

# Opinion Report of the Independent Financial Advisor

The Connected Transaction and Asset Acquisition  
Transaction regarding Acquisition of Additional Stake in  
AACP from BAY

Presented to the Shareholders of



Sri Ayudhya Capital Public Company Limited

Prepared by



Maybank Kim Eng Securities (Thailand) Public Company Limited

March 2012

(English Translation)

## Disclaimer

The English translation of this document is prepared solely for reference for non-Thai shareholders of the Company. It should not be relied upon as either the definitive or the official document of the Company. The Thai version is the official document and shall prevail in all respects in the event of any inconsistency with the English translation.

## Content

	Page
1. Executive Summary	5
2. Characteristics and Details of the Transaction	11
3. Information regarding Nature of Business and Operation of Sri Ayudhya Capital Public Company Limited	20
4. Information regarding Nature of Business and Operation of Ayudhya Allianz C.P. Life Public Company Limited	38
5. Rationale and Reasonableness of the Transaction	60
6. Fairness of Price	71
7. Opinion of the Independent Financial Advisor regarding Conditions in the Draft of Share Purchase Agreement	96
8. Opinion of the Independent Financial Advisor on Shareholders' Resolution	98

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Subject: Opinion of the Independent Financial Advisor regarding Asset Acquisition Transaction and Connected Transaction concerning Entering into the Agreement to Acquire Additional Stake in AACP

Attention: The Board of Directors and Shareholders  
Sri Ayudhya Capital Public Company Limited

Sri Ayudhya Capital Public Company Limited (the “**Company**”) will enter into an agreement to acquire the existing ordinary shares of Ayudhya Allianz C.P. Life Public Company Limited (“**AACP**”) from Bank of Ayudhya Public Company Limited (“**BAY**”), the major shareholder of the Company, for the total of 25,072,194 shares with a par value of Baht 10 each, representing 8.50 % of AACP’s existing paid-up share capital. The transaction that the Company will enter into an agreement to acquire the existing ordinary shares of AACP from BAY is considered a connected transaction related to assets or services and an asset acquisition transaction.

Before the Company will enter into an agreement to acquire AACP’s additional capital of 25,072,194 shares from BAY, the Company acquired the existing ordinary shares of AACP from Charoen Pokphand Group Company Limited, Charoen Pokphand Foods Public Company Limited and Bangkok Produce Merchandising Public Company Limited (herein collectively called the “**CP Group**”) totaling 17,265,108 shares or 5.85% of AACP’s paid-up share capital at Baht 30 per share totaling Baht 517.95 million on 18 January 2012. The CP Group is not a connected person of the Company whatsoever. The Company disclosed such transaction to the SET on 19 January 2012.

The total size of the two transactions –the acquisition by the Company of AACP’s existing ordinary shares from BAY and the CP Group, as detailed above, will be 42,337,302 shares or 14.35 % of the total paid-up share capital of AACP at Baht 30 per share totaling Baht 1,270.12 million. After the additional acquisition of AACP shares from BAY, the Company will hold a total of 59,500,280 shares of AACP (comprising AACP’s shares originally held by the Company of 17,162,978 and additional shares acquired by the Company in total of 42,337,302) or 20.17% of AACP’s paid-up share capital. This will establish AACP as an associate company of the Company.

As for the transaction that the Company will acquire the existing ordinary shares of 25,072,194 of AACP or 8.50% of AACP’s paid-up capital from BAY that is the connected person of the Company at Baht 30 per share totaling Baht 752.17 million, it is considered a connected transaction regarding assets or services. The size of this connected transaction is 14.09% which is higher than 3% of the net tangible assets of the Company and its subsidiary according to the 9-month reviewed financial statements of the Company as at 30 September 2011;

hence, the transaction must be approved by the shareholders of the Company, by receiving not less than three-fourths of the total number of votes of shareholders or proxies who are present at the meeting, and who have the right to vote, excluding the votes of interested shareholders.

As for the asset acquisition transaction (including the Company's acquisition of the existing ordinary shares of AACP of 17,265,108 at Baht 30 per share from the CP Group and the Company's additional acquisition of the existing ordinary shares of AACP of 25,072,194 from BAY at Baht 30 per share), the calculation from the net profit has resulted in the maximum size of the transaction being 27.88 % (calculated based on the 9-month reviewed financial statements as at September 30, 2011 of the Company and AACP) according to the Notification of the Board of Governors of the Stock Exchange of Thailand regarding Disclosing of Information and Other Acts of Listed Companies concerning the Acquisition and Disposition of Assets, 2004. This makes the transaction of entering into the agreement to acquire shares in AACP by the Company from BAY a Class 2 transaction. Hence, the Company must prepare a report and disclose information to the Stock Exchange of Thailand immediately without any delay. Information disclosure must include at least the information specified in Schedule (1) annexed to the Notification. Moreover, the Company must serve a written notice to the shareholders within 21 days from the date of disclosing information to the Stock Exchange of Thailand.

As for the transaction that the Company will acquire the existing ordinary shares of 25,072,194 of AACP or 8.50% of AACP's paid-up capital from BAY that is the connected person of the Company at Baht 30 per share totaling Baht 752.17 million, it is considered a connected transaction regarding assets or services. The size of this connected transaction is higher than 3% of the net tangible assets of the Company and its subsidiary according to the 9-month reviewed financial statements of the Company as at 30 September 2011; hence, the transaction must be approved by the shareholders of the Company, by receiving not less than three-fourths of the total number of votes of shareholders or proxies who are present at the meeting, and who have the right to vote, excluding the votes of interested shareholders. In this regard, the Company has appointed Maybank Kim Eng Securities (Thailand) Public Company Limited (the "**Independent Financial Advisor**") to be an independent financial advisor giving opinions to the Board of Directors and shareholders regarding the appropriateness and benefits of the transaction, fairness of price and important conditions of entering into the transaction of acquiring the aforementioned assets.

Maybank Kim Eng Securities (Thailand) Public Company Limited as an independent financial advisor would give opinions in the following issues regarding the transaction:

1. Nature and details of the asset acquisition transaction;
2. The appropriateness, advantages and disadvantages of entering into the transaction;
3. The sufficiency of source of funds to enter into the transaction of acquiring additional stake;
4. The reasonableness and fairness of the trading price of AACP's shares;

5. The reasonableness of conditions and important provisions in the draft of AACP share purchase agreement; and
6. The opinion of the Independent Financial Advisor regarding the shareholders' resolution.

