPARATE STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

BAHT

	Notes	Issued and paid-up share capital	Premium on share capital	Retained earnings			Other components of equity - Surplus (deficit) on revaluation of investments	Total equity
				Statutory reserve	Other reserve	Unappropriated		
Beginning balance at January 1, 2011		250,000,000	3,512,183,950	50,000,000	900,000,000	676,178,141	171,221,352	5,559,583,443
Changing during the year								
Comprehensive income		-	-	-	-	295,809,515	(108,754,625)	187,054,890
Dividends paid	31	-	-	-	-	(175,000,000)	-	(175,000,000)
Interim dividend	31	-	-	-	-	(125,000,000)	-	(125,000,000)
<b>Ending balance at December 31, 2011</b>		<u>250,000,000</u>	<u>3,512,183,950</u>	<u>50,000,000</u>	<u>900,000,000</u>	<u>671,987,656</u>	<u>62,466,727</u>	<u>5,446,638,333</u>
Beginning balance at January 1, 2012		250,000,000	3,512,183,950	50,000,000	900,000,000	671,987,656	62,466,727	5,446,638,333
Changing during the year								
Comprehensive income		-	-	-	-	153,148,806	72,826,951	225,975,757
Dividends paid	31	-	-	-	-	(125,000,000)	-	(125,000,000)
Transfer from surplus on revaluation of investments	8	-	-	-	-	19,756,095	(19,756,095)	-
<b>Ending balance at December 31, 2012</b>		<u>250,000,000</u>	<u>3,512,183,950</u>	<u>50,000,000</u>	<u>900,000,000</u>	<u>719,892,557</u>	<u>115,537,583</u>	<u>5,547,614,090</u>



# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

SRI AYUDHYA CAPITAL PUBLIC COMPANY LIMITED AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

BAHT

	Notes	Issued and paid-up share capital	Premium on share capital	Retained earnings (deficit)			Other components of equity - Surplus (deficit) on revaluation of investments	Total equity
				Statutory reserve	Other reserve	Unappropriated		
Beginning balance at January 1, 2011		250,000,000	3,512,183,950	50,000,000	900,000,000	677,558,565	170,759,865	5,560,502,380
Changing during the year								
Comprehensive loss		-	-	-	-	(455,093,081)	(105,322,818)	(560,415,899)
Dividends paid	31	-	-	-	-	(175,000,000)	-	(175,000,000)
Interim dividend	31	-	-	-	-	(125,000,000)	-	(125,000,000)
<b>Ending balance at December 31, 2011</b>		<u>250,000,000</u>	<u>3,512,183,950</u>	<u>50,000,000</u>	<u>900,000,000</u>	<u>(77,534,516)</u>	<u>65,437,047</u>	<u>4,700,086,481</u>
Beginning balance at January 1, 2012		250,000,000	3,512,183,950	50,000,000	900,000,000	(77,534,516)	65,437,047	4,700,086,481
Changing during the year								
Comprehensive income		-	-	-	-	94,942,062	81,111,177	176,053,239
Dividends paid	31	-	-	-	-	(125,000,000)	-	(125,000,000)
Transfer from surplus on revaluation of investments	8	-	-	-	-	19,756,095	(19,756,095)	-
<b>Ending balance at December 31, 2012</b>		<u>250,000,000</u>	<u>3,512,183,950</u>	<u>50,000,000</u>	<u>900,000,000</u>	<u>(87,836,359)</u>	<u>126,792,129</u>	<u>4,751,139,720</u>

# STATEMENTS OF CASH FLOWS

SRI AYUDHYA CAPITAL PUBLIC COMPANY LIMITED AND SUBSIDIARY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

BAHT

	Notes	CONSOLIDATED FINANCIAL STATEMENTS		SEPARATE FINANCIAL STATEMENTS	
		2012	2011	2012	2011
<b>CASH FLOWS PROVIDED BY (USED IN)</b>					
<b>OPERATING ACTIVITIES</b>					
Direct premium received		2,688,553,153	2,390,829,175	-	1,474,295,162
Cash received (paid) from reinsurance		1,968,461,157	73,965,443	-	(4,414,840)
Losses incurred from direct insurance		(4,871,083,945)	(1,389,679,899)	-	(699,407,785)
Loss adjustment expenses from direct insurance		(73,480,996)	(91,636,180)	-	(41,847,565)
Commissions and brokerages expenses from direct insurance		(382,523,621)	(337,057,360)	-	(230,739,990)
Other underwriting expenses		(302,286,493)	(283,546,312)	(1,368,725)	(159,396,239)
Interest income		78,056,373	107,474,296	35,517,290	66,862,896
Dividend income		104,428,627	139,994,348	104,424,627	139,619,419
Other income		4,258,964	25,567,842	34,746,068	21,670,390
Operating expenses		(237,347,455)	(265,640,772)	(83,188,311)	(175,073,510)
Income tax paid		<u>(48,074,576)</u>	<u>(129,278,205)</u>	<u>(37,007,032)</u>	<u>(107,480,297)</u>
Net cash provided by (used in) operating activities	5.3	<u>(1,071,038,812)</u>	<u>240,992,376</u>	<u>53,123,917</u>	<u>284,087,641</u>
<b>CASH FLOWS PROVIDED BY (USED IN)</b>					
<b>INVESTING ACTIVITIES</b>					
<b>CASH FLOWS PROVIDED BY</b>					
Investment in securities					
Redemption of investment in held-to-maturity securities - treasury bills with maturity over 3 months		110,000,000	-	-	-
Redemption of investment in held-to-maturity securities - notes with maturity over 3 months		23,000,000	81,500,000	-	50,000,000
Redemption of investment in trading securities - bonds		-	31,500,000	-	-
Redemption of investment in available for sale securities - bonds		476,210,000	221,230,000	-	80,000,000
Redemption of investment in available for sale securities - debentures		12,520,000	13,830,000	-	-
Sale of investment in trading securities - bonds		-	98,315,620	-	-

# STATEMENTS OF CASH FLOWS (CONTINUED)

SRI AYUDHYA CAPITAL PUBLIC COMPANY LIMITED AND SUBSIDIARY  
STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

BAHT

	Notes	CONSOLIDATED FINANCIAL STATEMENTS		SEPARATE FINANCIAL STATEMENTS	
		2012	2011	2012	2011
<b>CASH FLOWS PROVIDED BY (USED IN)</b>					
<b>INVESTING ACTIVITIES (CONTINUED)</b>					
CASH FLOWS PROVIDED BY (CONTINUED)					
Sale of investment in trading securities - debentures		-	14,392,810	-	-
Sale of investment in available for sale securities - bonds		94,464,102	198,359,066	94,464,102	189,561,455
Sale of investment in available for sale securities - debentures		-	579,376,168	-	579,376,167
Sale of investment in available for sale securities - ordinary shares		246,140,300	269,011,415	246,140,300	269,004,697
Sale of investment in available for sale securities - other securities		1,279,020,155	275,923,671	1,268,004,623	265,074,254
Sale of investment in available for sale securities - warrants		481,091	38,917	481,091	38,917
Sale of investment in available for sale securities - transferable subscription rights		-	58,201	-	58,201
Sale of investment in general investment - ordinary shares		3,258,655	-	3,258,655	-
Receivable from subsidiary		-	-	-	21,625,495
Cash in flow by transfer business from subsidiary		-	-	-	59,469,514
Deposits at financial institutions with maturity over 3 months		888,324,230	276,245,420	1,364,706	105,656,285
Loans		2,247,334	1,969,867	35,650	1,420,735
Premises and equipment		5,305,635	11,604,824	1,536,075	10,113,511
Net cash provided by investing activities		<u>3,140,971,502</u>	<u>2,073,355,979</u>	<u>1,615,285,202</u>	<u>1,631,399,231</u>
<b>CASH FLOWS USED IN</b>					
Investment in securities					
Purchase of investment in held-to-maturity securities - notes with maturity over 3 months		-	(137,125,011)	-	-
Purchase of investment in trading securities - bonds		-	(29,671,297)	-	-
Purchase of investment in available for sale securities - treasury bill		-	-	-	(29,201,402)

# STATEMENTS OF CASH FLOWS (CONTINUED)

SRI AYUDHYA CAPITAL PUBLIC COMPANY LIMITED AND SUBSIDIARY  
STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

BAHT

	Notes	CONSOLIDATED FINANCIAL STATEMENTS		SEPARATE FINANCIAL STATEMENTS	
		2012	2011	2012	2011
<b>CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES (CONTINUED)</b>					
<b>CASH FLOWS USED IN (CONTINUED)</b>					
Purchase of investment in available for sale securities - bonds		(53,584,140)	(299,253,976)	-	-
Purchase of investment in available for sale securities - ordinary shares		(135,661,748)	(138,298,781)	(135,661,748)	(138,298,781)
Purchase of investment in available for sale securities - debentures		-	(5,068,525)	-	-
Purchase of investment in available for sale securities - other securities		(170,000,000)	(52,564,740)	(170,000,000)	(52,564,740)
Purchase of investments in available for sale securities - warrants		(460,012)	-	(460,012)	-
Purchase of investment in available for sale securities - transferable subscription rights		-	(11,131)	-	(11,131)
Increase in share capital of subsidiary		-	-	(600,000,000)	(899,999,940)
Cash paid for other payable - subsidiary		-	(31,579,041)	-	(31,579,041)
Purchase of investments in associate		(1,270,119,060)	-	(1,270,119,060)	-
Deposits at financial institutions with maturity over 3 months and deposits used as collateral		(1,128,421,975)	(178,549,470)	(5,787,846)	(10,370,898)
Loans		(2,910,000)	(2,302,500)	(100,000)	(1,199,600)
Premises and equipment		(15,479,195)	(26,905,143)	(103,347)	(19,493,741)
Intangible assets		(11,215,960)	(6,556,400)	-	(4,216,400)
Cash used in investing activities		<u>(2,787,852,090)</u>	<u>(907,886,015)</u>	<u>(2,182,232,013)</u>	<u>(1,186,935,674)</u>
Net cash provided by (used in) investing activities		<u>353,119,412</u>	<u>1,165,469,964</u>	<u>(566,946,811)</u>	<u>444,463,557</u>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>					
Dividend paid		<u>(125,000,000)</u>	<u>(300,000,000)</u>	<u>(125,000,000)</u>	<u>(300,000,000)</u>
Net cash used in financing activities		<u>(125,000,000)</u>	<u>(300,000,000)</u>	<u>(125,000,000)</u>	<u>(300,000,000)</u>
Net increase (decrease) in cash and cash equivalents		(842,919,400)	1,106,462,340	(638,822,894)	428,551,198
Cash and cash equivalents as at January 1,		<u>1,486,255,734</u>	<u>379,793,394</u>	<u>747,417,158</u>	<u>318,865,960</u>
<b>Cash and cash equivalents as at December 31,</b>	5.2	<u><u>643,336,334</u></u>	<u><u>1,486,255,734</u></u>	<u><u>108,594,264</u></u>	<u><u>747,417,158</u></u>

Notes to the financial statements form an integral part of these statements

# NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

SRI AYUDHYA CAPITAL PUBLIC COMPANY LIMITED AND SUBSIDIARY  
 NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

## 1. GENERAL INFORMATION AND OPERATION OF THE COMPANY AND ITS SUBSIDIARY

### 1.1 The Company

Sri Ayudhya Capital Public Company Limited (“the Company”) was registered in The Stock Exchange of Thailand. The main business is an investment holding company. The head office is located at Ploenchit Tower, 7th floor, 898 Ploenchit Road, Lumpini, Pathumwan, Bangkok.

The Company has a subsidiary company, Sri Ayudhya General Insurance Public Company Limited which operate non-life insurance business, holding by 99.99%.

On September 1, 2011, the Company and the subsidiary entered into the Transfer of Business Agreement to transfer all insurance policy including assets and liabilities relating to non-life insurance operation to the subsidiary. The responsibilities and obligations under exiting insurance policy made between the Company and clients or other parties will be responded by the subsidiary. The business transfer prices on the transferred date are based on the book values of assets and liabilities of the Company as at September 30, 2011 (see Note 41). The condition to determine the business transfer prices are as follows:

- (1) If the book value of assets to be transferred exceeds the book value of liabilities to be transferred, the subsidiary is required to pay amount that assets over liabilities to the Company.
- (2) If the book value of liabilities to be transferred exceeds the book value of assets to be transferred, the Company is required to pay amount that liabilities over assets compensation to the subsidiary.

Additional, the Transfer of Business Agreement states that the obligations relating to all expenditure under the transfer of business will be responded by the subsidiary.

Total assets and liabilities held for transfer are as follows:

	Baht: million
	Book value as at September 30, 2011
<b>Assets</b>	
Premiums due and uncollected - net	172.05
Reinsurance assets	317.51
Loans	3.08
Equipment - net	40.56
Intangible assets - net	125.05
Deferred tax assets	175.42
Other assets	32.93
<b>Total Assets</b>	<u>866.60</u>
<b>Liabilities</b>	
Due to reinsurers	251.72
Insurance contract liabilities	
Outstanding claims	462.26
Premium reserve	655.14
Employee benefit obligation	29.74
Premium written received in advance	136.64
Commission and brokerage payables	34.80
Other liabilities	24.60
<b>Total liabilities</b>	<u>1,594.90</u>
<b>Liabilities over assets</b>	<u>728.30</u>

On October 1, 2011, the Company has transferred non-life insurance operation to the subsidiary. The Company returned insurance license to the Office of the Insurance Commission (OIC) and was converted to an investment holding company follow the business integration plan since December 20, 2011.

On November 30, 2011, the Company paid the excess amount of liabilities over assets amounting to Baht 728.30 million for the transfer of insurance business to the subsidiary by transferring bonds at cost amounting to Baht 775.24 million with fair value including accrued interest amounting to Baht 787.77 million. For the excess amounting to Baht 59.47 million, the subsidiary paid cash to the Company. However, in December 2011, the Company found that the book value of deferred tax assets transferred to the subsidiary was excess by Baht 8.92 million. As a result, the Company has to pay an additional amount for the difference to the subsidiary at the same amount. On February 24, 2012, the Company has already paid such additional amount to the subsidiary.

## 1.2 The subsidiary

Sri Ayudhya General Insurance Public Company Limited (“subsidiary”) is a limited company incorporated in Thailand on September 21, 1982. The main business is non-life insurance and the subsidiary was awarded license to operate all classes of non-life insurance on September 24, 1982 and the subsidiary has registered to be Public Company Limited on October 3, 2011. The Company’s office was registered at Ploenchit Tower, 18th floor Zone A, 898 Ploenchit Road, Lumpini, Pathumwan, Bangkok.

## 2. BASIS FOR PREPARATION OF THE CONSOLIDATED AND THE SEPARATE FINANCIAL STATEMENTS

2.1 The financial statements are prepared and fairly presented in accordance with Thai Financial Reporting Standards (TFRSs) and practices generally accepted in Thailand, where the format of financial statements is based on Thai Account Standard No. 1 (Revised 2009) “Presentation of Financial Statements” and the Notification of the Office of Insurance Commission regarding the Rules, Procedures, Conditions and Periods for Preparing and Submitting Financial Statements and Reports on the Operations of the Non-Life Insurance Business No. 2 B.E. 2553 dated May 27, 2010 which effective from January 1, 2011. In addition, the consolidated and the separate financial statements have been prepared in accordance with the regulations of The Stock Exchange of Thailand (SET) dated January 22, 2001 regarding preparation and submission of financial statements and reports for the financial position and results of operations of listed companies B.E. 2544.

The Company and its subsidiary maintain accounting records in Thai Baht and prepare statutory financial statements in the Thai language in conformity with TFRSs and practices generally accepted in Thailand.

2.2 These consolidated financial statements include the financial statements of Sri Ayudhya Capital Public Company Limited and Sri Ayudhya General Insurance Public Company Limited which 99.99% owned by the Company (see Note 10). Significant transactions and balances between the Company and the subsidiary have been eliminated.

The accounting period and significant accounting policies used for the financial statements of the subsidiary is the same as those of the Company.

2.3 The Federation of Accounting Professions has issued the Notifications regarding the new and revised Thai Accounting Standards (TAS), Thai Financial Reporting Standards (TFRS), Thai Accounting Standards Interpretation (TSI) and Guideline on Accounting, which will become effective for the financial statements for the accounting periods beginning on or after January 1, 2013 onwards as follows:

### TAS

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

### TFRS

TFRS 8	Operating Segments
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**TSI**

TSI 10	Government Assistance - No Specific Relation to Operating Activities
TSI 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
TSI 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

**Guideline on Accounting**

Guideline on Accounting regarding Transferring and Accepting Transfer of Financial Assets

The Federation of Accounting Professions has issued the Notifications regarding new and revised Thai Accounting Standard Interpretations (TSI) and Thai Financial Reporting Interpretations (TFRI), which will become effective for the financial statements for the accounting periods beginning on or after January 1, 2014 onwards as follows:

**Thai Accounting Standard Interpretations (TSI)**

TSI 29	Disclosure - Service Concession Arrangements
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**Thai Financial Reporting Interpretations (TFRI)**

TFRI 4	Determining Whether an Arrangement Contains a Lease
TFRI 12	Service Concession Arrangements
TFRI 13	Customer Loyalty Programmes

The Company and its subsidiary's management will adopt the above TAS, TFRS, TSI, TFRI and Guideline on Accounting relevant to the Company and its subsidiary in the preparation of Company and its subsidiary's financial statements when they become effective. The Company and its subsidiary's management has assessed the effects of these TAS, TFRS, TSI, TFRI and Guideline on Accounting and believes that they will not have any significant impact on the financial statements for the period in which they are initially applied. However, the Company and its subsidiary have elected to early adopted TAS 12 "Income Taxes".