In preparation of the report of opinion of the Independent Financial Advisor, the Independent Financial Advisor studied the following relevant information:

**1. Information from AACP**

- Article of Affidavit, Memorandum of Association, Articles of Association and list of the shareholders of AACP
- Actuarial report prepared by an independent actuarial consultant, or Consultant A ("CA")
- AACP's audited financial statements for the years 2006-2010 and 9-month reviewed financial statements for the period ended September 30, 2011 and 2010 and unaudited internal financial statements of AACP for the year 2011
- The interview of AACP officers regarding sources and appropriateness of key assumptions, including relevant key information used in the preparation of the actuarial report

**2. Information from the Company**

- Information regarding policy and supporting reasons for entering into the acquisition transaction, including other relevant key information
- Resolution of the 61<sup>st</sup> annual general meeting of shareholders held on 20 April 2010 approving the Company's long-term business plan which emphasizes on changing the Company's status from a non-life insurance company to an insurance holding company
- Draft of share purchase agreement made between the Company and BAY
- The Company's audited financial statements for the years 2009-2011
- Letter confirming sufficiency of source of fund to acquire additional stake in AACP

**3. Information from other reliable sources such as the Stock Exchange of Thailand, Business Online (BOL), Life Insurance Association of Thailand and Bloomberg**

- Statistic related to share prices of the companies comparable to AACP including BLA and SCBLIF
- Information related to the life insurance industry and its future trend.
- Information regarding composition of the board of directors and shareholding structure of life insurance companies in Thailand.

The opinion of the Independent Financial Advisor presented herein has been prepared with an assumption that the information and documents received from the Company, AACP and other reliable sources used by the Independent Financial Advisor is accurate and complete. The stated information has sufficient material for the Board of Directors' and shareholders' decision making process. Moreover, the analysis of economic and industry conditions includes only the information from the study period. If the aforementioned factors change significantly, the opinion of the Independent Financial Advisor regarding the transaction of acquiring AACP shares by the Company from BAY might be affected. Thus, the opinion of the Independent Financial Advisor has no ability to confirm the effects from the mentioned factors to the Company and AACP in the future. In addition, the opinion of the Independent Financial Advisor is towards the acquisition of additional stake in AACP by the Company from BAY only. It does not include other asset acquisition/disposition transactions and connected transactions of the Company in the past or in the future.

## 1. Executive Summary

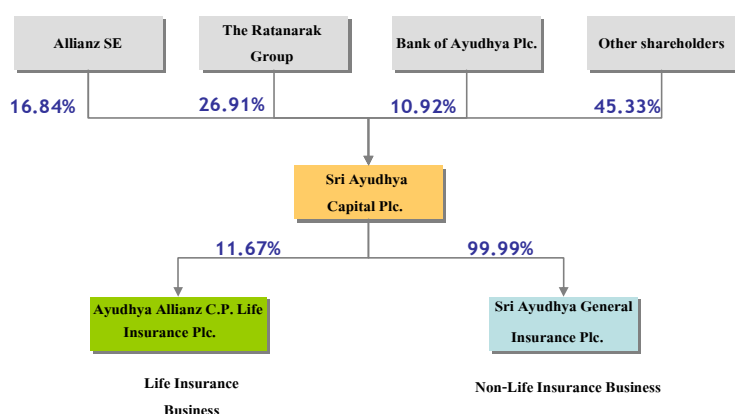
### 1.1 Nature and Details of the Connected Transaction and Asset Acquisition Transaction

Sri Ayudhya Capital Public Company Limited (“the Company”)’s Board of Directors meeting no. 3/2012, held on 16 March 2012, had considered the acquisition of the existing ordinary shares of Ayudhya Allianz C.P. Life Public Company Limited (“AACP”) from Bank of Ayudhya Public Company Limited (“BAY”), the major shareholder of the Company. The acquisition will be for the total of 25,072,194 shares with a par value of Baht 10 each, representing 8.50% of AACP’s existing paid-up capital, at Baht 30 per share, totaling Baht 752.17 million. The transaction of the Company acquiring shares of AACP from BAY is considered a connected transaction regarding assets or services and an asset acquisition transaction of a listed company.

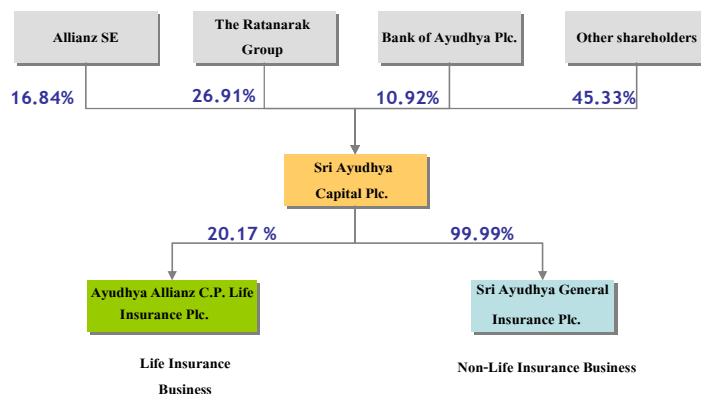
In this regard, before the Board of Directors is to consider an approval for the Company to enter into the transaction of acquiring AACP’s additional capital of 25,072,194 shares from BAY, the Company had acquired AACP’s existing ordinary shares from Charoen Pokphand Group Company Limited, Charoen Pokphand Foods Public Company Limited and Bangkok Produce Merchandising Public Company Limited (herein collectively called the “Charoen Pokphand Group”) for the total of 17,265,108 shares at Baht 30 each, representing 5.85% of AACP’s paid-up capital. The total payment the Company made to the Charoen Pokphand Group was Baht 517.95 million. All payment for the acquisition of AACP’s shares, as aforementioned, was made in cash to the Charoen Pokphand Group on 18 January 2012. The Charoen Pokphand Group was not a Company’s connected person whatsoever. However, the transaction was considered an asset acquisition transaction of a listed company and its subsidiary. The Company, as a result, had already disclosed the information regarding the entering into the aforementioned transaction to the SET on 19 January 2012. Considering the total acquisition of AACP’s shares from the two transactions stated earlier, the Company will hold a total of 59,500,280 shares, representing 20.17% of AACP’s paid-up capital after the additional acquisition of AACP’s shares from BAY is completed.

Illustrated below is the comparison of pre-acquisition and post-acquisition business and shareholding structures of the Company:

**Shareholding Structure prior to Acquisition of AACP**



**Shareholding Structure after Acquisition of AACP**





The transaction of the Company acquiring 25,072,194 existing ordinary shares of AACP, representing 8.50% of AACP's paid-up capital, at Baht 30 per share totaling Baht 752.17 million from BAY, who is the connected person of the Company, is considered a connected transaction regarding assets or services. The transaction size of 14.09 % is higher than 3% of the net tangible assets as indicated in the 9-month reviewed financial statements of the Company and its subsidiary as at 30 September 2011. As a result, such transaction must be approved by the shareholders' meeting of the Company, by receiving no less than three-fourths of the total number of votes of shareholders or proxies who are present at the meeting, and who have the right to vote, excluding the votes of interested shareholders.