**3. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below:

**3.1 Recognition of revenues and expenses****Premium written**

For insurance policies with coverage period for one year, premium income is recognized on the date the insurance policy is issued after deducting premium ceded and premium cancelled and refunded. For long-term insurance policies which coverage periods of longer than one year, related revenues and expenses are recorded as unearned and prepaid items which recognized as income and expenses over the coverage annual.

**Reinsurance premium**

Reinsurance premium income is recognized when the Company and its subsidiary receive the reinsurance application or statement of accounts from the ceding company. Reinsurance profit commissions are recognized when the Company and its subsidiary receive the statement of accounts from the reinsurers.

**Commissions and brokerages income**

Commissions and brokerages income are recognized as income on an accrual basis.

**Interest and dividends income**

Interest income is recognized as income on an accrual basis. Dividends income are recognized as income on the declaration date.

**Commissions and brokerages and other expenses**

Commissions and brokerages and other expenses are recognized as expenses on an accrual basis.

**3.2 Cash and cash equivalents**

Cash and cash equivalents include cash on hand and all types of deposits with banks including investment in securities-notes with original maturity of 3 months or less.

In the statement of cash flows, deposits at banks used as collateral or having original terms to maturity over 3 months are not included in cash and cash equivalents but are presented in investing activities.

**3.3 Premium due and uncollected and allowance for doubtful accounts**

Premium due and uncollected are stated at net realizable value. The Company and its subsidiary record allowance for doubtful accounts for the estimated collection losses on premium due and uncollected. Such estimated losses are based on the Company and its subsidiary's collection experience and the analysis of aging of each premium due and uncollected.

**3.4 Reinsurance assets**

Reinsurance assets are stated at net realizable value. The Company and its subsidiary record allowance for doubtful accounts for the estimated collection losses on reinsurance assets. Such estimated losses are based on the Company and its subsidiary's collection experience and the analysis of aging of each reinsurance assets.

**3.5 Investment in securities**

Securities classified as available for sale are stated at fair value. Gain or loss on the change in fair value is recognized as other components of equity.

Securities classified as general investments are stated at cost.

Debt securities classified as held to maturity are stated at amortized cost.

In case of temporary impairment in value of investment has occurred, the resultant loss for all classification of investments is recognized in the statement of comprehensive income.

Premiums and discounts on debt securities are amortized and accreted to income as adjustments to interest income by using the effective interest rate method.

The costs of securities sold are determined by the weighted average method.

Fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. Fair value of debt instruments is determined based on the required rate of return or the yield rates quoted by the Thai Bond Market Association. Fair value of unit trusts is determined from their net asset value.

**3.6 Investments in subsidiary and associate**

Investments in subsidiary and associate as presented in the separate financial statements are accounted for under the cost method net of allowance for impairment loss (if any). Investments in associate as presented in the consolidated financial statements are accounted for under the equity method.

**3.7 Premises and equipment**

Land is stated at cost. Premises and equipment are stated at cost, net of accumulated depreciation.

Depreciation is calculated by the straight-line method, based on the estimated useful lives of the assets as follows:

Building	20 years
Others	5 years

**3.8 Intangible assets**

Intangible assets with definite useful life are stated at cost less accumulated amortization and impairment losses (if any).



Amortization is charged to the statement of income on a straight-line basis from the date that intangible assets are available for use over the estimated useful lives of the assets. The estimated useful lives are as follows:

Computer software	5 years
Bancassurance agreement	10 years

### 3.9 Unearned premium reserve

Unearned premium reserve is set aside in compliance with the basis as specified in the Notification of the Office of Insurance Commission as follows:

Fire, Marine (Hull), Motor and Miscellaneous	- Monthly average basis (the one-twentyfourth basis)
Marine (Cargo)	- Net premium written for the last ninety days
Travelling accident	- Net premium written for the last thirty days

### 3.10 Loss reserve and outstanding claims

Loss reserve and outstanding claims have been provided upon receipt of claim advices from the insured and recorded at the amount appraised by an independent appraiser or by the Company and its subsidiary's appraiser. In addition, the Company and its subsidiary record a provision for losses incurred but not yet reported (IBNR) which assessed by certified actuary.

### 3.11 Foreign currency transactions

Transactions during the year denominated in foreign currencies are translated into Baht at the rates of exchange prevailing at the transaction dates. Monetary assets and liabilities at the statements of financial position date denominated in foreign currencies are translated into Baht at the reference exchange rates established by the Bank of Thailand at that date. Gains and losses on exchange arising on settlements and translation are recognized as income or expense when incurred.

### 3.12 Employee benefit

#### 3.12.1 Provident fund

The Company and its subsidiary have provident fund which are contributory and had been registered in accordance with the Provident Fund Act B.E. 2530 (1987). The Company and its subsidiary's contribution to the Fund are recorded as expense for the year.

#### 3.12.2 Post-employment benefits obligation

The Company and its subsidiary provide post-employment benefits obligation, payable to employees under the Thai Labor Protection Act. The liability in respect of employee benefits is the present value of the defined benefit obligation which is calculated by using the actuarial technique. The present value of the defined benefits obligation is determined by discounting estimated future cash flows using yields on the government bonds which have terms to maturity approximating the terms of related liability. The estimated future cash flows shall reflect employee salaries, turnover rate, length of service and other factor. Actuarial gains or losses will be recognized in the statements of comprehensive income in the period to which they are related. The costs associated with providing these benefits are charged to the statements of comprehensive income so as to spread the cost over the employment period during which the entitlement to benefits is earned.

### 3.13 Income tax expenses

The Company and its subsidiary have early adopted Accounting Standard No. 12 "Income Taxes" (see Note 27).

Income tax expenses is based on the taxable profit multiplied by the tax rate that has been enacted at the balance sheet date and adjusted by the effect of deferred income tax accounting.

Deferred income tax is provided on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, using the tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

### 3.14 Basic earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing net income by the number of weighted average ordinary shares outstanding at the end of the year. In the case of a capital increase, the number of shares is equal to the weighted average according to the time of the subscription received for the increase in issued and paid-up share capital. As at December 31, 2012 and 2011, the Company and its subsidiary do not have any common share equivalents outstanding which would have had a dilutive effect on earnings (loss) per share.

### 3.15 Accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles also requires the Company and its subsidiary's management to exercise judgment in order to determine the accounting policies, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Although these estimates are based on management's reasonable consideration of current events, actual results may differ from these estimates.

## 4. IMPACT FROM SEVERE FLOODING IN THAILAND

From the severe flooding in Thailand by the end of 2011, as at December 31, 2011 the subsidiary recorded loss reserve from flood claims advised from the insured amounting to Baht 5,977.98 million, as part of loss reserves and outstanding claims account (see Note 15), and recorded loss refundable from reinsurance amounting to Baht 4,947.59 million, as part of reinsurance assets account (see Note 7). Net insurance claims arising from such loss incurred and loss refundable amounting to Baht 1,030.39 million has been recorded as part of insurance claims and loss adjustment expenses account in the consolidated statements of comprehensive income for the year ended December 31, 2011 (see Note 23).

For the year ended December 31, 2012, the subsidiary has paid insurance claims from the flooding to the insured by net of loss refundable from reinsurance amounting to Baht 864.83 million, and recorded net insurance claims arising from loss incurred and loss refundable from such situation amounting to Baht 108.58 million, as part of insurance claims and loss adjustment expenses account in the consolidated statements of comprehensive income for the year ended December 31, 2012 (see Note 23). As at December 31, 2012, the subsidiary has loss reserve from such claims of flooding amounting to Baht 2,170.77 million, as part of loss reserves and outstanding claims account (see Note 15), and loss refundable from reinsurance amounting to Baht 1,896.63 million as part of reinsurance assets account (see Note 7).

The subsidiary's management has reviewed and estimated such loss reserves and loss recovery from the amount appraised by an independent appraiser or by the subsidiary's appraiser, based on situation, received supporting documents and experience of the subsidiary's management. However, there may be an uncertainty resulted from using various assumptions in estimation of such loss reserves and loss recovery.

## 5. ADDITIONAL INFORMATION FOR CASH FLOWS

### 5.1 Non-cash items

As at December 31, 2012 and 2011, the surplus on revaluation of investments which is presented in other components of equity were shown net of deferred tax liabilities as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
	Baht	Baht	Baht	Baht
Unrealized gain on investment in available for sale securities	158,490,161	59,325,911	144,421,979	55,468,353
Unrealized gain on transfer in investment general investment (see Note 8)	-	24,695,119	-	24,695,119
Total unrealized gain	158,490,161	84,021,030	144,421,979	80,163,472
<u>Less</u> Deferred tax liabilities (see Note 19)	<u>(31,698,032)</u>	<u>(18,583,983)</u>	<u>(28,884,396)</u>	<u>(17,696,745)</u>
Surplus on revaluation of investments - net	<u>126,792,129</u>	<u>65,437,047</u>	<u>115,537,583</u>	<u>62,466,727</u>

For the years ended December 31, 2012 and 2011, changes in surplus (deficit) on revaluation of investments - net of deferred tax were as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
	Baht	Baht	Baht	Baht
Increase (decrease) of unrealized gain on investment in available for sale securities	74,469,131	(160,619,870)	64,258,506	(164,438,459)
Transfer from surplus on revaluation (see Note 8)	24,695,119	-	24,695,119	-
(Increase) decrease of deferred tax liabilities (see Note 19)	<u>(18,053,073)</u>	<u>55,297,052</u>	<u>(16,126,674)</u>	<u>55,683,834</u>
Increase (decrease) of surplus on revaluation of investments - net	<u>81,111,177</u>	<u>(105,322,818)</u>	<u>72,826,951</u>	<u>(108,754,625)</u>

5.2 Cash and cash equivalents as at December 31, 2012 and 2011 consist of the following:

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
	Baht	Baht	Baht	Baht
Cash	290,000	380,000	30,000	190,000
Cheque on hands	18,318,496	-	-	-
Deposits at bank - call deposits	314,889,083	1,380,414,050	48,595,473	746,765,475
Deposits at bank - time deposits and certificate of deposits	597,804,109	463,168,048	247,352,800	243,391,345
Government securities - Treasury bills	<u>339,838,755</u>	<u>29,704,842</u>	<u>89,968,791</u>	<u>29,704,842</u>
	1,271,140,443	1,873,666,940	385,947,064	1,020,051,662
<u>Less</u> Deposits at bank with maturity over 3 months (see Note 8)	(228,102,519)	(229,706,364)	(203,352,800)	(198,929,662)
Deposits at bank used as collateral (see Note 8)	(369,701,590)	(128,000,000)	(44,000,000)	(44,000,000)
Government securities - Treasury bills with maturity over 3 months	<u>(30,000,000)</u>	<u>(29,704,842)</u>	<u>(30,000,000)</u>	<u>(29,704,842)</u>
Cash and cash equivalents	<u>643,336,334</u>	<u>1,486,255,734</u>	<u>108,594,264</u>	<u>747,417,158</u>

## 5.3 Cash flows provided by (used in) operating activities

Items to reconcile net profit to net cash flows provided by (used in) operating activities for the years ended December 31, 2012 and 2011 were as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
	Baht	Baht	Baht	Baht
<b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>				
Net profit (loss) before income tax	142,287,810	(519,253,190)	172,915,321	377,891,111
Items to reconcile net profit to net cash flows:				
Share of profit of investments in an associate	(25,872,701)	-	-	-
Depreciation	21,653,082	22,840,213	4,980,187	16,811,388
Amortization of intangible assets	17,663,797	16,238,041	8,173	11,905,867
Excess of net fair value over purchase cost	-	(7,737,060)	-	-
Gain on sale of equipment	(3,732,872)	(8,898,639)	(637,133)	(7,853,871)
Employee benefits expense	3,662,034	7,896,874	(2,095,855)	4,902,836
Unearned premium reserve increase (decrease) from prior years	101,209,317	(66,248,763)	-	(3,039,369)
Amortization of bonds premium	7,274,845	7,181,800	4,900,055	6,999,234
Amortization of bonds discount	(1,132,687)	(663,562)	-	(27,701)
Amortization of treasury bills discount	(2,254,800)	(620,188)	(287,693)	(510,904)
Amortization of debentures premium	42,377	203,864	-	-
Amortization of debentures discount	(628,672)	(705,429)	(618,065)	(582,013)
Loss on sale of investment in trading securities - bonds	-	162,273	-	-
Loss on sale of investment in trading securities - debentures	-	110,188	-	-
Gain on sale of investment in available for sale securities - ordinary shares	(71,643,288)	(77,893,228)	(71,643,288)	(77,893,228)
Gain on sale of investment in available for sale securities - other securities	(7,522,460)	(10,941,175)	(7,156,417)	(10,762,782)
Gain on sale of investment in available for sale securities - bonds	(440,085)	1,800	(440,085)	(16,062)
Gain on sale of investment in available for sale securities - debentures	-	(9,376,169)	-	(9,376,169)
Gain on sale of investment in available for sale securities - warrants	(21,079)	(38,917)	(21,079)	(38,917)
Gain on sale of investment in available for sale securities - transferable subscription rights	-	(12,159)	-	(12,159)
Gain on sale of investment in general securities - ordinary shares	(91,995)	-	(91,995)	-
Loss on transfer of investment	-	40,271	-	-
Loss on impairment of general investments	40,000	-	40,000	-
Bad debts and allowance for doubtful accounts	46,906	(5,589,338)	-	158,803
Profit from operations before changes in operating assets and liabilities	180,539,529	(653,302,493)	99,852,126	308,556,064
Operating assets (increase) decrease				
Accrued investment income	(188,601)	4,185,886	1,919,121	(5,644,358)
Premium due and uncollected	(28,419,033)	22,125,340	-	18,097,605
Reinsurance assets	1,667,605,070	(4,831,753,211)	-	42,694,253
Deferred commission expense	(1,512,401)	-	-	-
Other assets	(1,014,999)	(12,844,023)	917,542	8,952,656
Operating liabilities increase (decrease)				
Due to reinsurers	522,190,076	102,525,785	-	16,283,841
Loss reserves and outstanding claims	(3,383,022,135)	5,677,525,886	3,105,072	18,396,919
Premium written received in advance	1,555,443	34,465,977	-	2,820,558
Commission and brokerage payables	7,064,763	(455,146)	-	265,050
Accrued expenses	(349,922)	14,570,971	(16,475,076)	(9,150,254)
Other liabilities	12,587,974	13,225,609	812,164	(9,704,396)
Cash provided by (used in) operating activities	(1,022,964,236)	370,270,581	90,130,949	391,567,938
Income tax paid	(48,074,576)	(129,278,205)	(37,007,032)	(107,480,297)
Net cash provided by (used in) operating activities	(1,071,038,812)	240,992,376	53,123,917	284,087,641

## 6. PREMIUM DUE AND UNCOLLECTED - NET

Premium due and uncollected - net as at December 31, 2012 and 2011 consist of the following:

	Consolidated financial statements							
	As at December 31, 2012				As at December 31, 2011			
	Insured Baht	Agent and Broker Baht	Inward Baht	Total Baht	Insured Baht	Agent and Broker Baht	Inward Baht	Total Baht
Within credit terms	10,748,556	160,578,654	1,093,043	172,420,253	15,540,921	123,815,510	499,340	139,855,771
Less than 30 days	410,179	35,481,915	986,830	36,878,924	2,419,259	36,096,047	646,698	39,162,004
31 - 60 days	365,609	13,140,374	3,728,110	17,234,093	243,461	12,697,496	3,557,573	16,498,530
61 - 90 days	21,290	4,606,985	992,731	5,621,006	246,268	3,433,694	938,206	4,618,168
91 days - 1 year	659	13,730,274	4,140,676	17,871,609	218,440	7,686,950	7,762,711	15,668,101
Over 1 year	-	662,930	224,485	887,415	5,858,716	459,049	-	6,317,765
Total premium due and uncollected	11,546,293	228,201,132	11,165,875	250,913,300	24,527,065	184,188,746	13,404,528	222,120,339
Less Allowance for doubtful accounts	-	(9,576,255)	-	(9,576,255)	(6,077,156)	(3,125,171)	-	(9,202,327)
Premium due and uncollected - net	<u>11,546,293</u>	<u>218,624,877</u>	<u>11,165,875</u>	<u>241,337,045</u>	<u>18,449,909</u>	<u>181,063,575</u>	<u>13,404,528</u>	<u>212,918,012</u>

## 7. REINSURANCE ASSETS

Reinsurance assets as at December 31, 2012 and 2011 consist of the following:

	Consolidated financial statements	
	2012 Baht	2011 Baht
Deposit on reinsurance	534	2,252
Due from reinsurers	1,379,471,521	247,817,366
Insurance reserve refundable from reinsurers	<u>2,211,487,340</u>	<u>5,010,744,847</u>
<b>Total reinsurance assets</b>	<u>3,590,959,395</u>	<u>5,258,564,465</u>

Insurance reserve refundable from reinsurers as at December 31, 2012 and 2011 has included an expected refundable from reinsurers caused by suffering losses from flooding in Thailand amounting to Baht 1,896.63 million and Baht 4,947.59 million, respectively (see Note 4).

Aging analyze for due from reinsurers as at December 31, 2012 and 2011 were as follows:

	Consolidated financial statements	
	2012 Baht	2011 Baht
Within credit terms	1,163,235,591	240,324,406
Within 12 months	215,781,343	7,445,883
1 - 2 years	437,530	25,531
Over 2 years	<u>17,057</u>	<u>21,546</u>
<b>Total due from reinsures</b>	<u>1,379,471,521</u>	<u>247,817,366</u>

## 8. INVESTMENTS IN SECURITIES

Investments in securities as at December 31, 2012 consist of the following:

	Consolidated financial statements				
	Cost/Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Percentage of Investment Per Total Assets
	Baht	Baht	Baht	Baht	
<b>Available for sale securities</b>					
Government and state enterprise securities					
Government bonds	504,016,612	6,899,195	-	510,915,807	5.12
State enterprise bonds	108,638,184	672,782	(57)	109,310,909	1.10
Treasury bills	30,000,000	-	-	30,000,000	0.30
Equity securities	21,696,159	1,782,562	(220,534)	23,258,187	0.23
Unit trusts	50,428,506	1,863,750	-	52,292,256	0.52
Total	<u>714,779,461</u>	<u>11,218,289</u>	<u>(220,591)</u>	<u>725,777,159</u>	<u>7.27</u>
Private enterprise debt securities					
Debentures	134,252,030	3,377,313	(102)	137,629,241	1.38
Equity securities	160,061,610	52,383,218	(8,427,019)	204,017,809	2.04
Unit trusts	575,826,596	103,432,495	(5,326,441)	673,932,650	6.75
Total	<u>870,140,236</u>	<u>159,193,026</u>	<u>(13,753,562)</u>	<u>1,015,579,700</u>	<u>10.17</u>
Foreign debt securities					
Bonds	400,395,786	2,040,746	-	402,436,532	4.03
Debentures	4,701,596	12,254	-	4,713,850	0.05
Total	<u>405,097,382</u>	<u>2,053,000</u>	<u>-</u>	<u>407,150,382</u>	<u>4.08</u>
<b>Total available for sale securities</b>	<u>1,990,017,079</u>	<u>172,464,315</u>	<u>(13,974,153)</u>	<u>2,148,507,241</u>	<u>21.52</u>

	Consolidated financial statements	
	Cost/Amortized Cost	Percentage of Investment Per
	Baht	Total Assets
<b>Held-to-maturity investment securities</b>		
Government and state enterprise securities		
Notes	2,500,000	0.03
Total	<u>2,500,000</u>	<u>0.03</u>
Private enterprise securities		
Notes	30,000,000	0.30
Total	<u>30,000,000</u>	<u>0.30</u>
Fixed deposit with maturity over 3 months		
Cash deposits at financial institution (see Note 5.2)	228,102,519	2.28
Fixed deposit used as collateral (see Note 5.2)	369,701,590	3.70
Total	<u>597,804,109</u>	<u>5.98</u>
<b>Total held-to-maturity investment securities</b>	<u>630,304,109</u>	<u>6.31</u>
<b>General investment securities</b>		
Equity securities	549,844,510	5.51
Unit trusts	1,546,601	0.02
<u>Less</u> Allowance for impairment	<u>(1,507,119)</u>	<u>(0.02)</u>
<b>Total general investment securities</b>	<u>549,883,992</u>	<u>5.51</u>

Debt securities classified by the remaining maturity as at December 31, 2012 were as follows:

	Consolidated financial statements			
	Maturities			Total Baht
	Within 1 year Baht	1 - 5 years Baht	Over 5 years Baht	
<b>Available for sale debt securities</b>				
Government and state enterprise securities				
Government bonds	-	305,922,183	198,094,429	504,016,612
State enterprise bonds	8,858,813	99,779,371	-	108,638,184
Treasury bills	30,000,000	-	-	30,000,000
Add Unrealized gain	<u>1,422</u>	<u>3,619,911</u>	<u>3,950,587</u>	<u>7,571,920</u>
Total	<u>38,860,235</u>	<u>409,321,465</u>	<u>202,045,016</u>	<u>650,226,716</u>
Private enterprise securities				
Debentures	12,203,338	122,048,692	-	134,252,030
Add Unrealized gain	<u>8,544</u>	<u>3,368,667</u>	<u>-</u>	<u>3,377,211</u>
Total	<u>12,211,882</u>	<u>125,417,359</u>	<u>-</u>	<u>137,629,241</u>
Foreign debt securities				
Bonds	-	400,395,786	-	400,395,786
Debentures	4,701,596	-	-	4,701,596
Add Unrealized gain	<u>12,254</u>	<u>2,040,746</u>	<u>-</u>	<u>2,053,000</u>
Total	<u>4,713,850</u>	<u>402,436,532</u>	<u>-</u>	<u>407,150,382</u>
<b>Total available for sale debt securities</b>	<u>55,785,967</u>	<u>937,175,356</u>	<u>202,045,016</u>	<u>1,195,006,339</u>
<b>Held-to-maturity debt securities</b>				
Government and state enterprise securities				
Notes	2,500,000	-	-	2,500,000
Private enterprise securities				
Notes	30,000,000	-	-	30,000,000
Fixed deposit with maturity over 3 months	228,102,519	-	-	228,102,519
Fixed deposit used as collateral	<u>369,701,590</u>	<u>-</u>	<u>-</u>	<u>369,701,590</u>
<b>Total held-to-maturity debt securities</b>	<u>630,304,109</u>	<u>-</u>	<u>-</u>	<u>630,304,109</u>
<b>Total debt securities - net</b>	<u>686,090,076</u>	<u>937,175,356</u>	<u>202,045,016</u>	<u>1,825,310,448</u>

Investments in securities as at December 31, 2012 consist of the following:

	Separate financial statements				
	Cost/Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Percentage of Investment Per Total Assets
	Baht	Baht	Baht	Baht	
<b>Available for sale securities</b>					
Government and state enterprise securities					
Government bonds	322,929,942	4,252,150	-	327,182,092	5.74
Treasury bills	30,000,000	-	-	30,000,000	0.53
Equity securities	21,696,159	1,782,562	(220,534)	23,258,187	0.41
Unit trust	50,428,506	1,863,750	-	52,292,256	0.92
Total	<u>425,054,607</u>	<u>7,898,462</u>	<u>(220,534)</u>	<u>432,732,535</u>	<u>7.60</u>
Private enterprise debt securities					
Debentures	129,007,613	3,174,542	(102)	132,182,053	2.32
Equity securities	160,061,610	52,383,218	(8,427,019)	204,017,809	3.58
Unit trusts	528,112,532	94,939,853	(5,326,441)	617,725,944	10.83
Total	<u>817,181,755</u>	<u>150,497,613</u>	<u>(13,753,562)</u>	<u>953,925,806</u>	<u>16.73</u>
<b>Total available for sale securities</b>	<u>1,242,236,362</u>	<u>158,396,075</u>	<u>(13,974,096)</u>	<u>1,386,658,341</u>	<u>24.33</u>

	Separate financial statements	
	Cost/Amortized Cost	Percentage of Investment Per Total Assets
	Baht	
<b>Held-to-maturity investment securities</b>		
Private enterprise securities		
Notes	<u>30,000,000</u>	<u>0.53</u>
Total	<u>30,000,000</u>	<u>0.53</u>
Fixed deposit with maturity over 3 months		
Cash deposits at financial institution (see Note 5.2)	203,352,800	3.57
Fixed deposit used as collateral (see Note 5.2)	<u>44,000,000</u>	<u>0.77</u>
Total	<u>247,352,800</u>	<u>4.34</u>
<b>Total held-to-maturity investment securities</b>	<u>277,352,800</u>	<u>4.87</u>
<b>General investment securities</b>		
Equity securities	548,633,540	9.62
Unit trusts	1,546,601	0.03
<u>Less</u> Allowance for impairment	<u>(1,507,119)</u>	<u>(0.03)</u>
<b>Total general investment securities</b>	<u>548,673,022</u>	<u>9.62</u>



Debt securities classified by the remaining maturity as at December 31, 2012 were as follows:

	Separate financial statements			
	Maturities			Total Baht
	Within 1 year Baht	1 - 5 years Baht	Over 5 years Baht	
<b>Available for sale debt securities</b>				
Government and state enterprise securities				
Government bonds	-	128,137,034	194,792,908	322,929,942
Treasury bills	30,000,000	-	-	30,000,000
Add Unrealized gain	-	619,892	3,632,258	4,252,150
Total	<u>30,000,000</u>	<u>128,756,926</u>	<u>198,425,166</u>	<u>357,182,092</u>
Private enterprise securities				
Debentures	10,000,000	119,007,613	-	129,007,613
Add (less) Unrealized gain (loss)	(102)	3,174,542	-	3,174,440
Total	<u>9,999,898</u>	<u>122,182,155</u>	<u>-</u>	<u>132,182,053</u>
<b>Total available for sale debt securities</b>	<u>39,999,898</u>	<u>250,939,081</u>	<u>198,425,166</u>	<u>489,364,145</u>
<b>Held-to-maturity debt securities</b>				
Private enterprise securities				
Notes	30,000,000	-	-	30,000,000
Fixed deposit with maturity over 3 months	203,352,800	-	-	203,352,800
Fixed deposit used as collateral	44,000,000	-	-	44,000,000
<b>Total held-to-maturity debt securities</b>	<u>277,352,800</u>	<u>-</u>	<u>-</u>	<u>277,352,800</u>
<b>Total debt securities - net</b>	<u>317,352,698</u>	<u>250,939,081</u>	<u>198,425,166</u>	<u>766,716,945</u>

Investments in securities as at December 31, 2011 consist of the following:

	Consolidated financial statements				
	Cost/Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Percentage of Investment Per Total Assets
	Baht	Baht	Baht	Baht	
<b>Available for sale securities</b>					
Government and state enterprise securities					
Government bonds	551,455,594	7,263,523	(357,579)	558,361,538	4.41
State enterprise bonds	284,109,099	626,531	(308,806)	284,426,824	2.25
Treasury bills	137,745,200	-	(25,464)	137,719,736	1.09
Equity securities	17,567,634	1,291,878	(1,495,680)	17,363,832	0.14
Unit trusts	50,428,506	579,593	-	51,008,099	0.40
Total	<u>1,041,306,033</u>	<u>9,761,525</u>	<u>(2,187,529)</u>	<u>1,048,880,029</u>	<u>8.29</u>
Private enterprise debt securities					
Debentures	146,182,042	4,538,743	(58,721)	150,662,064	1.19
Equity securities	203,355,263	58,355,405	(19,134,184)	242,576,484	1.92
Unit trusts	1,677,324,292	40,840,063	(32,660,760)	1,685,503,595	13.31
Total	<u>2,026,861,597</u>	<u>103,734,211</u>	<u>(51,853,665)</u>	<u>2,078,742,143</u>	<u>16.42</u>
Foreign debt securities					
Bonds	700,277,924	9,899	(144,482)	700,143,341	5.53
Debentures	4,705,287	5,952	-	4,711,239	0.04
Total	<u>704,983,211</u>	<u>15,851</u>	<u>(144,482)</u>	<u>704,854,580</u>	<u>5.57</u>
<b>Total available for sale securities</b>	<u>3,773,150,841</u>	<u>113,511,587</u>	<u>(54,185,676)</u>	<u>3,832,476,752</u>	<u>30.28</u>

	Consolidated financial statements	
	Cost/Amortized	Percentage of
	Cost Baht	Investment Per Total Assets
<b>Held-to-maturity investment securities</b>		
Private enterprise securities		
Notes	55,500,000	0.44
Total	55,500,000	0.44
Fixed deposit with maturity over 3 months		
Cash deposits at financial institution (see Note 5.2)	229,706,364	1.81
Fixed deposit used as collateral (see Note 5.2)	128,000,000	1.01
Total	357,706,364	2.82
<b>Total held-to-maturity investment securities</b>	<b>413,206,364</b>	<b>3.26</b>
<b>General investment securities</b>		
Equity securities	745,500,609	5.89
Unit trusts	1,546,601	0.01
<u>Add</u> Unrealized gain	24,695,119	0.19
<u>Less</u> Allowance for impairment	(1,507,119)	(0.01)
<b>Total general investment securities</b>	<b>770,235,210</b>	<b>6.08</b>

Debt securities classified by the remaining maturity as at December 31, 2011 were as follows:

	Consolidated financial statements			
	Maturities			Total Baht
	Within 1 year Baht	1 - 5 years Baht	Over 5 years Baht	
<b>Available for sale securities</b>				
Government and state enterprise securities				
Government bonds	-	242,376,251	309,079,343	551,455,594
State enterprise bonds	175,661,452	108,447,647	-	284,109,099
Treasury bills	137,745,200	-	-	137,745,200
<u>Add (less) Unrealized gain (loss)</u>	<u>(329,033)</u>	<u>3,059,175</u>	<u>4,468,063</u>	<u>7,198,205</u>
Total	<u>313,077,619</u>	<u>353,883,073</u>	<u>313,547,406</u>	<u>980,508,098</u>
Private enterprise securities				
Debentures	12,530,021	133,652,021	-	146,182,042
<u>Add</u> Unrealized gain	<u>38,614</u>	<u>4,441,408</u>	<u>-</u>	<u>4,480,022</u>
Total	<u>12,568,635</u>	<u>138,093,429</u>	<u>-</u>	<u>150,662,064</u>
Foreign debt securities				
Bonds	299,627,890	400,650,034	-	700,277,924
Debentures	-	4,705,287	-	4,705,287
<u>Add (less) Unrealized gain (loss)</u>	<u>9,899</u>	<u>(138,530)</u>	<u>-</u>	<u>(128,631)</u>
Total	<u>299,637,789</u>	<u>400,511,504</u>	<u>-</u>	<u>700,149,289</u>
<b>Total available for sale securities</b>	<b>625,284,043</b>	<b>897,193,293</b>	<b>313,547,406</b>	<b>1,836,024,742</b>
<b>Held-to-maturity investment securities</b>				
Private enterprise securities				
Notes	23,000,000	32,500,000	-	55,500,000
Fixed deposit with maturity over 3 months	225,302,305	4,404,059	-	229,706,364
Fixed deposit used as collateral	128,000,000	-	-	128,000,000
<b>Total held-to-maturity investment securities</b>	<b>376,302,305</b>	<b>36,904,059</b>	<b>-</b>	<b>413,206,364</b>
<b>Total debt securities - net</b>	<b>1,001,586,348</b>	<b>934,097,352</b>	<b>313,547,406</b>	<b>2,249,231,106</b>

Investments in securities as at December 31, 2011 consist of the following:

	Separate financial statements				
	Cost/Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Percentage of Investment Per Total Assets
	Baht	Baht	Baht	Baht	
<b>Available for sale securities</b>					
Government and state enterprise securities					
Government bonds	421,854,013	5,846,674	(357,579)	427,343,108	7.61
Treasury bills	29,712,306	-	(7,465)	29,704,841	0.53
Equity securities	17,567,634	1,291,878	(1,495,680)	17,363,832	0.31
Unit trust	50,428,506	579,593	-	51,008,099	0.91
Total	<u>519,562,459</u>	<u>7,718,145</u>	<u>(1,860,724)</u>	<u>525,419,880</u>	<u>9.36</u>
Private enterprise debt securities					
Debentures	128,389,548	4,274,238	(54,942)	132,608,844	2.36
Equity securities	203,355,263	58,355,405	(19,134,184)	242,576,484	4.32
Unit trusts	1,618,960,739	37,843,576	(31,673,161)	1,625,131,154	28.94
Total	<u>1,950,705,550</u>	<u>100,473,219</u>	<u>(50,862,287)</u>	<u>2,000,316,482</u>	<u>35.62</u>
<b>Total available for sale securities</b>	<u>2,470,268,009</u>	<u>108,191,364</u>	<u>(52,723,011)</u>	<u>2,525,736,362</u>	<u>44.98</u>

	Separate financial statements	
	Cost/Amortized Cost	Percentage of Investment Per Total Assets
	Baht	
<b>Held-to-maturity investment securities</b>		
Private enterprise securities		
Notes	30,000,000	0.53
Total	<u>30,000,000</u>	<u>0.53</u>
Fixed deposit with maturity over 3 months		
Cash deposits at financial institution (see Note 5.2)	198,929,662	3.54
Fixed deposit used as collateral (see Note 5.2)	44,000,000	0.78
Total	<u>242,929,662</u>	<u>4.32</u>
<b>Total held-to-maturity investment securities</b>	<u>272,929,662</u>	<u>4.85</u>
<b>General investment securities</b>		
Equity securities	744,289,639	13.25
Unit trusts	1,546,601	0.03
<u>Add</u> Unrealized gain on transfer of investment	24,695,119	0.44
<u>Less</u> Allowance for impairment	<u>(1,507,119)</u>	<u>(0.03)</u>
<b>Total general investment securities</b>	<u>769,024,240</u>	<u>13.69</u>

Debt securities classified by the remaining maturity as at December 31, 2011 were as follows:

	Separate financial statements			
	Maturities			Total Baht
	Within 1 year Baht	1 - 5 years Baht	Over 5 years Baht	
<b>Available for sale securities</b>				
Government and state enterprise securities				
Government bonds	-	170,250,495	251,603,518	421,854,013
Treasury bills	29,712,306	-	-	29,712,306
Add (less) Unrealized gain (loss)	(7,465)	1,696,693	3,792,402	5,481,630
Total	<u>29,704,841</u>	<u>171,947,188</u>	<u>255,395,920</u>	<u>457,047,949</u>
Private enterprise securities				
Debentures	-	128,389,548	-	128,389,548
Add Unrealized gain	-	4,219,296	-	4,219,296
Total	<u>-</u>	<u>132,608,844</u>	<u>-</u>	<u>132,608,844</u>
<b>Total available for sale securities</b>	<u>29,704,841</u>	<u>304,556,032</u>	<u>255,395,920</u>	<u>589,656,793</u>
<b>Held-to-maturity investment securities</b>				
Private enterprise securities				
Notes	-	30,000,000	-	30,000,000
Fixed deposit with maturity over 3 months	198,929,662	-	-	198,929,662
Fixed deposit used as collateral	44,000,000	-	-	44,000,000
<b>Total held-to-maturity investment securities</b>	<u>242,929,662</u>	<u>30,000,000</u>	<u>-</u>	<u>272,929,662</u>
<b>Total debt securities - net</b>	<u>272,634,503</u>	<u>334,556,032</u>	<u>255,395,920</u>	<u>862,586,455</u>

In 2002, the Company transferred stock of a related company previously included in available-for-sale securities to general investment as such company delisted their shares from the Stock Exchange of Thailand. The fair value of the stock at the transfer date amounted to Baht 154.70 million. The unrealized gain on the transfer of investment amounting to Baht 24.70 million was recorded as surplus on the change in value of investment under equity (see Note 5.1).