As for the calculation of the size of asset acquisition transaction (which consider the transaction of the Company acquiring 17,265,108 existing ordinary shares of AACP at Baht 30 per share from the Charoen Pokphand Group on 18 January 2012 and the transaction of the Company's additional acquisition of 25,072,194 existing ordinary shares at Baht 30 per share from BAY), the calculation for net profit of the assets acquired compared with consolidated net profit of the Company and its subsidiary (determined based on the 9-month reviewed financial statements of the Company and its subsidiary and that of AACP) is used since it resulted in the highest figure for the size of the transaction. The stated figure representing the size of the transaction is 27.88 %. According to the Notification of the Board of Governors of the Stock Exchange of Thailand regarding Disclosing of Information and Other Acts of Listed Companies concerning the Acquisition and Disposition of Assets, 2004, the Company's acquisition of the existing paid-up capital of AACP is considered a Class 2 transaction. Hence, the Company must prepare a report and disclose information to the Stock Exchange of Thailand immediately without any delay. Information disclosure must include at least the information specified in Schedule (1) annexed to the Notification. Moreover, the Company must serve a written notice to the shareholders within 21 days from the date of disclosing information to the Stock Exchange of Thailand.

The size of the connected transaction and the asset acquisition transaction is determined based on the reviewed consolidated financial statements of the Company and AACP for the 9-month period ending on 30 September 2011. This is because AACP has yet to finalise the 2011 audited financial statements for the period ending on 31 December 2011. However, when determining the size of the transaction based on the 2011 consolidated audited financial statements of the Company compared to the 2011 unaudited management accounts of AACP for the period ending on 31 December 2011, the transaction remains categorized as a Class 2 transaction as presently the case.

## 1.2 Opinion of the Independent Financial Advisor on Reasonableness and Appropriateness of the Transaction

The Independent Financial Advisor views that the transaction of the Company acquiring 25,072,194 existing ordinary shares of AACP, representing 8.50% of AACP's paid-up capital, at Baht 30 per share from BAY, the major shareholder of the Company, is reasonable. Entering into such transaction follows the Company's business plan to convert from a non-life insurance company to an insurance holding company whilst still

maintains its listed status in the Stock Exchange of Thailand. The Company had presented the aforementioned business plan in the annual general meeting of the shareholders no. 61, held on 20 April 2010. In this respect, the additional acquisition of AACP's capital is in line with the Company's business plan which focuses on long-term investment in insurance business with good fundamentals and long-term growth potential. The Company will mainly receive compensation and cash flow from the profits share in the form of dividends. The additional investment will increase the Company's stake in AACP from the current level of 11.67% to 20.17% of AACP's paid-up capital. As a result, the Company's proportion of voting right in shareholders meeting of AACP will be increased. In addition, the Company will receive an increased return from AACP's operations and have the right to designate 2 representatives as members of AACP's Board of Directors. The increase in the Company's stake in AACP from 11.67% to 20.17% of AACP's paid-up capital after the finalization of the acquisition of AACP's shares from BAY will make AACP an associate company of the Company.

Herein, the Independent Financial Advisor has considered advantages and disadvantages of the transaction. The conclusions are as follows:

**Advantages/Benefits of Entering into the Transaction**

- 1) Follows the Company's long-term business plan to position the Company as an insurance holding company with an investment in insurance sector, both in non-life and life insurance businesses, for the benefit of the Company and its shareholders in the long run.
- 2) An increase of the Company's stake in AACP, which is a leading life insurance company in Thailand.
- 3) Risk diversification for non-life insurance business, which is the main business of Sri Ayudhya General Insurance Public Company Limited –a subsidiary and a core company of the Company.
- 4) An opportunity to receive returns from additional investment in high growth potential business.
- 5) Knowledge and experience sharing, and business cooperation between the AYUD Group (the Company and Sri Ayudhya General Insurance Public Company Limited) and AACP, a leading life insurance company in Thailand, will be favorable to the businesses of both parties.

**Disadvantages of Entering into the Transaction**

- 1) The investment in AACP, non-listed in the Stock Exchange of Thailand, lacks liquidity and reference market price for trading. Meanwhile, the main return from profits share in the form of dividends may fluctuate from year to year, depending on the level of growth, operating results, retained earnings and capital requirements of AACP each year. Additionally, a number of factors indicate an anticipation of more intense competition in the domestic life insurance business.
- 2) The loss of opportunity to invest in other financial instruments with higher liquidity, relatively constant return, or lower risk.

- 3) After the acquisition of AACP's capital, shareholding structure of AACP will not meet the regulations relating to the issuance and offering of securities as prescribed by the Capital Market Supervisory Board and requirements related to maintaining a listing status as prescribed by the Stock Exchange of Thailand. This is because AACP's paid-up capital held by Allianz SE, its related entities, and the Ratanarak Group (both groups are the major shareholders of AACP) will collectively exceed 50% of AACP's paid-up capital. Such shareholding structure does not adhere to the Notification of the Capital Market Supervisory Board Tor.Jor. 28/2551 regarding Application and Approval for Newly-issued Shares no. 12(2) stating that the applicant for permission to issue and offer securities must not have its conflicted person (s) holding more than 10% of the subsidiary's and associate company's voting rights unless it could prove that such shareholding structure of the subsidiary and associate company is for the best interest of the applicant. With the stated shareholding structure of AACP, the Company risks not receiving permission to issue and offer securities to raise capital since the qualification does not adhere to the Notification of the Capital Market Supervisory Board Tor. Jor. 28/2551. That is unless the Company can prove that AACP's shareholding structure is for the Company's best interest. Moreover the aforementioned shareholding structure of AACP does not comply with the Notification of the Stock Exchange of Thailand regarding the listed status in the Stock Exchange of Thailand, 2001, no.6 demanding the listed company and its subsidiary have no conflict of interest according to the relevant regulations stipulated in the Notification of the Capital Market Supervisory Board.

Regarding this, Allianz SE, its related entities and the Ratanarak Group have held shares of AACP for a long time. Both groups are major shareholders of AACP before the Company is acquiring shares of AACP from BAY. In the past, Allianz SE (a financial conglomerate from Germany with experience and expertise in insurance, asset management and banking businesses in more than 70 countries worldwide) has managed the business of AACP well and successfully. Moreover, Allianz SE also supports AACP's life insurance business in various ways. Presently, Allianz SE, its related entities and the Ratanarak Group have invested in only one life insurance company in Thailand which is AACP. Moreover, AACP presently does not and in the near future will not enter into significant transactions with both groups of major shareholders except normal business transactions or transactions to support the normal business of AACP (both kinds of transactions are not significant in size relative to the size of AACP.). In case the Company or its subsidiary will enter into an asset acquisition/disposition transaction, a connected transaction or any transactions that may give rise to potential conflict of interest, the Company and its subsidiary will strictly conform to relevant rules and regulations as prescribed by the SEC and the SET.

- 4) The Company may not receive expected return from AACP as the Company has no absolute control in management, operations and business policies of AACP. This is because after the Company's acquisition of AACP's paid-up capital from BAY, Allianz SE, its related entities, and the Ratanarak Group will remain the major shareholders in AACP holding collectively more than 50% of AACP's existing ordinary shares.

- 5) The risk of BAY's reduction or withdrawal of bancassurance distribution with AACP (Bancassurance) since BAY will no longer hold existing ordinary shares of AACP.

### 1.3 Opinion of the Independent Financial Advisor on Fairness/Appropriateness of Price

To consider the fairness/ appropriateness of the share price of Baht 30 per share, the Independent Financial Advisor uses 5 valuation approaches including 1) Book Value Approach 2) Net Adjusted Book Value Approach 3) Price to Book Value Approach 4) Price to Earnings Approach and 5) Actuarial Appraisal of Economic Value Approach. In the end, the Independent Financial Advisor views that the most appropriate method for valuating an insurance business is the Actuarial Appraisal of Economic Value Method used in the actuarial report. This is due to the method's ability to truly reflect the insurance business operation by taking into account adjusted book value, policies in effect and expected value of new policies in the future. Additionally, the Independent Financial Advisor deems that other valuation methods are less appropriate due to a number of reasons including the ignorance of future profits and operating capabilities (in case of Book Value method and Net Adjusted Book Value method), and low daily trading volume of few comparable companies listed in the Stock Exchange of Thailand (in case of Price to Book Value method and Price to Earnings method).

Based on the Actuarial Appraisal of Economic Value Method, the Independent Financial Advisor concludes that the share price agreed between the Company and BAY of Baht 30 per share is acceptable for the long-term investment in AACP as it falls in the fair value range of Baht 24.60 - 32.75 per share as estimated by the Independent Financial Advisor, based on the actuarial appraisal report by a professional actuary. Nevertheless, it is worth noting that the change in return from investment of AACP may have a significant impact on the appropriate value of AACP.

### 1.4 Opinion of the Independent Financial Advisor on Fairness of Conditions in the Draft of Share Purchase Agreement

Examining and considering the significant conditions as specified in the draft of share purchase agreement between the Company and BAY, the Independent Financial Advisor views that the significant conditions specified in the draft of share purchase agreement between the Company and BAY are fair and appropriate. In fact, it does not yield any unfair benefits to any particular counterparty in the agreement because:

- 1) The trading price specified at Baht 30 per share is acceptable for the long-term investment in AACP as it falls in the fair value range of Baht 24.60 - 32.75 per share as estimated by the Independent Financial Advisor.

- 2) Conditions precedent is specified. The Company must receive an approval to enter into the transaction from the shareholders' meeting. As for BAY, it must receive an approval to dispose of AACP's shares from its board of directors' meeting and the Bank of Thailand. The conditions precedent is specified in order to ensure all parties entering into the transaction have strictly followed the relevant rules and regulations. Once the share purchase agreement is signed, the conditions stipulated will be in effect and legally binding for the counterparties as the agreement has been lawfully prepared.
- 3) Within 5 business days from the date of conditions precedent being fully satisfied or any other day as agreed by the counterparties, the Company must make a payment for AACP shares to BAY and BAY must follow the relevant legal process in order to deliver the shares of AACP, which are free from whatsoever claim, pledge, liens, other encumbrances or other third party right of any kind to the Company. The share payment and delivery condition, as aforementioned, are appropriate and does not cause disadvantages to either party. The condition, which sets a limit of 5 business days or any number of days as agreed by the counterparties, helps reduce significant counterparty risk.

#### 1.5 Opinion of the Independent Financial Advisor on Shareholder's Resolution

Considering the relevant information received from AACP and the Company and that gathered by the Independent Financial Advisor from a number of reliable sources, the Independent Financial Advisor views that the transaction of the Company acquiring 25,072,194 existing ordinary shares of AACP, representing 8.50% of AACP's paid-up capital, at Baht 30 per share totaling Baht 752.17 million from BAY, the major shareholder of the Company is reasonable and beneficial to the Company because:

- 1) Doing so allows the Company to conform to the business plan focusing on positioning the Company as an insurance holding company with an investment in insurance sector, both in non-life and life insurance businesses. The Company will remain listed in the Stock Exchange of Thailand. The stated additional investment in AACP will increase the Company's stake in a leading life insurance company in Thailand with high growth potential.
- 2) The share price agreed between the Company and BAY of Baht 30 per share is acceptable for the long-term investment in AACP as it falls in the fair value range of Baht 24.60 – 32.75 per share, estimated by the Independent Financial Advisor based on the Actuarial Appraisal of Economic Value Method used by an actuary.
- 3) The significant conditions, stipulated in the draft of share purchase agreement between the Company and BAY, are appropriate and do not yield unfair benefits to any party.

Thereby, the shareholders should give an approval for the Company to enter into the transaction of acquiring additional capital of AACP from BAY who is the major shareholder of the Company.

## 2. Details and Nature of the Transaction

Sri Ayudhya Capital Public Company Limited (the “Company”)’s Board of Directors’ meeting no. 3/2012, held on 16 March 2012, had considered the acquisition of the existing ordinary shares of Ayudhya Allianz C.P. Life Public Company Limited (“AACP”) from Bank of Ayudhya Public Company Limited (“BAY”) –the major shareholder of the Company. The acquisition will be for the total of 25,072,194 shares with a par value of Baht 10 each, representing 8.50% of AACP’s existing paid-up share capital, at Baht 30 per share, totaling Baht 752.17 million. The meeting also approved the entering into the asset acquisition transaction and connected transaction.

The transaction of the Company acquiring AACP’s 25,072,194 existing ordinary shares from BAY is considered a connected transaction regarding assets or services according to the Notification of the Capital Market Supervisory Board Tor.Jor. 21/2551 regarding Rules on Connected Transaction, and the Notification of the Stock Exchange of Thailand regarding Disclosure of Information and Other Acts of Listed Companies concerning the Connected Transactions, 2003. In addition, it is considered an asset acquisition transaction according to the Notification of the Capital Market Supervisory Board Tor.Jor. 20/2551 regarding Rules and Regulations on the Acquisition and Disposition of Assets, and the Notification of the Board of Governors of the Stock Exchange of Thailand regarding Disclosing of Information and Other Acts of Listed Companies concerning the Acquisition and Disposition of Assets, 2004.

The size of the connected transaction and the asset acquisition transaction is determined based on the reviewed consolidated financial statements of the Company and AACP for the 9-month period ending on 30 September 2011. This is because AACP has yet to finalize the 2011 audited financial statements for the period ending on 31 December 2011. However, when determining the size of the transaction based on the 2011 consolidated audited financial statements of the Company compared to the 2011 unaudited management accounts of AACP for the period ending on 31 December 2011, the transaction remains categorized as a Class 2 transaction as presently the case.