On May 9, 2012, the Company purchased additional common shares of such company, resulting in a total holding of 20.17% (see Note 10.1). The Company considers the investment as an investment in an associated company and reverses unrealized gain on transfer of the investment amounting to Baht 19.76 million, which is net of deferred tax amount to Baht 4.94 million, as part of retained earnings as at December 31, 2012 (see Note 5.1).

As at December 31, 2012 and 2011, certain of bank deposits of the Company and its subsidiary are pledged as collateral for bank overdrafts and loans in the form of promissory notes (see Note 18).

As at December 31, 2012 and 2011, certain of investment in securities and bank deposits of the Company and its subsidiary are deposited as collateral with the Registrar (see Note 33).

As at December 31, 2012 and 2011, certain of investment in securities of subsidiary are deposited as collateral with subsidiary's backup assets (see Note 34).

## 9. LOANS

Loans of the Company and its subsidiary are loan to employees with personal collateral in accordance with the welfare policy of the Company and its subsidiary which its limit is not exceed Baht 100,000 each, with interest rate of 3.85% per annum.

Furthermore, in 2012, the Company and its subsidiary have loan to employees with personal collateral in accordance with the welfare residential from the flooding crisis policy which its limit is not exceed Baht 100,000 with interest rate of 2% per annum.

## 10. INVESTMENT IN SUBSIDIARY AND ASSOCIATE

### 10.1 Investments in associate in the consolidated financial statements

As at December 31, 2012 and 2011, the Company had investment in an associated company accounted for under equity method in the consolidated financial statements as follows:

Company name	Consolidated financial statements						
	Nature of business	Percentage of shareholding		Cost		Carrying value under equity method	
		2012 percent	2011 percent	2012 Baht	2011 Baht	2012 Baht	2011 Baht
<b>Associated company</b>							
Allianz Ayudhya Assurance Public Company Limited (Formerly Ayudhya Allianz C.P. Life Public Company Limited)	Life Insurance	20.17	5.82	1,487,263,618	217,144,558	1,513,136,319	-

In 2002, the Company invested in 17,162,978 common shares of Allianz Ayudhya Assurance Public Company Limited (Formerly Ayudhya Allianz C.P. Life Public Company Limited) or equivalent to 5.82% of its paid-up capital.

Further, on January 18, 2012, the Company purchased an additional 17,265,108 common shares of such company for Baht 517.95 million, resulting in a total holding of 34,428,086 shares or 11.67%. Subsequently, on May 9, 2012, the Company purchased additional 25,072,194 common shares for Baht 752.17 million. These resulted in a total investment of 59,500,280 shares or 20.17%. The Company considers the investment as an investment in an associated company in that day.

As at December 31, 2012, the associated company had total assets and total liabilities of Baht 114,318.34 million and Baht 106,167.37 million, respectively. The associated company had net income for the year ended December 31, 2012 of Baht 728.87 million.

The consolidated statement of comprehensive income for the year ended December 31, 2012 recognized share of profit of investment in an associate amounting to Baht 25.87 million, resulting from portion of holding of investment in an associate.

### 10.2 Investments in subsidiary and associate in the separate financial statements

As at December 31, 2012 and 2011, investment in subsidiary and associate are as follows:

Company's name	Separate financial statements					
	Paid-up capital		Shareholding percentage		Cost	
	2012 Baht	2011 Baht	2012 percent	2011 percent	2012 Baht	2011 Baht
<b>Associated company</b>						
Allianz Ayudhya Assurance Public Company Limited (Formerly Ayudhya Allianz C.P. Life Public Company Limited)	2,950,000,000	-	20.17	-	1,487,263,618	-
<b>Subsidiary company</b>						
Sri Ayudhya General Insurance Public Company Limited	1,800,000,000	1,200,000,000	99.99	99.99	1,823,578,981	1,223,578,981

**11. PREMISES AND EQUIPMENT - NET**

Premises and equipment - net as at December 31, 2012 and 2011 consist of the following:

	Consolidated financial statements									
	Cost			Accumulated depreciation						
	As at December 31, 2011	Increase	Disposal	As at December 31, 2012	As at December 31, 2011	Depreciation	Disposal	As at December 31, 2012	Beginning balance of premises and equipment - net as at December 31, 2011	Ending balance of premises and equipment - net as at December 31, 2012
	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht
Land	1,610,500	-	-	1,610,500	-	-	-	-	1,610,500	1,610,500
Building	773,500	-	-	773,500	(723,544)	(29,412)	-	(752,956)	49,956	20,544
Office equipment	111,609,130	2,506,907	(9,267,435)	104,848,602	(87,916,130)	(9,026,452)	9,234,118	(87,708,464)	23,693,000	17,140,138
Furniture and fixtures	30,866,899	4,715,888	(55,210)	35,527,577	(26,131,151)	(2,080,855)	30,410	(28,181,596)	4,735,748	7,345,981
Vehicles	65,279,681	8,256,400	(11,625,796)	61,910,285	(30,174,939)	(10,516,363)	10,111,150	(30,580,152)	35,104,742	31,330,133
<b>Total</b>	<u>210,139,710</u>	<u>15,479,195</u>	<u>(20,948,441)</u>	<u>204,670,464</u>	<u>(144,945,764)</u>	<u>(21,653,082)</u>	<u>19,375,678</u>	<u>(147,223,168)</u>	<u>65,193,946</u>	<u>57,447,296</u>

	Consolidated financial statements									
	Cost			Accumulated depreciation						
	As at December 31, 2010	Increase	Disposal	As at December 31, 2011	As at December 31, 2010	Depreciation	Disposal	As at December 31, 2011	Beginning balance of premises and equipment - net as at December 31, 2010	Ending balance of premises and equipment - net as at December 31, 2011
	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht
Land	1,610,500	-	-	1,610,500	-	-	-	-	1,610,500	1,610,500
Building	773,500	-	-	773,500	(694,213)	(29,331)	-	(723,544)	79,287	49,956
Office equipment	107,697,387	8,810,133	(4,898,390)	111,609,130	(83,333,678)	(9,399,024)	4,816,572	(87,916,130)	24,363,709	23,693,000
Furniture and fixtures	32,367,615	2,469,830	(3,970,546)	30,866,899	(27,920,332)	(1,918,598)	3,707,779	(26,131,151)	4,447,283	4,735,748
Vehicles	78,689,188	15,625,180	(29,034,687)	65,279,681	(45,354,766)	(11,493,260)	26,673,087	(30,174,939)	33,334,422	35,104,742
<b>Total</b>	<u>221,138,190</u>	<u>26,905,143</u>	<u>(37,903,623)</u>	<u>210,139,710</u>	<u>(157,302,989)</u>	<u>(22,840,213)</u>	<u>35,197,438</u>	<u>(144,945,764)</u>	<u>63,835,201</u>	<u>65,193,946</u>

	Separate financial statements									
	Cost			Accumulated depreciation						
	As at December 31, 2011	Increase	Disposal	As at December 31, 2012	As at December 31, 2011	Depreciation	Disposal	As at December 31, 2012	Beginning balance of premises and equipment - net as at December 31, 2011	Ending balance of premises and equipment - net as at December 31, 2012
	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht
Land	1,610,500	-	-	1,610,500	-	-	-	-	1,610,500	1,610,500
Building	773,500	-	-	773,500	(723,544)	(29,412)	-	(752,956)	49,956	20,544
Office equipment	2,925,171	103,347	-	3,028,518	(2,231,484)	(322,080)	-	(2,553,564)	693,687	474,954
Furniture and fixtures	14,341,254	-	-	14,341,254	(12,624,611)	(520,496)	-	(13,145,107)	1,716,643	1,196,147
Vehicles	26,671,172	-	(3,995,450)	22,675,722	(10,516,090)	(4,108,199)	3,096,508	(11,527,781)	16,155,082	11,147,941
<b>Total</b>	<u>46,321,597</u>	<u>103,347</u>	<u>(3,995,450)</u>	<u>42,429,494</u>	<u>(26,095,729)</u>	<u>(4,980,187)</u>	<u>3,096,508</u>	<u>(27,979,408)</u>	<u>20,225,868</u>	<u>14,450,086</u>

	Separate financial statements											
	Cost					Accumulated depreciation					Beginning balance of premises and equipment - net as at December 31, 2010	Ending balance of premises and equipment - net as at December 31, 2011
	As at December 31, 2010	Increase	Disposal	Transfer to Subsidiary*	As at December 31, 2011	As at December 31, 2010	Depreciation	Disposal	Transfer to Subsidiary*	As at December 31, 2011		
	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht
Land	1,610,500	-	-	-	1,610,500	-	-	-	-	-	1,610,500	1,610,500
Building	773,500	-	-	-	773,500	(694,213)	(29,331)	-	-	(723,544)	79,287	49,956
Office equipment	93,088,384	5,332,563	(939,048)	(94,556,728)	2,925,171	(70,383,036)	(6,343,523)	905,973	73,589,102	(2,231,484)	22,705,348	693,687
Furniture and fixtures	27,933,108	584,745	(120,118)	(14,056,481)	14,341,254	(23,906,955)	(1,416,759)	115,963	12,583,140	(12,624,611)	4,026,153	1,716,643
Vehicles	73,141,325	13,576,433	(27,818,376)	(32,228,210)	26,671,172	(41,201,410)	(9,021,775)	25,595,966	14,111,129	(10,516,090)	31,939,915	16,155,082
<b>Total</b>	<u>196,546,817</u>	<u>19,493,741</u>	<u>(28,877,542)</u>	<u>(140,841,419)</u>	<u>46,321,597</u>	<u>(136,185,614)</u>	<u>(16,811,388)</u>	<u>26,617,902</u>	<u>100,283,371</u>	<u>(26,095,729)</u>	<u>60,361,203</u>	<u>20,225,868</u>

As at December 31, 2012 and 2011, certain fixed assets of the Company and its subsidiary at cost of Baht 95.99 million and Baht 100.27 million, respectively, were fully depreciated but still in use (Company: Baht 17.81 million and Baht 18.54 million, respectively).

\* On October 1, 2011, the Company transferred equipment relating to non-life insurance operation to subsidiary which book value as at September 30, 2011 amounted of Baht 40.56 million (see Note 1.1).

## 12. INTANGIBLE ASSETS - NET

Intangible assets - net as at December 31, 2012 and 2011 consist of the following:

	Consolidated financial statements									
	Cost					Accumulated amortization			Beginning balance of intangible assets - net as at December 31, 2011	Ending balance of intangible assets - net as at December 31, 2012
	As at December 31, 2011	Increase	Transfer in / (Transfer out)	As at December 31, 2012	As at December 31, 2011	Amortization	As at December 31, 2012			
	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht
<b>Purchase/subsequently acquire</b>										
Computer software	62,322,062	6,033,860	2,505,000	70,860,922	(43,275,598)	(7,644,636)	(50,920,234)	19,046,464	19,940,688	
Computer software in process	16,232,900	5,182,100	(2,505,000)	18,910,000	-	-	-	16,232,900	18,910,000	
Bancassurance agreement	100,000,000	-	-	100,000,000	(11,579,523)	(10,019,161)	(21,598,684)	88,420,477	78,401,316	
<b>Total</b>	<u>178,554,962</u>	<u>11,215,960</u>	<u>-</u>	<u>189,770,922</u>	<u>(54,855,121)</u>	<u>(17,663,797)</u>	<u>(72,518,918)</u>	<u>123,699,841</u>	<u>117,252,004</u>	

	Consolidated financial statements									
	Cost				Accumulated amortization				Beginning balance of intangible assets - net as at December 31, 2010	Ending balance of intangible assets - net as at December 31, 2011
	As at December 31, 2010	Increase	Transfer in / (Transfer out)	As at December 31, 2011	As at December 31, 2010	Amortization	As at December 31, 2011			
	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht
Purchase/subsequently acquire										
Computer software	56,084,562	231,500	6,006,000	62,322,062	(37,029,344)	(6,246,254)	(43,275,598)	19,055,218	19,046,464	
Computer software in process	15,914,000	6,324,900	(6,006,000)	16,232,900	-	-	-	15,914,000	16,232,900	
Bancassurance agreement	100,000,000	-	-	100,000,000	(1,587,736)	(9,991,787)	(11,579,523)	98,412,264	88,420,477	
<b>Total</b>	<u>171,998,562</u>	<u>6,556,400</u>	<u>-</u>	<u>178,554,962</u>	<u>(38,617,080)</u>	<u>(16,238,041)</u>	<u>(54,855,121)</u>	<u>133,381,482</u>	<u>123,699,841</u>	

	Separate financial statements									
	Cost				Accumulated amortization				Beginning balance of intangible assets - net as at December 31, 2011	Ending balance of intangible assets - net as at December 31, 2012
	As at December 31, 2011	Increase	Transfer in / (Transfer out)	As at December 31, 2012	As at December 31, 2011	Amortization	As at December 31, 2012			
	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht
Purchase/subsequently acquire										
Computer software	40,800	-	-	40,800	(29,185)	(8,173)	(37,358)	11,615	3,442	
<b>Total</b>	<u>40,800</u>	<u>-</u>	<u>-</u>	<u>40,800</u>	<u>(29,185)</u>	<u>(8,173)</u>	<u>(37,358)</u>	<u>11,615</u>	<u>3,442</u>	

	Separate financial statements											
	Cost						Accumulated amortization					
	As at December 31, 2010	Increase	Transfer in / (Transfer out)	Transfer to the subsidiary*	As at December 31, 2011	As at December 31, 2010	Amortization	Transfer to the subsidiary*	As at December 31, 2011	Beginning balance of intangible assets - net as at December 31, 2010	Ending balance of intangible assets - net as at December 31, 2011	
	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	
Purchase/subsequently acquire												
Computer software	43,660,589	231,500	6,006,000	(49,857,289)	40,800	(25,235,250)	(4,432,558)	29,638,623	(29,185)	18,425,339	11,615	
Computer software in process	15,914,000	3,984,900	(6,006,000)	(13,892,900)	-	-	-	-	-	15,914,000	-	
Bancassurance agreement	100,000,000	-	-	(100,000,000)	-	(1,587,736)	(7,473,309)	9,061,045	-	98,412,264	-	
<b>Total</b>	<u>159,574,589</u>	<u>4,216,400</u>	<u>-</u>	<u>(163,750,189)</u>	<u>40,800</u>	<u>(26,822,986)</u>	<u>(11,905,867)</u>	<u>38,699,668</u>	<u>(29,185)</u>	<u>132,751,603</u>	<u>11,615</u>	

As at December 31, 2012 and 2011, certain intangible assets of the subsidiary at cost of Baht 31.34 million and Baht 30.72 million, respectively, were fully amortized but still in use.

\* On October 1, 2011, the Company transferred intangible relating to non-life insurance operation to subsidiary which book value as at September 30, 2011 amounted of Baht 125.05 million (see Note 1.1).



### 13. DEFERRED TAX ASSETS

Deferred tax assets as at December 31, 2012 and 2011 were as follows:

	Consolidated financial statements		Separate financial statements	
	2012 Baht	2011 Baht	2012 Baht	2011 Baht
Deferred tax assets	<u>356,907,491</u>	<u>383,624,281</u>	<u>20,558,462</u>	<u>19,696,019</u>

Movement of deferred tax assets for the years ended December 31, 2012 and 2011 consist of tax effects from the following items:

	Consolidated financial statements			
	As at December 31, 2011	Transactions recognized in profit or loss	Transaction recognized in other comprehensive income	As at December 31, 2012
	Baht	Baht	Baht	Baht
Allowance for doubtful accounts	1,840,465	74,786	-	1,915,251
Unearned premium reserve	82,820,100	(10,802,622)	-	72,017,478
Loss reserve - net	278,776,470	(146,323,426)	-	132,453,044
Incurred but not reported claims	7,888,476	1,224,001	-	9,112,477
Employee benefit obligation	4,025,296	743,907	-	4,769,203
Allowance for impairment of general investment	301,424	-	-	301,424
Unused tax losses	-	130,107,385	-	130,107,385
Others	7,972,050	(1,740,821)	-	6,231,229
<b>Total</b>	<u>383,624,281</u>	<u>(26,716,790)</u>	<u>-</u>	<u>356,907,491</u>

	Consolidated financial statements			
	As at December 31, 2010	Transactions recognized in profit or loss	Transaction recognized in other comprehensive income	As at December 31, 2011
	Baht	Baht	Baht	Baht
Allowance for doubtful accounts	2,280,167	(439,702)	-	1,840,465
Unearned premium reserve	86,902,922	(4,082,822)	-	82,820,100
Loss reserve - net	84,116,630	194,659,840	-	278,776,470
Incurred but not reported claims	13,031,131	(5,142,655)	-	7,888,476
Employee benefit obligation	13,697,663	(9,672,367)	-	4,025,296
Allowance for impairment of general investment	452,136	(150,712)	-	301,424
Unrealized loss on the change in value of investments - trading securities	59,782	(59,782)	-	-
Others	8,087,730	(115,680)	-	7,972,050
<b>Total</b>	<u>208,628,161</u>	<u>174,996,120</u>	<u>-</u>	<u>383,624,281</u>

	Separate financial statements			
	As at December 31, 2011	Transactions recognized in profit or loss	Transaction recognized in other comprehensive income	As at December 31, 2012
	Baht	Baht	Baht	Baht
Loss reserve - net	17,095,995	621,014	-	17,717,009
Employee benefit obligation	2,298,600	241,429	-	2,540,029
Allowance for impairment of general investment	301,424	-	-	301,424
<b>Total</b>	<u>19,696,019</u>	<u>862,443</u>	<u>-</u>	<u>20,558,462</u>

	Separate financial statements				
	As at December 31, 2010	Transactions recognized in profit or loss	Transaction recognized in other comprehensive income	Deferred tax assets transfer to subsidiary (see Note 1.1)	As at December 31, 2011
	Baht	Baht	Baht	Baht	Baht
Allowance for doubtful accounts	1,808,622	-	-	(1,808,622)	-
Unearned premium reserve	70,564,026	27,990,681	-	(98,554,707)	-
Loss reserve - net	73,070,873	(2,181,471)	-	(53,793,407)	17,095,995
Incurred but not reported claims	9,865,965	(79,756)	-	(9,786,209)	-
Employee benefit obligation	11,974,631	(9,676,031)	-	-	2,298,600
Allowance for impairment of general investment	452,136	(150,712)	-	-	301,424
Others	4,779,649	(2,226,849)	-	(2,552,800)	-
<b>Total</b>	<u>172,515,902</u>	<u>13,675,862</u>	<u>-</u>	<u>(166,495,745)</u>	<u>19,696,019</u>

The Company and its subsidiary used tax rate of 20% and 23% for calculation of deferred tax for the year ended December 31, 2011 and used tax rate of 20% for calculation of deferred tax for the year ended December 31, 2012 (see Note 27).