### 2.1 Date of the Transaction

Sri Ayudhya Capital Public Company Limited’s Board of Directors’ meeting no. 3/2012, held on 16 March 2012, had approved the entering into the connected transaction regarding assets or services and the asset acquisition transaction with BAY. The Company will acquire AACP’s existing ordinary shares from BAY upon satisfaction of the conditions precedent as follows:

- BAY receives an approval relating to the sale of AACP’s share capital from its Board of Directors and the Bank of Thailand.
- The Company receives an approval regarding the acquisition of AACP’s shares from the shareholders’ meeting.

In this regard, before the Company is to enter into the transaction of acquiring AACP's existing ordinary shares from BAY, the Company had acquired AACP's existing ordinary shares from Charoen Pokphand Group Company Limited, Charoen Pokphand Foods Public Company Limited and Bangkok Produce Merchandising Public Company Limited (herein collectively called the "Charoen Pokphand Group") for the total of 17,265,108 or 5.85% of AACP's paid-up capital. The total payment the Company made to the Charoen Pokphand Group was Baht 517.95 million. All payment for the acquisition of AACP's shares, as aforementioned, was made in cash to the Charoen Pokphand Group on 18 January 2012. The acquisition of AACP's existing ordinary shares from the Charoen Pokphand Group was not considered a connected transaction according to the Notification of the Capital Market Supervisory Board Tor.Jor. 21/2551 regarding Rules on Connected Transaction, and the Notification of the Stock Exchange of Thailand regarding Disclosure of Information and Other Acts of Listed Companies concerning the Connected Transactions, 2003 since the Charoen Pokphand Group was not a Company's connected person. Nevertheless, the Company's acquisition of AACP's existing ordinary shares was considered an asset acquisition transaction according to the Notification of Capital Market Supervisory Board Tor.Jor. 20/2551 regarding Rules and Regulations on the Acquisition and Disposition of Assets, and the Notification of the Board of Governors of the Stock Exchange of Thailand regarding Disclosing of Information and Other Acts of Listed Companies concerning the Acquisition and Disposition of Assets, 2004. The Company had already disclosed the information regarding the entering into the aforementioned transaction to the SET on 19 January 2012.

## 2.2 Related Parties

**Buyer:** Sri Ayudhya Capital Public Company Limited ("the Company")

**Seller:** Bank of Ayudhya Public Company Limited ("BAY")

The Company and BAY are connected as:

- BAY is a major shareholder of the Company holding a total of 10.92% of the Company's existing paid-up share capital as at 11 November 2011, which was the latest closing date of the shareholder's register book of the Company.
- Both companies share 3 members of the Board of Directors as follows:
  1. Mr. Veraphan Teepsuwan
  2. Mr. Surachai Prukbamroong
  3. Mr. Virojn Srethapramotaya



## 2.3 General Characteristics of the Transaction

The Company is to enter into the transaction of acquiring AACCP's existing ordinary shares from BAY, or the Company's connected person, for the total of 25,072,194 shares, representing 8.50% of AACCP's paid-up capital at Baht 30 per share totaling Baht 752.17 million. This transaction of acquiring AACCP's shares from BAY is considered a connected transaction regarding assets or services and an asset acquisition transaction of the listed company.

Before the Company is to enter into the transaction of acquiring AACCP's existing ordinary shares from BAY, the Company had acquired 17,265,108 existing ordinary shares of AACCP, representing 5.85% of AACCP's paid-up capital, at Baht 30 per share totaling Baht 517.95 million from the Charoen Pokphand Group who is not a connected person of the Company. The aforementioned transaction was considered an asset acquisition transaction for the Company and its subsidiary.

The total size of the two Company's transactions of acquiring AACCP's shares from BAY and the Charoen Pokphand Group, as detailed above, was Baht 1,270.12 million for the total of 42,337,302 existing ordinary shares of AACCP, or 14.35% of AACCP's paid-up capital, at Baht 30 per share.

## 2.4 Transaction Size

### Size of the Connected Transaction

The transaction of the Company acquiring AACCP's existing ordinary shares of 25,072,194 or 8.50% of AACCP's paid-up capital from BAY at Baht 30 per share totaling Baht 752.17 million is considered a connected transaction regarding assets or services. The size of transaction is 14.09%, higher than 3% of the net tangible assets of the Company and its subsidiary of Baht 5,338.63 million as indicated in the 9-month consolidated reviewed financial statements of the Company as at 30 September 2011. Therefore, the transaction must be approved by the shareholders of the Company, by receiving no less than three-fourths of the total number of votes of shareholders or proxies who are present at the meeting, and who have the right to vote, excluding the votes of interested shareholders.

### Size of the Asset Acquisition Transaction

To calculate the size of the asset acquisition transaction (which includes the Company's acquisition of 17,265,108 existing ordinary shares of AACCP at Baht 30 per share from the Charoen Pokphand Group on 18 January 2012 and the Company's additional acquisition of 25,072,194 existing ordinary shares of AACCP from BAY at Baht 30 per share), the calculation for net profit of the assets is used since it resulted in the highest figure for the size of the transaction. The stated figure representing the size of the transaction is 27.88%. According to the Notification of the Board of Governors of the Stock Exchange of Thailand regarding Disclosing of Information and Other Acts of Listed Companies concerning the Acquisition and Disposition of Assets, 2004, the Company's



proposed acquisition is considered a Class 2 transaction. Hence, the Company must prepare a report and disclose information to the Stock Exchange of Thailand immediately without delay. Information disclosure must include at least the information specified in Schedule (1) annexed to the Notification. Moreover, the Company must serve a written notice to the shareholders within 21 days from the date of disclosing information to the Stock Exchange of Thailand. The written notice must contain at least the information as specified in Schedule (2) 1, 2, 3, 5(3), 7 and 8 annexed to the Notification.

**1) Net Tangible Assets of the Assets Acquired Comparing with Consolidated Net Tangible Assets of the Company and Its Subsidiary**

- Book value of AACP's net tangible assets, as acquired by the Company from the Charoen Pokphand Group and to be acquired by the Company from BAY (14.35% of AACP's existing paid-up capital) as at 30 September 2011 totals Baht 888.33 million (calculating from the 9-month reviewed financial statements of AACP as at 30 September 2011). This represents 16.64% of the book value of net tangible assets of the Company and its subsidiary as at 30 September 2011, which totals Baht 5,338.63 million.

**2) Net Profit after Tax from Normal Operations of Assets Acquired Comparing with Consolidated Net Profits of the Company and Its Subsidiary**

AACP's net profit after tax from normal operations for the first 9 months of 2011 in proportion with the Company's acquisition of shares (14.35% of AACP's paid-up capital) totaled Baht 82.03 million or 27.88% of consolidated net profits after tax from normal operations according to the consolidated financial statements of the Company for the first 9 months of 2011 of Baht 294.20 million

**3) Value of the Total Consideration Paid Comparing with Value of the Total Consolidated Assets of the Company and its Subsidiary**

Value of the total consideration is Baht 1,270.12 million (this includes the payment of Baht 517.95 million for AACP's existing ordinary shares to the Charoen Pokphand Group on 18 January 2012 and the payment of Baht 752.17 million for AACP's existing ordinary shares to BAY). Comparing to the value of the total consolidated assets of the Company and its subsidiary of Baht 7,811.44 million, as indicated in the consolidated reviewed financial statements as at 30 September 2011, the size of the transaction will equal 16.26%

**4) Value of Securities of the Listed Company and/or Its Subsidiary Issued as a Compensation Comparing with Value of Total Securities Issued by the Listed Company and/or Its Subsidiary**

The Company has issued no securities as compensation in this transaction.

In case the Company will acquire additional stake in AACP in the future, it will take into account the transaction of acquiring AACP shares from the Charoen Pokphand Group and the transaction to acquire AACP shares from BAY in determining the size of asset acquisition transaction. The Company will follow relevant rules and regulations regarding asset acquisition as prescribed by the Capital Market Supervisory Board and the SET. In case the size of asset acquisition transaction is significant and the Company is required to ask for approval from shareholders prior to entering into the transaction, the Company will conform to relevant rules and regulations to ask for shareholders approval.

## 2.5 Details of the Assets Acquired

See details regarding characteristics and nature of business of AACP, its board of directors, shareholding structure, financial condition and result of operation in Part 4 of this report.

## 2.6 Value of the Asset Acquired

To value AACP's existing ordinary shares that the Company acquired from the Charoen Pokphand Group and will acquire from BAY, the book value of AACP's net tangible assets is considered based on AACP's 9-month reviewed financial statements as at September 30, 2011. It will be calculated by taking into account the additional investment in AACP which equals 14.35% of AACP's existing ordinary shares as at 30 September 2011. The book value of AACP's net tangible assets, as indicated in the 9-month reviewed financial statements as at September 30, 2011, totals Baht 6,190.45 million. Hence, the value of AACP's existing ordinary shares that the Company acquired from the Charoen Pokphand Group and to acquire from BAY, calculated in proportion with the Company's additional investment in AACP (which equals 14.35%) totals Baht 888.33 million.

## 2.7 Net Profit (Loss) to the Asset Acquired during the Years 2009-2011

Net profit (loss) in proportion with the Company's additional investment in AACP (14.35% of paid-up capital) in 2009-2010 and during the first 9 months of 2011 can be shown as follows.

Year	Net Profit (Loss)	Percentage of Additional Investment in AACP	Net Profit (Loss) of AACP in proportion with the Company's additional investment
2009	(1.42) Million Baht	14.35 %	(0.20) Million Baht
2010	695.71 Million Baht	14.35 %	99.83 Million Baht
9 months of 2011	571.66 Million Baht	14.35 %	82.03 Million Baht

## 2.8 The Total Value of Consideration and Terms of Payment

The Company will make a cash payment of Baht 752.17 million to BAY for the transaction of acquiring AACP's existing ordinary shares after the conditions precedent stated in 2.1 are fully satisfied.

## 2.9 Sources of Funds Used to Enter into the Transaction

The payment for the Company's acquisition of 25,072,194 existing ordinary shares of AACP from BAY at Baht 30 per share for a total consideration of Baht 752.17 million will be fully funded by internal cash flow. The internal cash flow stated includes cash flow from the disposal of the Company's investment. No external debt funding is required.

## 2.10 Principles Used to Determine Total Consideration

The acquisition price for AACP's existing ordinary shares from the Charoen Pokphand Group, used on 18 January 2012, of Baht 30 per share was determined during the negotiation between the Company and the Charoen Pokphand Group on a willing buyer and willing seller basis. The Company also hired an independent advisor to appraise and prepare an actuarial report to determine the acquisition price of AACP's existing ordinary shares.

In this regard, the Company has agreed on Baht 30 per share as an acquisition price for the additional acquisition of AACP's existing ordinary shares from BAY. The stated price is the same as the acquisition price of AACP's shares from the Charoen Pokphand Group completed on 18 January 2012.

## 2.11 Advantages/Benefits of Additional Investment in AACP

- 1) Conformity with the Company's business plan to be an insurance holding company that holds stakes in life and non-life insurance companies, for the benefit of the Company and the shareholders in the long run.
- 2) Risk diversification since Sri Ayudhya General Insurance Public Company Limited (the core company of the Company)'s main business is only in non-life insurance business.

## 2.12 The Approval of Entering into the Transaction by the Shareholders Meeting

The acquisition of AACP's existing ordinary shares from BAY is considered a connected transaction, with the transaction size higher than 3% of the net tangible assets as indicated in the 9-month reviewed financial statements ending September 30, 2011 of the Company. As a result, the transaction must be approved by the shareholders of the Company, by receiving no less than three-fourths of the total number of votes of shareholders or proxies who are present at the meeting, and who have the right to vote.

**2.13 Name of connected persons and/or interested shareholders who have no right to vote and the scope and characteristics of the benefits and interests of connected persons and/or interested shareholders from the transaction**

In this shareholders' meeting to consider an approval for the Company to enter into the transaction of acquiring additional AACP's existing ordinary shares from BAY, connected persons and/or interested shareholders have no right to vote to approve the transaction.

Details on connected persons and/or interested shareholders who have no right to vote in the shareholders' meeting of the Company to approve the entering into the transaction, and the number and the proportion of shares of the Company held by the aforementioned persons are as follows:

Name of Connected Person	Relationship with the Company	No. of shares held as at 11 November 2011	Proportion of shares held as at 11 November 2011
Bank of Ayudhya Plc.	- Major shareholder of the Company - 3 common directors: Mr. Veraphan Teepsuwan, Mr. Surachai Prukbamroong and Mr. Virojn Srethapramotaya	27,288,700	10.92 %
Bangkok Broadcasting & Television Company Limited	- Major shareholder of the Company - Share 1 Board of Directors member: Mr. Veraphan Teepsuwan - A company in the Ratanarak Group, major shareholder in both the Company and BAY	28,802,500	11.52 %
BBTV Equity Company Limited	- A shareholder of the Company - A company in the Ratanarak Group, major shareholder in both the Company and BAY	21,946,000	8.78 %
Great Fortune Equity Company Limited	- A shareholder of the Company - A company in the Ratanarak Group, major shareholder in both the Company and BAY	7,045,000	2.82 %
Ms. Sudthida Ratanarak	- A shareholder of the Company - A part of the Ratanarak Group, major shareholder in both the Company and BAY	6,344,870	2.54 %
Mrs. Sasithorn Ratanarak	- A shareholder of the Company - A part of the Ratanarak Group, major shareholder in both the Company and BAY	3,125,000	1.25 %

The names of the Company's Board of Directors who have stakes and/or are connected persons are as follows:

Name	Designation in the Company	Designation in BAY
1) Mr. Veraphan Teepsuwan	Chairman	Chairman
2) Mr. Surachai Prukbamroong	Director	Director
3) Mr. Virojn Srethapramotaya	Director	Director

In this regard, such three common directors did not attend the meeting and did not vote in the Board of Directors' meeting to approve the Company to enter into the transaction of acquiring the total of 25,072,194 AACP's existing ordinary shares from BAY.