#### 14. DUE TO REINSURERS

Due to reinsurers as at December 31, 2012 and 2011 consist of the following:

	Consolidated financial statements	
	2012	2011
	Baht	Baht
Premium ceded payables	73,270,562	76,477,492
Amount withheld on reinsurance	209,137,078	175,449,197
Other reinsurance payables	<u>605,773,988</u>	<u>114,064,863</u>
<b>Total due to reinsurers</b>	<u>888,181,628</u>	<u>365,991,552</u>

## 15. LOSS RESERVES AND OUTSTANDING CLAIMS

Loss reserves and outstanding claims as at December 31, 2012 and 2011 consist of the following:

	Consolidated financial statements		Separate financial statements	
	2012 Baht	2011 Baht	2012 Baht	2011 Baht
As at January 1,	6,314,077,900	636,552,014	85,479,975	529,347,677
Loss incurred and loss adjustment expenses during the years				
- Incurred but not reported	6,120,004	28,625,972	-	(265,855)
- Incurred but not yet agreed	(3,398,564,281)	6,110,244,454	3,105,072	20,061,369
- Incurred and agreed	4,492,617,911	1,050,542,539	-	733,636,430
Loss paid and loss adjustment paid during the years	(4,483,195,769)	(1,511,887,079)	-	(735,035,025)
Loss reserves and outstanding claims transfer to the subsidiary (see Note 1.1)	-	-	-	(462,264,621)
As at December 31,	<u>2,931,055,765</u>	<u>6,314,077,900</u>	<u>88,585,047</u>	<u>85,479,975</u>

As at December 31, 2012 and 2011, the subsidiary had loss reserves and outstanding claims under the reinsurance contracts of Baht 1,922.38 million and Baht 2,230.89 million, respectively.

As at December 31, 2012 and 2011, the loss reserves and outstanding claims account in the separate financial statements are included outstanding claims and accrued interest of Baht 88.59 million and Baht 85.48 million, respectively, caused by a loss claim incurred by an insured company on September 24, 1997. On September 30, 2003, the courts passed a verdict that the Company had to pay the claim of Baht 41.29 million including 7.5% per annum of interest from the date of litigation until such claim is paid. The Company recorded such claim and accrued interest since 2003. However, in 2004 the Company has submitted an appeal to the court. On November 27, 2008, the appeal court had the dismissal for this case. After that the insured company submitted the case to the supreme court in December 2008. Currently, such case is still under consideration of the supreme court. On October 1, 2011 (the transferred date), the Company did not transfer such outstanding claim and accrued interest to the subsidiary.

Loss reserves and outstanding claims as at December 31, 2012 and 2011 in the consolidated financial statements have been included claim from suffering losses from flooding in Thailand amounting to Baht 2,170.77 million and Baht 5,977.98 million, respectively (see Note 4).

## 16. PREMIUM RESERVE

Premium reserve as at December 31, 2012 and 2011 consist of the following:

### 16.1 Unearned premium reserve

	Consolidated financial statements		Separate financial statements	
	2012 Baht	2011 Baht	2012 Baht	2011 Baht
As at 1 January	796,725,370	862,974,132	-	658,181,780
Premium written for the years	1,811,079,224	1,574,410,152	-	978,175,992
Earned premium for the years	(1,709,869,907)	(1,640,658,916)	-	(981,215,361)
Unearned premium reserve transfer to subsidiary (see Note 1.1)	-	-	-	(655,142,411)
As at December 31,	<u>897,934,687</u>	<u>796,725,368</u>	<u>-</u>	<u>-</u>

As at December 31, 2012 and 2011, such unearned premium reserve did not include additional unearned premium reserve of ceded premium to foreign reinsurers amounting to Baht 157.68 million and Baht 41.06 million, respectively. Such unearned premium reserve was required to be recorded in the financial report to be submitted particularly to the Office of Insurance Commission under its relevant regulations.

**16.2 Unexpired risk reserve**

As at December 31, 2012 and 2011, no additional reserve for unexpired risk reserve has been established as the unexpired risk reserve estimated by the subsidiary of Baht 614.88 million and Baht 644.90 million, respectively is lower than the unearned premium reserve.

**17. EMPLOYEE BENEFIT OBLIGATION**

The Company and its subsidiary calculated employee benefit obligation by using actuarial technique. The assumptions are included discount rate at 3.97%, turnover rate at 3%, 4%, 10% and 12% based on age group of employees, salary increase rate at 5% and retirement age at 60 years.

Employee benefit obligation for the years ended December 31, 2012 and 2011 consist of the following:

	Consolidated financial statements		Separate financial statements	
	2012 Baht	2011 Baht	2012 Baht	2011 Baht
Current service cost	5,370,306	6,269,292	1,031,869	3,519,351
Interest cost	1,979,728	1,822,282	456,276	1,578,185
Reserve for retirement benefit expense	<u>7,350,034</u>	<u>8,091,574</u>	<u>1,488,145</u>	<u>5,097,536</u>

Movements in the present value of the employee benefit obligation as at December 31, 2012 and 2011 were as follows:

	Consolidated financial statements		Separate financial statements	
	2012 Baht	2011 Baht	2012 Baht	2011 Baht
Present value of obligation at the beginning of the years	53,555,750	45,658,876	15,077,001	39,915,436
Current service cost of the years	5,370,306	6,269,292	1,031,869	3,519,351
Interest cost	1,979,728	1,822,282	456,276	1,578,185
Paid during the years	(3,688,000)	(194,700)	(3,584,000)	(194,700)
Employee benefit obligation transfer to subsidiary (see Note 1.1)	-	-	-	(29,741,271)
Present value of obligation at the ending of the years	<u>57,217,784</u>	<u>53,555,750</u>	<u>12,981,146</u>	<u>15,077,001</u>

**18. BANK OVERDRAFTS**

As at December 31, 2012 and 2011, the Company had credit lines for bank overdrafts and loans in the form of promissory notes of Baht 30 million which were guaranteed by fixed deposit of the Company of Baht 30 million. The interest rate was fixed deposit rate plus 2% - 3% per annum (see Note 8).

As at December 31, 2011, the subsidiary had credit lines for bank overdrafts of Baht 20 million which were guaranteed by fixed deposit of the subsidiary of Baht 20 million. The interest rate was fixed deposit rate plus 2% - 3% per annum (see Note 8).

**19. DEFERRED TAX LIABILITIES**

Deferred tax liabilities as at December 31, 2012 and 2011 were as follows:

	Consolidated financial statements		Separate financial statements	
	2012 Baht	2011 Baht	2012 Baht	2011 Baht
Deferred tax liabilities	<u>36,637,056</u>	<u>18,583,983</u>	<u>33,823,419</u>	<u>17,696,745</u>

Movement of deferred tax liabilities for the years ended December 31, 2012 and 2011 consist of tax effects from the following items:

	Consolidated financial statements			
	As at December 31, 2011	Transactions recognized in profit or loss	Transaction recognized in other comprehensive income	As at December 31, 2012
	Baht	Baht	Baht	Baht
Unrealized gain on the change in value of investment in available for sale securities (see Note 5.1)	13,644,959	-	18,053,073	31,698,032
Unrealized gain on transfer of investments	4,939,024	-	-	4,939,024
<b>Total</b>	<u>18,583,983</u>	<u>-</u>	<u>18,053,073</u>	<u>36,637,056</u>

	Consolidated financial statements			
	As at December 31, 2010	Transactions recognized in profit or loss	Transaction recognized in other comprehensive income	As at December 31, 2011
	Baht	Baht	Baht	Baht
Unrealized gain on the change in value of investment in available for sale securities	66,472,499	-	(52,827,540)	13,644,959
Unrealized gain on transfer of investments	7,408,536	-	(2,469,512)	4,939,024
<b>Total (see Note 5.1)</b>	<u>73,881,035</u>	<u>-</u>	<u>(55,297,052)</u>	<u>18,583,983</u>

	Separate financial statements			
	As at December 31, 2011	Transactions recognized in profit or loss	Transaction recognized in other comprehensive income	As at December 31, 2012
	Baht	Baht	Baht	Baht
Unrealized gain on the change in value of investments in available for sale securities (see Note 5.1)	12,757,722	-	16,126,674	28,884,396
Unrealized gain on transfer of investments	4,939,023	-	-	4,939,023
<b>Total</b>	<u>17,696,745</u>	<u>-</u>	<u>16,126,674</u>	<u>33,823,419</u>

	Separate financial statements			
	As at December 31, 2010	Transactions recognized in profit or loss	Transaction recognized in other comprehensive income	As at December 31, 2011
	Baht	Baht	Baht	Baht
Unrealized gain on the change in value of investments in available for sale securities	65,972,044	-	(53,214,322)	12,757,722
Unrealized gain on transfer of investments	7,408,535	-	(2,469,512)	4,939,023
<b>Total (see Note 5.1)</b>	<u>73,380,579</u>	<u>-</u>	<u>(55,683,834)</u>	<u>17,696,745</u>

The Company and its subsidiary used tax rate of 20% and 23% for calculation of deferred tax for the year ended December 31, 2011 and used tax rate of 20% for calculation of deferred tax for the year ended December 31, 2012 (see Note 27).

## 20. STATUTORY RESERVE

Pursuant to the Public Limited Companies Act B.E. 2535, the Company and subsidiary must allocate to a reserve fund from the annual net profit, not less than five percent of the annual net profit deducted by the total accumulated loss brought forward (if any) until the reserve fund reaches an amount of not less than ten percent of the authorized capital. Such reserve fund is not available for distribution as dividend.

As at December 31, 2012 and 2011, the Company has statutory reserve by ten percent of the authorized capital.

As at December 31, 2012 and 2011, the subsidiary has not yet allocated such reserved fund.

## 21. OTHER RESERVES

As at December 31, 2012 and 2011, other reserves of the Company amounting to Baht 900 million were set without having a specific objective.

## 22. CAPITAL MANAGEMENT

In accordance with the registrar declarations regarding “Rules, Procedures and Conditions for preparing Risk-Based Capital report of non-life insurance company B.E. 2554” dated August 31, 2011, non-life insurance company has to maintain the capital adequacy ratio at least 125 percent. As at December 31, 2011, the subsidiary had capital adequacy ratio less than condition. However, on April 12, 2012, the ordinary shareholders’ meeting of the subsidiary No. 2 passed resolutions to approve the increase in registered share capital of the subsidiary from Baht 1,200 million to Baht 2,400 million. The subsidiary has called and received subscriptions of the increased 60 million ordinary shares, totaling Baht 600 million and registered the increase in share capital on May 4, 2012 resulting to as at December 31, 2012, the subsidiary maintains the capital adequacy ratio exceeded the requirement.

## 23. UNDERWRITING INFORMATION CLASSIFIED BY TYPE OF INSURANCE

Underwriting information classified by type of insurance for the years ended December 31, 2012 and 2011 consist of the following:

	Consolidated financial statements					
	For the year ended December 31, 2012					
	Fire Baht	Marine Baht	Motor Baht	Personal accident Baht	Other miscellaneous Baht	Total Baht
<b>Underwriting income</b>						
Gross premiums written	538,342,175	393,509,060	854,836,302	245,451,340	733,692,342	2,765,831,219
<u>Less</u> Premiums ceded	<u>229,726,964</u>	<u>291,738,608</u>	<u>9,522,542</u>	<u>37,285,616</u>	<u>386,478,265</u>	<u>954,751,995</u>
Net premiums written	308,615,211	101,770,452	845,313,760	208,165,724	347,214,077	1,811,079,224
(Add) <u>Less</u> Unearned premium reserve	<u>(32,728,847)</u>	<u>4,709,711</u>	<u>64,934,754</u>	<u>11,372,887</u>	<u>52,920,812</u>	<u>101,209,317</u>
Earned premium	341,344,058	97,060,741	780,379,006	196,792,837	294,293,265	1,709,869,907
Fee and commission income	<u>35,872,873</u>	<u>87,030,680</u>	<u>(5,984)</u>	<u>6,212,509</u>	<u>62,481,828</u>	<u>191,591,906</u>
Total underwriting income	<u>377,216,931</u>	<u>184,091,421</u>	<u>780,373,022</u>	<u>203,005,346</u>	<u>356,775,093</u>	<u>1,901,461,813</u>
<b>Underwriting expenses</b>						
Insurance claims and loss adjustment expenses						
- Normal operation	122,249,926	33,349,022	478,103,150	125,323,531	186,757,882	945,783,511
- Suffering losses from flooding in Thailand (see Note 4)	74,362,128	2,380,215	-	-	31,835,659	108,578,002
Commissions and brokerages expenses	117,501,090	48,525,072	122,348,651	41,522,017	70,843,748	400,740,578
Other underwriting expenses	<u>38,341,689</u>	<u>31,892,789</u>	<u>64,189,137</u>	<u>53,268,779</u>	<u>105,682,616</u>	<u>293,375,010</u>
Total underwriting expenses	<u>352,454,833</u>	<u>116,147,098</u>	<u>664,640,938</u>	<u>220,114,327</u>	<u>395,119,905</u>	<u>1,748,477,101</u>



**24. OPERATING EXPENSES**

Operating expenses for the years ended December 31, 2012 and 2011 consist of the following:

	Consolidated financial statements		Separate financial statements	
	2012 Baht	2011 Baht	2012 Baht	2011 Baht
Employee benefit expenses, excluded underwriting and loss adjustment expenses	114,708,196	114,975,045	43,866,653	86,648,960
Premises and equipment expense excluded underwriting expenses	100,206,501	99,623,528	15,599,136	69,898,829
Taxes and duties	893,498	950,032	207,089	759,438
Bad debt and allowance for doubtful account (reversal)	46,906	(5,589,338)	-	158,803
Directors personnel's remuneration	9,379,050	9,930,250	8,014,650	8,655,500
Other operating expense	<u>63,953,634</u>	<u>63,495,211</u>	<u>15,192,853</u>	<u>39,615,171</u>
Total operating expenses	289,187,785	283,384,728	82,880,381	205,736,701
<u>Less</u> Operating expenses - discontinued operations (see Note 41)	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,812,956</u>
Operating expenses - continuing operations	<u>289,187,785</u>	<u>283,384,728</u>	<u>82,880,381</u>	<u>76,923,745</u>

**25. PERSONNEL EXPENSES**

Personnel expenses for the years ended December 31, 2012 and 2011 consist of the following:

	Consolidated financial statements		Separate financial statements	
	2012 Baht	2011 Baht	2012 Baht	2011 Baht
Salary and wage	158,261,373	153,531,963	28,713,619	103,983,369
Social fund expenses	2,495,097	4,637,440	154,950	3,200,575
Employee benefit expenses	7,350,034	8,091,574	1,488,145	5,097,536
Provident fund (see Note 32)	6,819,797	5,940,008	1,087,316	3,495,894
Other benefit	<u>51,982,942</u>	<u>55,583,265</u>	<u>12,422,623</u>	<u>37,624,071</u>
Total personnel expenses	226,909,243	227,784,250	43,866,653	153,401,445
<u>Less</u> Personnel expenses - discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,404,479</u>
Personnel expenses - continuing operations	<u>226,909,243</u>	<u>227,784,250</u>	<u>43,866,653</u>	<u>48,996,966</u>



## 26. GAIN ON INVESTMENT IN SECURITIES

Gain on investment in securities for the years ended December 31, 2012 and 2011 consist of the following:

	Consolidated financial statements		Separate financial statements	
	2012 Baht	2011 Baht	2012 Baht	2011 Baht
Gain on sale of investment in available for sale securities - ordinary shares	71,643,288	77,893,263	71,643,288	77,893,263
Gain on sale of investment in available for sale securities - debentures	-	9,376,169	-	9,376,169
Gain (loss) on sale of investment in available for sale securities - bonds	440,085	(1,800)	440,085	16,062
Gain on sale of investment in available for sale securities - other securities	7,522,460	10,941,175	7,156,417	10,762,782
Gain on sale of investment in available for sale securities - warrants	21,079	38,917	21,079	38,917
Gain on sale of investment in available for sale securities - transferable subscription rights	-	12,159	-	12,159
Gain on sale of investment in general investment securities - ordinary shares	91,995	-	91,995	-
Loss on sale of investment in trading securities - debentures	-	(110,188)	-	-
Loss on sale of investment in trading securities - bonds	-	(162,273)	-	-
Loss on impairment of investment in general investment securities - ordinary shares	(40,000)	-	(40,000)	-
Loss on transfer of investment	-	(40,271)	-	-
Total gain on investment in securities	<u>79,678,907</u>	<u>97,947,151</u>	<u>79,312,864</u>	<u>98,099,352</u>