#### 2.14 The Reason that Conflict Persons Hold more than 10% of AACP's paid-up capital

After the acquisition of AACP's capital, shareholding structure of AACP will not meet the regulations relating to the issuance and offering of securities as prescribed by the Capital Market Supervisory Board and requirements related to maintaining a listing status as prescribed by the Stock Exchange of Thailand. This is because AACP's paid-up capital held by Allianz SE, its related entities, and the Ratanarak Group (both groups are the major shareholders of AACP) will collectively exceed 50% of AACP's paid-up capital. Such shareholding structure does not adhere to the Notification of the Capital Market Supervisory Board Tor.Jor. 28/2551 regarding Application and Approval for Newly-issued Shares no. 12(2) stating that the applicant for permission to issue and offer securities must not have its conflicted person (s) holding more than 10% of the subsidiary's and associate company's voting rights unless it could prove that such shareholding structure of the subsidiary and associate company is for the best interest of the applicant. With the stated shareholding structure of AACP, the Company risks not receiving permission to issue and offer securities to raise capital since the qualification does not adhere to the Notification of the Capital Market Supervisory Board Tor. Jor. 28/2551. That is unless the Company can prove that AACP's shareholding structure is for the Company's best interest. Moreover the aforementioned shareholding structure of AACP does not comply with the Notification of the Stock Exchange of Thailand regarding the listed status in the Stock Exchange of Thailand, 2001, no.6 demanding the listed company and its subsidiary have no conflict of interest according to the relevant regulations stipulated in the Notification of the Capital Market Supervisory Board.

Regarding this, Allianz SE, its related entities and the Ratanarak Group have held shares of AACP for a long time. Both groups are major shareholders of AACP before the Company is acquiring shares of AACP from BAY. In the past, Allianz SE (a financial conglomerate from Germany with experience and expertise in insurance, asset management and banking businesses in more than 70 countries worldwide) has managed the business of AACP well and successfully. Moreover, Allianz SE also supports AACP's life insurance business in various ways. Presently, Allianz SE, its related entities and the Ratanarak Group have invested in only one life insurance

company in Thailand which is AACP. Moreover, AACP presently does not and in the near future will not enter into significant transactions with both groups of major shareholders except normal business transactions or transactions to support the normal business of AACP (both kinds of transactions are not significant in size relative to the size of AACP.). In case the Company or its subsidiary will enter into an asset acquisition/disposition transaction, a connected transaction or any transactions that may give rise to potential conflict of interest, the Company and its subsidiary will strictly conform to relevant rules and regulations as prescribed by the SEC and the SET.

**2.15 The Opinion of the Board of Directors concerning a decision to enter into the transaction of acquiring AACP's paid-up capital**

The Board of Directors opined that the transaction of the Company acquiring AACP's existing ordinary shares from BAY is reasonable. This is a strategic investment for the Company to expand into life insurance business where growth potential is high. Moreover, the acquisition will help to diversify risk from non-life insurance business, which is Sri Ayudhya General Insurance Public Company Limited's main business.

**2.16 The Opinion of the Company's Audit Committee and/or Directors which are different from the opinion of the Board of Directors in 2.15**

None

### 3. Information regarding Nature of Business and Operation of Sri Ayudhya Capital Public Company Limited

#### 3.1 General Information regarding the Business of Sri Ayudhya Capital Public Company Limited

Company Name	SRI AYUDHYA CAPITAL PUBLIC COMPANY LIMITED (previously named “The Ayudhya Insurance Public Company Limited”)
Registered Number	0107537001391
Registered Address	7 <sup>th</sup> Fl., Ploenchit Tower, 898 Ploenchit Rd., Lumpini, Pathumwan, Bangkok 10330
Registration Date	9 May 1994
Type of Business	Insurance Holding Company
Registered Capital as at 31 December 2011	Baht 500 million

#### 3.2 Scope and Characteristics of Business Operation

Sri Ayudhya Capital Public Company Limited (“the Company”) was previously named the Ayudhya Insurance Public Company Limited. It was incorporated with the purpose to engage in insurance and investment businesses. Presently, the Company is a listed company in the Stock Exchange of Thailand. The Company’s extraordinary general meeting of the shareholders no. 1/2011, held on 7 December 2011, had approved the changing of the name of the Company from the Ayudhya Insurance Public Company Limited to Sri Ayudhya Capital Public Company Limited. Upon conversion, the Company will continue to use “AYUD” as its trading symbol on the Stock Exchange of Thailand. In this regard, the Company had registered the change of its name with the Department of Business Development, Ministry of Commerce, effective from 23 December 2011 onwards.

The change of the Company’s name followed the business integration plan which the Company and Sri Ayudhya General Insurance Public Company Limited (currently, the Company’s subsidiary) jointly submitted to the Office of the Insurance Commission (“OIC”) and received approval from the OIC on 17 September 2010. The Company had a plan to convert from a non-life insurance company to an insurance holding company focusing on holding significant interest in non-life insurance company as well as life insurance company. This plan is aligned with the approval received from the annual general meeting of the shareholders no. 61, held on 20 April 2010. Meanwhile the Company will transfer non-life insurance business to Sri Ayudhya General Insurance Public Company Limited (proceeded and completed on 1 October 2011). In this regard, the Company returned the non-life insurance license to the OIC and transformed into an insurance holding company as specified in the business integration plan, effective from 20 December 2011 onwards.