## 27. INCOME TAX EXPENSE (INCOME)

Income tax expense (income) for the years ended December 31, 2012 and 2011 consist of the following:

	Consolidated financial statements		Separate financial statements	
	2012 Baht	2011 Baht	2012 Baht	2011 Baht
Income tax expense from taxable income per income tax return	20,628,958	110,836,011	20,628,958	95,757,458
Deferred tax expenses relating to the origination and reversal of temporary differences	(13,197,142)	(309,519,413)	(991,810)	(23,523,872)
Deferred income taxes related to change in corporate tax rate	<u>39,913,932</u>	<u>134,523,293</u>	<u>129,367</u>	<u>9,848,010</u>
Income tax expense (income) per the statements of comprehensive income	47,345,748	(64,160,109)	19,766,515	82,081,596
<u>Less</u> Income tax expenses - discontinued operations (see Note 41)	-	-	-	<u>47,450,798</u>
Income tax expense (income) - continuing operation	<u>47,345,748</u>	<u>(64,160,109)</u>	<u>19,766,515</u>	<u>34,630,798</u>

The reconciliation between income tax expense (income) and accounting income (loss) for the years ended December 31, 2012 and 2011 were as follows:

	Consolidated financial statements		Separate financial statements	
	2012 Baht	2011 Baht	2012 Baht	2011 Baht
Accounting income (loss) before tax	142,287,810	(519,253,190)	172,915,321	377,891,111
Income tax at 30%	-	(155,775,957)	-	113,367,333
Income tax at 23%	32,726,196	-	39,770,524	-
Deferred tax expenses reflect corporate tax change	39,913,932	134,523,293	129,367	9,848,010
Tax effect of non-deductible expenses (benefits)	(25,294,380)	(42,907,445)	(20,133,376)	(41,133,747)
Income tax expense (income) per the statements of comprehensive income	47,345,748	(64,160,109)	19,766,515	82,081,596
<u>Less</u> Income tax expenses - discontinued operations (see Note 41)	-	-	-	47,450,798
Income tax expense (income) - continuing operation	<u>47,345,748</u>	<u>(64,160,109)</u>	<u>19,766,515</u>	<u>34,630,798</u>

On October 11, 2011, the Thai Cabinet approved a reduction of the corporate income tax rate from 30% to 23% of net profits for companies or juristic partnerships with a 2012 accounting period ending on or after December 31, 2012, and from 23% to 20% for companies or juristic partnerships with a 2013 accounting period beginning on or after January 1, 2013 onwards. According to the Royal Decree No. 530 dated December 21, 2011, the income tax rate has been reduced from 30% to 23% for the accounting period beginning on or after January 1, 2012 and 20% for the accounting periods beginning on or after January 1, 2013 and 2014 only.

The Company and its subsidiary used tax rate of 23% and 30% for corporate income tax calculation for years ended December 31, 2012 and 2011, respectively.

The Company and its subsidiary used tax rate of 20% and 23% for calculation of deferred tax for the year ended December 31, 2011 and used tax rate of 20% for calculation of deferred tax for the year ended December 31, 2012 (see Notes 13 and 19).

## 28. BASIC EARNINGS (LOSS) PER SHARE

Basic earnings per share for the years ended December 31, 2012 and 2011 were as follows:

	Consolidated financial statements		Separate financial statements	
	2012 Baht	2011 Baht	2012 Baht	2011 Baht
<b>Gain (loss) from continuing and discontinued operations</b>				
Net profit (loss) (Baht)	94,042,062	(455,093,081)	153,148,806	295,809,515
Issued and paid-up share capital (shares)	<u>250,000,000</u>	<u>250,000,000</u>	<u>250,000,000</u>	<u>250,000,000</u>
Basic earnings (loss) per share (Baht)	<u>0.38</u>	<u>(1.82)</u>	<u>0.61</u>	<u>1.18</u>

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
	Baht	Baht	Baht	Baht
<b>Gain (loss) from continuing operations</b>				
Profit (loss) from continuing operations (Baht)	94,042,062	(455,093,081)	153,148,806	218,547,182
Issued and paid-up share capital (shares)	250,000,000	250,000,000	250,000,000	250,000,000
Basic earnings (loss) per share (Baht)	0.38	(1.82)	0.61	0.87

## 29. TRANSACTIONS WITH RELATED PARTIES

The consolidated and separate financial statements include certain transactions with the subsidiary and related parties. The relationship may be by shareholding or the companies may have the same group of shareholders or directors. The consolidated and separate financial statements reflect the effects of these transactions on the basis determined by the Company, the subsidiary and the related parties which are as follows:

The relationships between the Company and its related parties are summarized below:

Companies	Relationship	Type of Business
Sri Ayudhya General Insurance Plc.	Some common shareholders and directors	Non-life insurance
Bank of Ayudhya Plc.	Some common shareholders and directors	Banking
Krungsri Securities Plc.	Some common shareholders and directors	Finance
Krungsri Asset Management Co., Ltd.	Some common shareholders	Fund Management
Ayudhya Development Leasing Co., Ltd.	Some common shareholders	Leasing
Ayudhya Auto Lease Co., Ltd.	Some common shareholders	Leasing
Siam City Cement Plc.	Some common shareholders and directors	Construction Materials
Bangkok Broadcasting & T.V. Co., Ltd.	Some common shareholders and directors	Television Business
Great Luck Equity Co., Ltd.	Some common shareholders	Advertising
Super Asset Co., Ltd.	Some common shareholders	Investments
BBTV Equity Co., Ltd.	Some common shareholders	Office Space Rental
CKS Holding Co., Ltd.	Some common shareholders	Investments
Sunrise Equity Co., Ltd.	Some common shareholders	Consulting
Allianz Ayudhya Assurance Plc. (Formerly Ayudhya Allianz C.P. Life Plc.)	Some common shareholders and directors	Life Insurance
Grand Canal Land Plc.	Some common shareholders	Advertising
Ayudhya Asset Management Co., Ltd.	Some common shareholders	Asset Management
Siam Realty and Services Co., Ltd.	Some common shareholders	Services
Krungsri Factoring Co., Ltd.	Some common shareholders	Factoring
Ayudhya Capital Auto Lease Plc.	Some common shareholders	Leasing
Krungsriayudhya Card Co., Ltd.	Some common shareholders	Services

### 29.1 Investments

As at December 31, 2012

Companies	Consolidated and separate financial statements			
	Paid-up	Shareholding	Investment	Dividend
	share capital			
	Baht	%	Baht	Baht
<b>Investment - ordinary shares</b>				
Bank of Ayudhya Plc.	60,741,437,470	0.01	9,178,000	211,800
Sunrise Equity Co., Ltd.	9,970,000,000	5.48	546,136,660	24,466,922
Siam City Cement Plc.	2,300,000,000	0.02	16,800,000	1,215,000
			572,114,660	25,893,722

Companies	Consolidated and separate financial statements	
	Investment Baht	Dividend Baht
<b>Investment - unit trusts</b>		
Unit trusts managed by		
Krungsri Asset Management Co., Ltd.		
- Krungsri Star Plus Fund	90,257,230	-
- Krungsri Medium Term Fixed Income Dividend Fund	-	6,158,980
- Krungsri Dividend Stock Fund	30,972,000	5,000,000
- Krungsri Dynamic Dividend Fund	12,731,040	1,596,000
- Krungsri Flexible Dividend Fund	108,784,147	10,001,190
- Krungsri Financial Focus Dividend Fund	8,777,186	357,794
- Krungsri-AllianzGI Oriental Flexible Fund	28,800,891	-
- Krungsri-AllianzGI Global High Payout Fund	16,538,522	-
	<u>296,861,016</u>	<u>23,113,964</u>

As at December 31, 2011

Companies	Consolidated and separate financial statements			
	Paid-up share capital Baht	Shareholding %	Investment Baht	Dividend Baht
	<b>Investment - ordinary shares</b>			
Bank of Ayudhya Plc.	60,741,437,470	0.01	6,184,560	197,680
Krungsri Securities Plc.	600,000,000	0.43	3,166,660	-
Sunrise Equity Co., Ltd.	9,970,000,000	5.43	546,136,660	60,184,260
Siam City Cement Plc.	2,300,000,000	0.13	76,987,200	3,600,000
Allianz Ayudhya Assurance Plc. (Formerly Ayudhya Allianz C.P. Life Plc.)	2,950,000,000	5.82	<u>217,144,558</u>	<u>-</u>
			<u>849,619,638</u>	<u>63,981,940</u>

Companies	Consolidated and separate financial statements	
	Investment Baht	Dividend Baht
<b>Investment - unit trusts</b>		
Unit trusts managed by		
Krungsri Asset Management Co., Ltd.		
- Krungsri Medium Term Fixed Income Dividend Fund	447,757,866	5,191,141
- Krungsri Medium Term Fixed Income Fund	144,918,932	-
- Krungsri Dividend Stock Fund	25,802,600	1,000,000
- Krungsri Dynamic Dividend Fund	11,667,960	1,752,000
- Krungsri Flexible Dividend Fund	90,023,514	22,802,714
- Krungsri Financial Focus Dividend Fund	6,780,481	601,094
- Krungsri-AllianzGI Oriental Flexible Fund	26,447,228	-
- Krungsri-AllianzGI Global High Payout Fund	15,430,148	-
	<u>768,828,729</u>	<u>31,346,949</u>

	Consolidated financial statements	
	As at December 31,	
	2012 Baht	2011 Baht
<b>Investment - Notes</b>		
Bank of Ayudhya Plc.	-	20,000,000

29.2 Significant balances and transactions are as follows:

	Consolidated financial statements		Separate financial statements	
	As at December 31,		As at December 31,	
	2012 Baht	2011 Baht	2012 Baht	2011 Baht
Bank deposits				
Bank of Ayudhya Plc.	580,252,814	1,370,263,501	127,013,504	805,315,644
Premium due and uncollected				
Bank of Ayudhya Plc.	41,515	966,337	-	-
Krungsri Securities Plc.	139,516	72,287	-	-
Krungsri Asset Management Co., Ltd.	-	25,224	-	-
Ayudhya Development Leasing Co., Ltd.	4,930,108	-	-	-
Siam City Cement Plc.	230,936	657,788	-	-
Bangkok Broadcasting & T.V. Co., Ltd.	26,320	1,710,823	-	-
CKS Holding Co., Ltd.	131,772	-	-	-
Allianz Ayudhya Assurance Plc. (Formerly Ayudhya Allianz C.P. Life Plc.)	41,350	42,544	-	-
Grand Canal Land Plc.	343,770	357,198	-	-
Ayudhya Asset Management Co., Ltd.	513,411	620,338	-	-
Siam Realty and Services Co., Ltd.	115,186	85,287	-	-
Ayudhya Capital Auto Lease Plc.	-	339,015	-	-
Krungsriayudhya Card Co., Ltd.	-	415,048	-	-
	<u>6,513,884</u>	<u>5,291,889</u>	<u>-</u>	<u>-</u>
Investment in associate (see Note 10)				
Allianz Ayudhya Assurance Plc. (Formerly Ayudhya Allianz C.P. Life Plc.)	1,513,136,319	-	1,487,263,618	-
Investment in subsidiary (see Note 10)				
Sri Ayudhya General Insurance Plc.	-	-	1,823,578,981	1,223,578,981
Accrued interest income				
Bank of Ayudhya Plc.	4,017,551	1,539,458	1,273,759	1,027,937
Accrued income				
Sri Ayudhya General Insurance Plc.	-	-	8,441,044	1,369,908
Rental and facilities deposits				
BBTV Equity Co., Ltd.	5,068,943	5,686,493	1,158,893	4,589,393
Siam City Cement Plc.	-	36,000	-	36,000
	<u>5,068,943</u>	<u>5,722,493</u>	<u>1,158,893</u>	<u>4,625,393</u>

	Consolidated financial statements		Separate financial statements	
	As at December 31,		As at December 31,	
	2012 Baht	2011 Baht	2012 Baht	2011 Baht
Accrued expense - management fee Krungsri Securities Plc.	52,259	40,042	52,259	40,042
Accrued expense - custodian fee Bank of Ayudhya Plc.	14,637	19,239	3,169	8,546
Accrued expense - commissions and brokerages Bank of Ayudhya Plc.	13,201,654	12,944,831	-	-
Accrued expense - other underwriting expenses Bank of Ayudhya Plc.	5,483,482	6,180,003	-	-
Accrued expense - other operating expenses Sri Ayudhya General Insurance Plc.	-	-	-	11,820,911

	Consolidated financial statements		Separate financial statements	
	For the years ended December 31,		For the years ended December 31,	
	2012 Baht	2011 Baht	2012 Baht	2011 Baht
Premium written				
Bank of Ayudhya Plc.	21,360,513	17,501,164	-	16,496,133
Krungsri Securities Plc.	146,369	72,635	-	5,347
Krungsri Asset Management Co., Ltd.	1,480,378	1,423,422	-	1,269,156
Ayudhya Development Leasing Co., Ltd.	10,551,928	35,909	-	35,909
Ayudhya Auto Lease Plc.	-	5,058	-	5,058
Siam City Cement Plc.	84,022,235	76,778,053	-	66,149,013
Bangkok Broadcasting & T.V. Co., Ltd.	8,056,754	7,573,599	-	6,010,628
Great Luck Equity Co., Ltd.	47,671	57,823	-	57,823
Super Assets Co., Ltd.	148,088	85,144	-	58,194
BBTV Equity Co., Ltd.	1,254,531	997,768	-	-
CKS Holding Co., Ltd.	253,758	13,642	-	13,642
Allianz Ayudhya Assurance Plc. (Formerly Ayudhya Allianz C.P. Life Plc.)	827,169	43,189	-	3,590
Grand Canal Land Plc.	320,000	332,500	-	-
Ayudhya Asset Management Co., Ltd.	883,846	2,934,746	-	2,252,019
Siam Realty and Services Co., Ltd.	1,460,823	1,261,485	-	990,789
Krungsri Factoring Co., Ltd.	6,936	4,300	-	4,300
Ayudhya Capital Auto Lease Plc.	42,014	350,573	-	35,000
Krungsriayudhya Card Co., Ltd.	3,010,000	753,902	-	367,553
	<u>133,873,013</u>	<u>110,224,912</u>	<u>-</u>	<u>93,754,154</u>

The Company and its subsidiary used the same pricing policy and conditions for the above premiums as it did for other customers and other insurance companies.

	Consolidated financial statements		Separate financial statements	
	For the years ended December 31,		For the years ended December 31,	
	2012 Baht	2011 Baht	2012 Baht	2011 Baht
Commissions and brokerages				
Bank of Ayudhya Plc.	136,854,929	122,242,826	-	91,754,243
Other underwriting expenses				
Bank of Ayudhya Plc.	64,511,372	65,665,992	-	48,895,110

The Company and its subsidiary paid commissions and brokerages and other underwriting expenses as specified in the Bancassurance Agreement made between the Company and the subsidiary and such related bank. The commission rates were in compliance with the Office of Insurance Commission's criteria and the same basis of the commission rate that the Company and its subsidiary have offered to other insurance broker companies.

	Consolidated financial statements		Separate financial statements	
	For the years ended December 31,		For the years ended December 31,	
	2012 Baht	2011 Baht	2012 Baht	2011 Baht
Interest income				
Bank of Ayudhya Plc.	12,177,507	7,608,136	4,501,549	4,645,149
Siam City Cement Plc.	-	334,247	-	334,247
Ayudhya Capital Auto Lease Plc.	-	525,363	-	525,363
	<u>12,177,507</u>	<u>8,467,746</u>	<u>4,501,549</u>	<u>5,504,759</u>
Other income				
Sri Ayudhya General Insurance Plc.	-	-	39,999,990	15,864,391
Interest expense				
Bank of Ayudhya Plc.	-	407	-	407
Ayudhya Capital Auto Lease Plc.	-	32,364	-	32,364
	<u>-</u>	<u>32,771</u>	<u>-</u>	<u>32,771</u>

Interest was charged at the same interest rates as the bank has offered to other insurance companies.

The Company enters into a management service agreement with the subsidiary company for providing managerial and administrative services of accounting, payroll and information technology. Services rates are agreed by both parties which are determined based on estimated time spent and cost incurred for the subsidiary company.

	Consolidated financial statements		Separate financial statements	
	For the years ended December 31,		For the years ended December 31,	
	2012 Baht	2011 Baht	2012 Baht	2011 Baht
Commission paid				
Ayudhya Securities Plc.	506,513	480,622	506,513	480,622
Management fee				
Ayudhya Securities Plc.	533,620	495,907	533,620	495,907
Custodian fee				
Bank of Ayudhya Plc.	198,567	216,997	59,924	140,812

Commission, management fee, custodian fee and purchase of office equipment were paid at the same rates and conditions as the related parties charged other companies.

	Consolidated financial statements		Separate financial statements	
	For the years ended December 31,		For the years ended December 31,	
	2012 Baht	2011 Baht	2012 Baht	2011 Baht
Rental and service expenses				
BBTV Equity Co., Ltd.	20,736,550	18,227,400	6,087,700	14,570,400
Siam City Cement Plc.	-	96,000	-	96,000
Sri Ayudhya General Insurance Plc.	-	-	-	75,000

The Company has office rental, equipment rental and service agreements with related companies for a term of 3 years. The rental rates and conditions are the same as the related parties offer to other companies (see Note 37).

### 30. DIRECTORS AND KEY MANAGEMENT PERSONNEL'S REMUNERATION

During the years ended December 31, 2012 and 2011, the Company and its subsidiary had salaries, bonuses, meeting allowances and employment benefits expense of its directors and key management personnel recognized as expenses as follows:

	Consolidated financial statements		Separate financial statements	
	2012 Baht	2011 Baht	2012 Baht	2011 Baht
	Directors and key management personnel' s remuneration	55,518,476	41,464,607	33,038,321

Directors' remuneration for the years ended December 31, 2012 and 2011 were approved by the ordinary shareholders' meeting of the Company held on April 30, 2012 and April 20, 2011, respectively.

Furthermore, directors' remuneration of the subsidiary for the years ended December 31, 2012 and 2011 were approved by the ordinary shareholders' meeting of the subsidiary held on April 12, 2012 and April 29, 2011, respectively.

### 31. DIVIDENDS

31.1 On April 20, 2011, the ordinary shareholders' meeting passed a resolution to pay an annual dividend for the year 2010 of Baht 1.20 per share. The Company had paid an interim dividend for the operation result from January 1, to June 30, 2010 at Baht 0.50 per share, which was paid on September 17, 2010. The remaining portion of the annual dividend of Baht 0.70 per share, which was paid from the second half of year 2010 operating result for 250 million shares, totaling Baht 175 million, was paid on April 27, 2011.

31.2 On August 19, 2011, the Board of Directors' meeting passed a resolution to pay an interim dividend for the operation result from January 1, to June 30, 2011 for 250 million shares at Baht 0.50 per share, totaling Baht 125 million. Such dividend was paid on September 16, 2011.

31.3 On April 30, 2012, the ordinary shareholders' meeting of the Company passed a resolution to pay an annual dividend for the year 2011 of Baht 1.00 per share. The Company had paid an interim dividend for the operating result from January 1, to June 30, 2011 at Baht 0.50 per share, which was paid on September 16, 2011. The remaining portion of the annual dividend of Baht 0.50 per share paid from the second half of year 2011 operating result for 250 million shares, totaling Baht 125 million, was paid on May 8, 2012.



### 32. PROVIDENT FUND

The Company and its subsidiary have established a contributory registered provident fund, in accordance with the Provident Fund Act B.E. 2530. Under the plan, employees must contribute 5% of their basic salaries and the Company must contribute 5%. A registered provident fund manager has been appointed to manage the fund in compliance with the requirements of the Ministerial Regulations issued under the Provident Fund Act B.E. 2542.

For the years ended December 31, 2012 and 2011, the Company's and its subsidiary contributions recorded as expenses were Baht 6.82 million and Baht 5.94 million, respectively (Company: Baht 1.09 million and Baht 3.50 million, respectively) (see Note 25).

### 33. DEPOSITS WITH THE REGISTRAR

As at December 31, 2012 and 2011, certain bank deposits and bonds of the Company and its subsidiary were deposited with the Registrar in accordance with the Insurance Act and the Notification of the Office of Insurance Commission regarding "Rates, Rules and Procedures for pledge of unearned premium reserve of Non-Life Insurance Company B.E. 2552", respectively (see Note 8) as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
	Baht	Baht	Baht	Baht
Bonds	161,012,499	162,740,826	109,412,175	110,686,698
Treasury bills	30,000,000	29,704,842	30,000,000	29,704,842
Bank deposit	198,000,000	28,000,000	14,000,000	14,000,000
Total deposits with the registrar	<u>389,012,499</u>	<u>220,445,668</u>	<u>153,412,175</u>	<u>154,391,540</u>

On January 13, 2012, the Company submitted to return deposits with the Registrar from the Insurance Act and the Notification of the Office of Insurance Commission because the Company has returned non-life insurance license on October 17, 2011 and such license was not valid since December 20, 2011. At present, the Office of Insurance Commission is considering the return of such deposits.

### 34. BACKUP ASSETS

As at December 31, 2012 and 2011, the subsidiary has deposited certain investments with a bank (see Note 8) used for the subsidiary's backup assets according to the Notification of the Office of Insurance Commission regarding "Asset allocation for liabilities and commitment of insurance contract and asset deposition at financial institution B.E. 2551". The backup assets were as follows:

	Consolidated	
	financial statements	
	2012	2011
	Baht	Baht
Government and state enterprise securities	243,944,300	363,391,126
Private enterprises debt securities	5,447,188	43,553,221
Foreign debt securities	407,150,382	704,854,580
Unit trusts	56,206,706	20,141,429
Fixed deposit	141,701,590	50,000,000
Ordinary shares	<u>1,210,970</u>	<u>281,590</u>
Total backup assets	<u>855,661,136</u>	<u>1,182,221,946</u>

### 35. CONTRIBUTION TO NON-LIFE GUARANTEE FUND

The Company and its subsidiary have accumulated funding amount which were paid into contribution to non-life guarantee fund as at December 31, 2012 and 2011 amounting to Baht 10.18 million and Baht 12.90 million, respectively (Company: December 31, 2011, Baht 9.51 million).

### 36. CONTINGENT LIABILITIES

As at December 31, 2012 and 2011, lawsuits have been brought against the Company and its subsidiary, as insurer, from which the Company and its subsidiary estimate losses totaling Baht 102.27 million and Baht 94.71 million, respectively, (Company: Baht 88.59 million and Baht 85.48 million, respectively). The Company's management does not expect the outcome of the litigation to result in losses that differ from the recorded liability by amounts that would be material to the Company's operating results.

### 37. LONG-TERM LEASES AND SERVICE AGREEMENTS

Long-term leases and service agreements as at December 31, 2012 and 2011 consist of the following:

Type of lease	Consolidated financial statements		
	As at December 31, 2012		
	Remaining periods		Total rental payments for the remaining periods
	Within 1 year	Over 1 year to 5 years	
Baht	Baht	Baht	
Building			
- related companies	6,107,940	3,722,355	9,830,295
- others	2,523,075	5,051,005	7,574,080
Service - related company	6,107,940	3,722,355	9,830,295
Equipment - related company	8,143,920	4,963,140	13,107,060
	<u>22,882,875</u>	<u>17,458,855</u>	<u>40,341,730</u>

Type of lease	Consolidated financial statements		
	As at December 31, 2011		
	Remaining periods		Total rental payments for the remaining periods
	Within 1 year	Over 1 year to 5 years	
Baht	Baht	Baht	
Building			
- related companies	1,316,520	1,535,940	2,852,460
- others	2,426,440	3,343,533	5,769,973
Service - related company	1,316,520	1,535,940	2,852,460
Equipment - related company	1,755,360	2,047,920	3,803,280
	<u>6,814,840</u>	<u>8,463,333</u>	<u>15,278,173</u>

Type of lease	Separate financial statements		
	As at December 31, 2012		
	Remaining periods		Total rental payments for the remaining periods
	Within 1 year	Over 1 year to 5 years	
Baht	Baht	Baht	
Building			
- related companies	1,415,880	825,930	2,241,810
Service - related company	1,415,880	825,930	2,241,810
Equipment - related company	1,887,840	1,101,240	2,989,080
	<u>4,719,600</u>	<u>2,753,100</u>	<u>7,472,700</u>

### 38. COMMITMENT

As at December 31, 2012 and 2011, the subsidiary had a capital commitment to pay computer program development expenses in the amount of approximately Baht 17.09 million and Baht 22.51 million, respectively.

### 39. DISCLOSURE OF FINANCIAL INSTRUMENTS

The Company and its subsidiary do not speculate or engage in trading of any derivative financial instruments.

#### 39.1 Accounting policies

Details of significant accounting policies and methods adopted, including criteria for recognition of revenues and expenses relating to financial assets and financial liabilities are disclosed in Note 3.

#### 39.2 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company and its subsidiary. The Company and its subsidiary has adopted the policy to protect against credit risk by having securities valuations strictly appraised by specialists and limiting lines of loans so as not to exceed the securities value which is in accordance with the Department of Insurance regulation related to investment for other business of non-life companies.

In the case of recognized financial assets in the statement of financial position, the carrying amount of the assets recorded in the statement of financial position represents the Company and its subsidiary maximum exposure to credit risk.

#### 39.3 Interest rate risk

Interest rate risk refers to the risk changes in interest rates will affect the interest income from investments. The Company and its subsidiary's investments include both short-term and long-term investments that have floating rate and fixed rates. The Company and its subsidiary manage the risk by considering the risk of investments together with the return on such investments.

As at December 31, 2012 and 2011, significant financial assets classified by type of interest rate are as follows:

	Consolidated financial statements			
	Balance as at			
	December 31, 2012		December 31, 2011	
	Variable interest rate Baht	Fixed interest rate Baht	Variable interest rate Baht	Fixed interest rate Baht
Cash and cash equivalents				
Saving account	251,704,595	-	1,270,400,321	-
Fixed deposit	-	-	-	461,684
Investment in securities				
Available for sale securities				
Government and state enterprise securities				
Government bonds	-	510,915,807	-	558,361,538
State enterprise bonds	-	109,310,909	-	284,426,824
Treasury bills	-	30,000,000	-	137,719,736
Private enterprise securities				
Debentures	-	137,629,241	-	150,662,064
Foreign debt securities				
Bonds	-	402,436,532	-	700,143,341
Debenture	-	4,713,850	-	4,711,239
Held-to-maturity investment				
Government and state enterprise securities				
Notes	-	2,500,000	-	-
Private enterprise securities				
Notes	-	30,000,000	-	55,500,000
Fixed deposit with maturity over 3 months				
Fixed deposit with commercial bank	153,352,800	74,749,719	148,929,662	185,776,702
Fixed deposit used as collateral	-	369,701,590	-	128,000,000
<b>Total</b>	<b>405,057,395</b>	<b>1,671,957,648</b>	<b>1,419,329,983</b>	<b>2,205,763,128</b>

	Separate financial statements			
	Balance as at			
	December 31, 2012		December 31, 2011	
	Variable interest rate Baht	Fixed interest rate Baht	Variable interest rate Baht	Fixed interest rate Baht
Cash and cash equivalents				
Saving account	48,621,734	-	739,416,788	-
Fixed deposit	-	-	-	461,684
Investment in securities				
Available for sale securities				
Government and state enterprise securities				
Government bonds	-	327,182,092	-	427,343,108
Treasury bills	-	30,000,000	-	29,704,841
Private enterprise securities				
Debentures	-	132,182,053	-	132,608,844
Held-to-maturity investment				
Private enterprise securities				
Notes	-	30,000,000	-	30,000,000
Fixed deposit with maturity over 3 months				
Fixed deposit with commercial bank	153,352,800	50,000,000	148,929,662	50,000,000
Fixed deposit used as collateral	-	44,000,000	-	44,000,000
<b>Total</b>	<b>201,974,534</b>	<b>613,364,145</b>	<b>888,346,450</b>	<b>714,118,477</b>

The financial instruments carrying interest at fixed rates are classified below on the basis of the length of time from the statement of financial position date to the date specified for the fixing of a new rate, or to the maturity date (whichever is sooner) as follows:

	Consolidated financial statements				
	As at December 31, 2012				
	Period specified for fixing new interest rate				Average interest rate %
	Within 1 year Baht	1-5 years Baht	Over 5 years Baht	Total Baht	
Investment in securities					
Available for sale securities					
Government and state enterprise securities					
Government bonds	-	308,870,791	202,045,016	510,915,807	3.47
State enterprise bonds	8,860,235	100,450,674	-	109,310,909	3.36
Treasury bills	30,000,000	-	-	30,000,000	3.10
Private enterprise securities					
Debentures	12,211,881	125,417,360	-	137,629,241	5.21
Foreign debt securities					
Bonds	-	402,436,532	-	402,436,532	4.18
Debentures	4,713,850	-	-	4,713,850	3.85
Held-to-maturity investment					
Government and state enterprise securities					
Notes	2,500,000	-	-	2,500,000	3.25
Private enterprise securities					
Notes	30,000,000	-	-	30,000,000	3.00
Fixed deposit with maturity over 3 months					
Fixed deposit with commercial bank	74,749,719	-	-	74,749,719	2.84
Fixed deposit used as collateral	369,701,590	-	-	369,701,590	2.91
<b>Total</b>	<b>532,737,275</b>	<b>937,175,357</b>	<b>202,045,016</b>	<b>1,671,957,648</b>	

	Consolidated financial statements				
	As at December 31, 2011				Average interest rate %
	Period specified for fixing new interest rate				
	Within 1 year	1-5 years	Over 5 years	Total	
Baht	Baht	Baht	Baht		
Cash and cash equivalents					
Fixed deposit	461,684	-	-	461,684	2.25
Investment in securities					
Available for sale securities					
Government and state enterprise securities					
Government bonds	-	244,814,132	313,547,406	558,361,538	3.37
State enterprise bonds	175,357,883	109,068,941	-	284,426,824	2.99
Treasury bills	137,719,736	-	-	137,719,736	3.08
Private enterprise securities					
Debentures	12,568,635	138,093,429	-	150,662,064	5.12
Foreign debt securities					
Bonds	299,637,789	400,505,552	-	700,143,341	3.96
Debentures	-	4,711,239	-	4,711,239	3.85
Held-to-maturity investment					
Private enterprise securities					
Notes	23,000,000	32,500,000	-	55,500,000	2.84
Fixed deposit with maturity over 3 months					
Fixed deposit with commercial bank	181,372,643	4,404,059	-	185,776,702	2.79
Fixed deposit used as collateral	128,000,000	-	-	128,000,000	2.26
<b>Total</b>	<u>958,118,370</u>	<u>934,097,352</u>	<u>313,547,406</u>	<u>2,205,763,128</u>	

	Separate financial statements				
	As at December 31, 2012				Average interest rate %
	Period specified for fixing new interest rate				
	Within 1 year	1-5 years	Over 5 years	Total	
Baht	Baht	Baht	Baht		
Investment in securities					
Available for sale securities					
Government and state enterprise securities					
Government bonds	-	128,756,926	198,425,166	327,182,092	3.42
Treasury bills	30,000,000	-	-	30,000,000	3.10
Private enterprise securities					
Debentures	9,999,897	122,182,156	-	132,182,053	5.23
Held-to-maturity investment					
Private enterprise securities					
Notes	30,000,000	-	-	30,000,000	3.00
Fixed deposit with maturity over 3 months					
Fixed deposit with commercial bank	50,000,000	-	-	50,000,000	2.85
Fixed deposit used as collateral	44,000,000	-	-	44,000,000	2.46
<b>Total</b>	<u>163,999,897</u>	<u>250,939,082</u>	<u>198,425,166</u>	<u>613,364,145</u>	

	Separate financial statements				
	As at December 31, 2011				Average interest rate
	Period specified for fixing new interest rate				
	Within 1 year	1-5 years	Over 5 years	Total	
Baht	Baht	Baht	Baht	%	
Cash and cash equivalents					
Fixed deposit	461,684	-	-	461,684	2.25
Investment in securities					
Available for sale securities					
Government and state enterprise securities					
Government bonds	-	171,947,188	255,395,920	427,343,108	3.51
Treasury bills	29,704,841	-	-	29,704,841	3.10
Private enterprise securities					
Debentures	-	132,608,844	-	132,608,844	5.22
Held-to-maturity investment					
Private enterprise securities					
Notes	-	30,000,000	-	30,000,000	3.00
Fixed deposit with maturity over 3 months					
Fixed deposit with commercial bank	50,000,000	-	-	50,000,000	2.65
Fixed deposit used as collateral	44,000,000	-	-	44,000,000	2.00
<b>Total</b>	<u>124,166,525</u>	<u>334,556,032</u>	<u>255,395,920</u>	<u>714,118,477</u>	

#### 39.4 Estimated fair value of financial instruments

The fair values have been estimated by the Company and its subsidiary using available market information and appropriate valuation methodologies.

As at December 31, 2012 and 2011, the carrying amounts of financial assets and financial liabilities which were different from the estimated fair value were as follows:

	Consolidated financial statements			
	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	Baht	Baht	Baht	Baht
Financial assets				
Cash and deposits at financial institutions	912,983,192	913,828,984	1,843,962,098	1,843,762,509
Stocks	731,602,279	870,828,589	1,030,136,044	1,461,101,765
Other securities - unit trusts	626,294,584	717,794,078	1,736,551,176	1,736,537,062
Notes	32,500,000	32,627,940	55,500,000	55,273,388
	Separate financial statements			
	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	Baht	Baht	Baht	Baht
Financial assets				
Cash and deposits at financial institutions	295,978,273	295,978,273	990,346,820	990,343,332
Stocks	730,391,309	852,936,313	1,028,925,074	1,456,292,587
Other securities - unit trusts	578,580,520	670,080,013	1,676,178,735	1,676,164,621
Notes	30,000,000	30,127,940	30,000,000	29,815,674

The following methods and assumptions were used by the Company and its subsidiary in estimating fair value of financial instruments as disclosed herein:

Financial assets - The fair values of financial assets for which their remaining terms to maturity are within 90 days are based on carrying value. For those with remaining terms to maturity greater than 90 days are estimated by using a discounted cash flow analysis based on current interest rates for the remaining years to maturity, except for the fair values of stocks and other securities classified as available-for-sales securities which are based on the bidding prices at the Stock Exchange of Thailand on the last business day of the year. For non-listed securities, the fair values are estimated based on either net asset value or carrying value.

#### 40. SEGMENT INFORMATION

Management considers that the Company and its subsidiary operate in a single line of business, namely non-life insurance business and a single geographic area, namely in Thailand, therefore, only one major business segment and one major geographic segment are presented.

#### 41. DISCONTINUED OPERATIONS

On September 1, 2011, the Company and its subsidiary entered into the Transfer of Business Agreement to transfer all insurance policy including assets and liabilities relating to non-life insurance operation to the subsidiary. On October 1, 2011, the Company has transferred all insurance policies including assets and liabilities relating to non-life insurance operation to its subsidiary which the business has completely transferred in December 2011 (see Note 1.1).

The related transactions of non-life insurance operations in the separate statement of comprehensive income for the year ended December 31, 2011, presented herein for comparison have also been presented as profit from discontinued operations for non-life insurance operations of the Company which were previously presented as part of the Company's continuing operations.

The presentation of the separate statements of comprehensive income for the discontinued operations and cash flows for the discontinued operations for the year ended December 31, 2011 are detailed as below:

	Notes	Separate financial statements 2011 Baht
<b>Profit from discontinued operations</b>		
Net premium earned	23	981,215,361
Fee and commission income	23	154,987,726
Total revenues		1,136,203,087
Losses incurred insurance claims and loss adjustment expenses	23	487,775,249
Commissions and brokerages expenses	23	244,647,526
Other underwriting expenses	23	142,767,264
Operating expenses	24	128,812,956
Total Underwriting Expenses		1,004,002,995
Profit on under writing		132,200,092
Net investment income		75,553
Contribution to the Office of Insurance Commission		4,148,436
Contribution to Non - life guarantee fund		3,192,494
Contribution to Road victims protection fund		221,584
Income before income tax expense		124,713,131
Income tax - expense (income)	27	47,450,798
<b>Net income from discontinued operations</b>		<b>77,262,333</b>
<b>Cash flows from discontinued operations</b>		
Cash provided by operating activities		258,847,782
Cash provided by investing activities		54,199,538
<b>Net cash flows from discontinued operations</b>		<b>313,047,320</b>

**42. RECLASSIFICATIONS**

The reclassifications have been made to the statement of financial position as at December 31, 2011 to conform to the presentation of the statement of financial position as at December 31, 2012 as follow:

**Consolidated financial statements**

<b>Previously presented</b>	<b>Reclassification</b>	<b>Amount</b>
		<b>Baht</b>
Other assets	Deferred commission expense	38,408,230
Other liabilities	Accrued expenses	48,113,318

**Separate financial statements**

<b>Previously presented</b>	<b>Reclassification</b>	<b>Amount</b>
		<b>Baht</b>
Other liabilities	Accrued expenses	33,167,732

**43. AUTHORIZATION OF THE FINANCIAL STATEMENTS**

These financial statements were approved for issuance by the Company's authorized executive director on February 22, 2013.



# FINANCIAL STATEMENT

## AUDITOR'S REMUNERATION

In 2012, the Company and its subsidiary paid Baht 4,250,000 in audit fees to the office where the auditor was employed:

	Company	Subsidiary
Annual audit fee for the year 2012	500,000	1,250,000
Annual audit fee for 2012 consolidated financial statements	300,000	-
Quarterly fee for reviewing consolidated financial statements for 3 quarters	450,000	-
Quarterly fee for reviewing financial statements for 3 quarters	360,000	450,000
Annual fee for assessment of general computer security	-	150,000
Fee for audit as agreed-upon procedures of the risk-based capital report as of 31 May 2012	-	250,000
Fee for audit as agreed-upon procedures of the risk-based capital report as of 30 June 2012	-	160,000
Fee for audit as agreed-upon procedures of the risk-based capital report as of 31 December 2012	-	180,000
Fee for the assessment and preparation of a report in accordance with the Notification of the Insurance Registrar Re: Criteria, Methods, and Conditions for Auditing Internal Control Systems and Investment Procedures of Non-Life Insurance Companies Investing in Other Businesses	-	200,000
Total	1,610,000	2,640,000

## LEGAL DISPUTES

The Company did not engage in any legal disputes against the risks of assets of more than 5% of Total Equity.

# ANALYSIS OF FINANCIAL RATIO

Major financial ratio to reflect financial status and operating result of the Company's core business.

Financial Ratio		Consolidated Financial Statements		
		2012	2011	2010
<b>Liquidity Ratio</b>				
Current Ratio	(Times)	1.09	1.39	2.32
Premium Due and Uncollected Turnover	(Days)	31	35	36
<b>Profitability Ratio</b>				
Retention Rate	(%)	65.48	52.06	66.58
Loss Ratio	(%)	55.31*	48.20*	50.17
Gross Profit Margin	(%)	(7.52)	(68.46)	2.78
Underwriting Expense Ratio	(%)	57.51	55.03	61.70
Return on Investment	(%)	5.19	5.11	4.70
Net Premium Written Per Equity	(Times)	0.38	0.25	0.25
Net Profit Margin	(%)	4.33	(20.33)	18.17
Return on Equity	(%)	2.01	(8.87)	5.85
<b>Efficiency Ratio</b>				
Return on Assets	(%)	0.84	(4.43)	4.21
Assets Turnover	(Times)	0.19	0.23	0.23
<b>Financial Ratio</b>				
Debt to Equity Ratio	(Times)	1.10	1.69	0.42
POLICY LIABILITY TO CAPITAL FUND	(Times)	0.80	1.50	0.26
Unearned Premium Reserve Per Equity	(Times)	0.19	0.17	0.16
Unearned Premium Reserve Per Total Assets	(%)	8.99	6.29	10.96
Payout Ratio	(%)	100.00	84.75	93.02
<b>Data Per Share</b>				
Par Value	Baht	1.00	1.00	1.00
Book Value	Baht	19.00	18.80	22.24
Net Profit (Loss)	Baht	0.38	(1.82)	1.29
Dividend	Baht	0.38**	1.00	1.20

\* Loss incurred per earned premium show ratios under normal operating circumstances and does not yet include loss ratios from the massive flood.

\*\* Dividend for the year 2012 is waiting for approval from the General Shareholders' meeting.

# FINANCIAL RECORDS

Unit : Million Baht

	2012	2011	2010
<b>Statements of Comprehensive Income</b>			
Gross premium written	2,765.83	2,418.59	2,095.10
Premium ceded	954.75	823.38	700.10
Net premium written	1,811.08	1,595.21	1,395.00
Unearned premium reserve	101.21	(66.25)	135.31
Earned premium	1,709.87	1,661.46	1,259.69
Underwriting income	1,901.46	1,883.37	1,447.97
Underwriting expenses	1,748.48	2,462.06	1,177.58
Profit (loss) on underwriting	152.98	(578.69)	270.39
Profit on investment	284.92	332.58	313.06
Other income	7.99	22.60	9.06
Profit (loss) on underwriting and investment	437.90	(246.11)	583.45
Operating expenses	303.60	295.74	241.12
Profit (loss) before income taxes	142.29	(519.25)	351.39
Corporate income tax expenses (income)	47.35	(64.16)	29.73
Net profit (loss)	94.94	(455.09)	321.66
Earnings (loss) per share (Baht)	0.38	(1.82)	1.29
<b>Statements of Financial Position</b>			
Total assets	9,984.27	12,666.64	7,872.44
Premises and equipment	57.45	65.19	63.84
Total Liabilities	5,233.13	7,966.55	2,311.94
Total Equity	4,751.14	4,700.09	5,560.50
Book Value (Baht)	19.00	18.80	22.24
Dividend per share (Baht)	*0.38	1.00	1.20
Return on Equity (%)	2.01	(8.87)	5.85

\* Dividend for the year 2012 is waiting for approval from the General Shareholders' meeting.

## RISK FACTORS

Major factors and influences that could affect the Company and its subsidiary's operations and future financial performance are discussed below.

### MARKET RISK

In the insurance business, portfolio investment is affected by interest rate and stock market fluctuations, as well as local and global economic and political volatility.

The Stock Exchange of Thailand (SET) was volatile in 2012, due largely to the economic crises in the United States and Eurozone countries with their continual indications of further contractions to come and the possibility of repeated debt defaults. At the end of 2012, the Company and its subsidiary had Baht 126.79 million in unrealized gains from surplus on revaluation of investment, an increase of Baht 61.35 million from the Baht 65.44 million of the same period in 2011.

With continued low interest rates, the recovering local economy and growth of publicly listed companies, and the attractive Thai stock market, the Company maintains a positive outlook on medium- to long-term investments in equity instruments. Our strategy for managing investment focuses on the individual selection of stocks augmented by qualitative and quantitative analysis tools and regular monitoring of their performance. Guided by the principles of conservative investing and maintaining financial strength and stability, the Company believes that it will continue to generate good returns from its investments in the market, balanced with acceptable risk, for the greatest benefit of shareholders.

### LIQUIDITY RISK

The Company has both short- and long-term financial investments to manage its liquidity efficiently and assure daily cash flow. In addition, there is a change management policy on investments for high return at low risk that is suitable to every situation and considers the liquidity of each invested security.

On December 31, 2012, the Company and its subsidiary had assets in the form of cash and deposits with financial institutions amounting to Baht 643.34 million. Among the Company's investments, Baht 2,148.51 million was in securities, Baht 32.5 million was in treasury bills, and Baht 228.10 million was in deposits at financial institutions with terms to maturity of over three months. These investments are shown at fair value, and major short- and long-term investments were made after consideration of the liquidity of each security as required by the secondary market.

### OPERATIONAL RISK

This may occur from operational errors that cause the Company to be unable to operate its business as usual, resulting in financial loss or damage to its reputation. In order to reduce such risks, the Company has a committee with the authority and duty to manage the Company in accordance with the law, as well as the regulations and resolutions of the Shareholders' Meeting. An Executive Committee, Investment Committee, Audit Committee, Nomination & Remuneration Committee, and Compliance Committee have also been established and the scope of authority and duties of each committee clearly specified. The Company has organized training on risk management and set the policy and direction for operational risk management. In addition, the Company emphasizes internal controls on finance, operations, supervision and practice, and has established an Internal Audit Department charged with auditing its operations in accordance with the appropriate controls.

### INSURANCE RISK

Damages to insured property arising from disasters and/or accidents that the Company has agreed to cover are honored through claims. Thus, the Company manages its risk and follows underwriting procedures by considering the insured, the nature of the business, risk, and prevention. The Company also shares its risks by arranging treaty reinsurance and facultative reinsurance with secured, first-class reinsurance companies both within the country and abroad. In 2012, the Company had ceded premiums in the amount of Baht 793.41 million from its total written premiums of Baht 2,765.83 million, a proportion of 28.69% of total written premiums,

with the remaining balance retained by the Company. However, the Company also ceded non-proportional reinsurance, which did not limit the liability of the reinsurer in proportion to the liability of the reinsured, such as excess of loss reinsurance.

This type of reinsurance covers losses in excess of the limited amount agreed to in the treaty, and reinsurers use it to limit their liability. Thus, this reinsurance will reduce the risk of the Company in operating its insurance business, as in cases of major loss it will be liable for the limited amount in excess of the loss treaty and the excess amount can be recovered from the reinsurer. In 2012, premiums for excess of loss reinsurance amounted to Baht 161.34 million, Baht 109.82 million, or 213.16%, over the previous year's Baht 51.52 million. This was due to an increase in the premium rate by foreign reinsurance companies resulting from the 2011 flood.

## CREDIT RISK

Credit risk is an investor's risk of financial loss arising from a counterparty who does not make payments as promised or from insuring parties or counterparties whose credit rating is downgraded. Counterparties as used herein refers to issuers of promissory notes, debtors, or reinsurance counterparties, as well as treaty-related insurance intermediaries and brokers. An example of credit risk is the default risk that an organization will not pay out, or postpones payment on, a credit insurance contract or other trade or transaction on time.

A downgrade in the credit rating of the issuer or the reinsurers will eventually affect the current value of the contract. Therefore, the Company has instituted the appropriate policy for working with both domestic and international reinsurance companies. In addition, investments in debt securities are only made with private companies with a strong financial background based on their credit rating.

As at December 31, 2012, the Company and its subsidiary had a fund in the amount of Baht 4.38 million for loans to its employees who have guarantors in accordance with the rules of the employee loan welfare policy, with interest charged. The Company follows the rules, procedures and conditions specified in the announcement of the Ministry of Commerce on the matter of insurance company investment in other businesses.

## RISK FROM DEPENDENCE ON MAJOR CUSTOMERS

At present, the Company and its subsidiary receives fire premiums from Bank of Ayudhya Public Company Limited and a large number of their debtors and depositors, amounting to 52.57% of the overall fire premiums of the Company in 2012. The Company and its subsidiary have coordinated with the Bank of Ayudhya to set up a Bancassurance project that allows the bank to act as an insurance broker. To date, the Company has a good relationship with the bank, which continues to direct insurance business to the Company.

## OVERDUE PREMIUM COLLECTION RISK

For the non-life insurance business of the subsidiary, the distribution channels are agents and brokers. The subsidiary issues policies through agents and brokers, and both are able to collect premiums from customers within a specified period. The subsidiary might be subject to uncollected premium risks if the agents or brokers are faced with a liquidity crisis or other financial problem, which makes it a risk for the non-life insurance business.

The Company has issued a policy to manage premium collection that concisely indicates the credit terms for long-outstanding premiums. A meeting on credit control is held monthly to follow up on long-overdue accounts in order to comply with the regulations of the Office of Insurance Commission (OIC). When an outstanding account exceeds the specified term of the agreement, the credit control unit will be take over and follow up with collection procedures.

The OIC has stipulated that the premium collection and financial status of non-life insurance companies be measured on the basis of both quantity and quality, and that the ratio of appraised outstanding premiums per total outstanding will serve as the quantity basis used for the evaluation of liquidity risks of the Company's outstanding premiums. The minimum standard ratio should not be under 75%, and at the end of 2012, the ratio of the Company and its subsidiary was 89.04%.

## DIVIDEND POLICY

The Company has a policy to pay dividend to its shareholders at a rate of not less than 60% of net profit after tax annually, but dependent upon performance and shareholders' resolution that will be considered from the Company's consolidated financial statements.

### SUBSIDIARIES' DIVIDEND PAYOUT POLICY

Dividend payments by the subsidiary must be approved by a resolution of the shareholders at a general shareholders' meeting and must be in compliance with relevant rules and regulations.

In each case, the subsidiary must allocate to a reserve fund from the annual net profit, not less than 5% of the annual net profit deducted by the total accumulated loss brought forward (if any) until the reserve fund reaches an amount of not less than 10% of the authorized capital.

» **Obligation incurred through the issuance of Common Stocks:**

None

» **Debenture and Promissory Notes:**

The Company has never issued debentures or promissory

# GENERAL INFORMATION

## HEAD OFFICE

Bangkok : 898 Ploenchit Tower 7th Fl., Ploenchit Road,  
Lumpini, Pathumwan, Bangkok 10330, Thailand.  
Tel. : 66-2263-0335  
Fax : 66-2263-0589  
Email : info@ayud.co.th  
Website : www.ayud.co.th

## Registration and Shareholding Structure

Type of registration : Public Company Limited  
Registration number : 0107537001391  
Type of business : Investment holding company with  
investment focus in the insurance  
business

### » Authorized Share Capital

Ordinary shares : 500 million ordinary shares at Baht 1.00  
per share  
Total : Baht 500 million

### » Issued and paid-up Share of Capital

Ordinary shares : 250 million ordinary shares at Baht 1.00  
per share  
Total : Baht 250 million

### » Subsidiary

**Sri Ayudhya General Insurance Public Company Limited**  
(formerly BT Insurance Co., Ltd.)

Head Office : 898 Ploenchit Tower 18th Fl., Zone A,  
Ploenchit Road, Lumpini, Pathumwan,  
Bangkok 10330, Thailand.  
Tel. : 66-2657-2555, 66-2657-2525  
Fax : 66-2657-2500-1  
Email : info@sagi.co.th  
Website : www.sagi.co.th

### » References

#### Registrar

Thailand Securities Depository Co., Ltd.,  
62 The Stock Exchange of Thailand Bldg., 4, 6-7 Fl.,  
Rachadapisek Road, Klongtoey,  
Bangkok 10110 Thailand  
Tel. : 66-2229-2800, 0-2654-5599  
Fax : 66-2359-1259

### » Debenture holder's representative

-None-

### » Auditor

Mr.Niti Jungnitnirundr, CPA Number 3809; and/or  
Mrs. Nachalee Boonyakarnkul, CPA Number 3126; and/or  
Mr. Permsak Wongpatcharakorn, CPA Number 3427

### » Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd.

Rajanakarn Building, 25th Floor, 183 South Sathorn Road,  
Kwaeng Yannawa, Khet Sathorn, Bangkok 10120 Thailand  
Tel. : 66-2676-5700  
Fax : 66-2676-5757

## FINANCIAL INSTITUTIONS

### » Bank of Ayudhya Public Company Limited

Head Office  
1222 Rama III Road, Bangponpang, Yannawa,  
Bangkok 10120 Thailand  
Tel. : 66-2296-2000

#### Ploenchit Branch

550 Ploenchit Road, Lumpini, Pathumwan,  
Bangkok, 10330 Thailand  
Tel. : 66-2208-2000

### » The Thai Military Bank Public Company Limited

Phaholyothin Branch  
3000 Phaholyothin Road, Ladyao, Chatuchak,  
Bangkok 10900 Thailand  
Tel. : 66-2299-1111

### » Kasikorn Bank Public Company Limited

Lang Suan Branch  
99/8 Lang Suan Road, Lumpini, Pathumwan,  
Bangkok 10300 Thailand  
Tel. : 66-2652-0240-2

#### Ratburana Branch

1 Ratburana Road, Ratburana, Bangkok 10140 Thailand  
Tel. : 66-2871-3650-5

### » The Government Housing Bank

Head Office  
63 Rama 9 Road, Huai Khwang, Bangkok 10320 Thailand  
Tel. : 66-2645-9000

### » Thanachart Bank Public Company Limited

Tonson Branch  
900 Tonson Tower, Ploenchit Road, Lumpini, Pathumwan,  
Bangkok 10330 Thailand  
Tel. : 66-2655-9000









**ศรีอยุธยา แคปปิตอล**  
**SRI AYUDHYA CAPITAL**

Sri Ayudhya Capital Public Company Limited

898 Ploenchit Tower, 7th Floor, Ploenchit Rd., Lumpini, Pathumwan, Bangkok 10330

Tel. 0-2263-0336 Fax. 0-2263-0589 [www.ayud.co.th](http://www.ayud.co.th)