## Business Operation of Sri Ayudhya General Insurance Public Company Limited

Sri Ayudhya General Insurance Public Company Limited is the Company's subsidiary, having the Company hold a total of 99.99% of the total issued capital as at 31 December 2011. The main business of Sri Ayudhya General Insurance Public Company Limited is the non-life insurance business. Currently, Sri Ayudhya General Insurance Public Company Limited has its headquarter at 18<sup>th</sup> Fl. Zone A, Ploenchit Tower, 898 Ploenchit Rd., Lumpini, Pathumwan, Bangkok 10330. Sri Ayudhya General Insurance Public Company Limited was previously known as BT Insurance Company Limited. BT Insurance Company Limited was first established on 21 September 1982 as "Sukhumvit Insurance Company Limited" with the initial registered capital of Baht 60 million to engage in non-life insurance business. In 1995, the Company increased its registered capital to Baht 200 million. Later on 6 July 2000, the registered capital was increased by another Baht 100 million to Baht 300 million (fully paid-up). Its major shareholder at that time was "CIMB Thai Bank Public Company Limited (99.99%)". The company later changed its name to Thai Thanakit Insurance Company Limited and had its headquarter at 8<sup>th</sup> Fl., Sathorn City Tower, 175 South Sathorn Rd., Thungmahamek, Sathorn, Bangkok. Then in May 2002, the company once again changed its name to "BT Insurance Company Limited" and moved its headquarter to 16<sup>th</sup> Fl., CIMB Thai Tower, 44 Soi Langsuan, Ploenchit Rd., Lumpini, Pathumwan, Bangkok 10330.

Subsequently, the company had changed its shareholding structure, having the Ayudhya Insurance Public Company Limited ("AYUD" or the "Company") being the major shareholder instead of CIMB Thai Bank Public Company Limited. The Company's Board of Directors meeting, held on 12 March 2010, had approved the acquisition of BT Insurance Company Limited shares from CIMB Thai Bank Public Company Limited for the total of 99.99% of the total issued capital of the company in order to support business expansion plan of the Company. On 20 April 2010, the Company's shareholders meeting had approved the acquisition of 29,999,998 shares of BT Insurance Company Limited or 99.99% of the total issued capital of the company. Moreover, the shareholders meeting had also approved the execution of the bancassurance agreement totaling Baht 392 million. In addition, the meeting approved the direction of the business integration plan, which is subject to the following principles:

1. After the acquisition of shares of BT Insurance Company Limited, the Company will transfer some of the non-life insurance related assets to BT Insurance Company Limited and will gradually exit from non-life insurance business by suspending the issuance of new policies and the renewal of existing policies. Nevertheless, the policies still in effect will be protected by the Company until their maturity. As the customers who want to renew the existing policies are concerned, the Company will issue all renewals under BT Insurance Company Limited instead.
2. The gradual suspension of the non-life insurance business of the Company aims to be finished by year-end 2011. Consequently, BT Insurance Company Limited will continue the non-life insurance business. As for the Company, it will change its status to be an insurance holding company whilst remains listed in the Stock Exchange of Thailand.



On 17 September 2010, the OIC approved the Company's acquisition of shares of BT Insurance Company Limited in order to transfer and receive the transfer of business. It also approved the transfer of all the Company's non-life insurance business to BT Insurance Company Limited. The transfer must be completed by 31 December 2011 (the Company has already completed the transfer in the fourth quarter of 2011). On 4 November 2010, the Company received the transfer of shares of BT Insurance Limited and made the payment for the shares; hence, automatically make BT Insurance Company Limited a subsidiary of the Company on the stated date. The Company then changed its name from BT Insurance Company Limited to Sri Ayudhya General Insurance Public Company Limited.

Non-life insurance products of Sri Ayudhya General Insurance Public Company Limited comprise of:

1. **Individual insurance** comprising of motor insurance (private), personal accident insurance, traveling insurance, cancer insurance, burglary insurance and golfer's indemnity insurance.
2. **Business insurance** comprising of motor insurance (fleet), group personal accident insurance, fire insurance (commercial), property all risks insurance, business interruption, machinery breakdown insurance, boiler insurance, constructor's all risks and erection all risks insurance, public liability insurance, marine hull insurance and marine cargo insurance.
3. **Package insurance** comprising of cancer insurance coverage, CIMB Thai PA EASY personal accident insurance, CIMB Thai Auto 3+ EASY motor insurance.

### 3.3 Management Structure of the Company

#### The Board of Directors

The Board of Directors consists of 11 directors, with details as follows:

Name	Designation
1. Mr. Veraphan Teepsuwan	Non-Executive Director
2. Mr. Rowan D'Arcy	Executive Director
3. Mr. Chusak Salee	Executive Director
4. Mr. Laksna Thongthai	Executive Director
5. Mr. Surachai Prukbamroong	Independent Director
6. Mr. Metha Suvanasarn	Independent Director
7. Mr. Savang Tongsmutra	Independent Director
8. Mr. Suwat Suksongkroh	Independent Director
9. Mr. Adisorn Tantianankul	Non-Executive Director
10. Mr. Andreas Johann Wilhelm	Non-Executive Director
11. Mr. Virojn Srethapramotaya	Non-Executive Director

Source: The Stock Exchange of Thailand

### 3.4 Shareholding Structure of Sri Ayudhya Capital Public Company Limited

As at 31 December 2011, the Company had a total registered capital of Baht 500 million, consisting of 500 million ordinary shares, with a par value of Baht 1 each. Its paid-up capital is Baht 250 million, consisting of 250 million ordinary shares, with a par value of Baht 1 each.

As at the latest closing date of shareholder's register book of 11 November 2011, the Company's shareholding structure is as follows:

Name of Shareholder	Number of Shares Held	% of Paid-up Shares
1. DEUTCHE BANK AG, FRANKFURT A/C CLIENTS ACCOUNT-DCS	42,104,000	16.84
2. Bangkok Broadcasting & Television Company Limited	28,802,500	11.52
3. Bank of Ayudhya Public Company Limited	27,288,700	10.92
4. BBTV Equity Company Limited	21,946,000	8.78
5. Thailand Securities Depository Company Limited for Depositors	13,986,090	5.59
6. Triple Prime Team Holdings Company Limited	11,252,660	4.50
7. Thongthai (1956) Company Limited	9,610,000	3.84
8. Great Fortune Equity Company Limited	7,045,000	2.82
9. CITIBANK NOMINEES SINGAPORE PTE LTD-UBS AG LONDON BRANCH-NRB	6,664,200	2.64
10. Ms. Sudthida Ratanarak	6,344,870	2.54
11. Other Shareholders	74,955,980	29.98
<b>Total</b>	<b>250,000,000</b>	<b>100.00</b>

Source: The Stock Exchange of Thailand

From the Company's shareholding structure as showed above, groups of shareholders could be classified into:

- 1) Allianz SE which is a leading financial conglomerate from Germany. It holds stake in the Company via DEUTCHE BANK AG, FRANKFURT A/C CLIENTS ACCOUNT-DCS for the total amount of 42,104,000, accounting for 16.84 % of the Company's total paid up shares
- 2) The Ratanarak Group (comprising Bangkok Broadcasting & Television Company Limited, BBTV Equity Company Limited, Great Fortune Equity Company Limited, Ms.Sudthida Ratanarak and Ms.Sasithorn Ratanarak) which collectively holds 67,263,370 shares of the Company, or 26.91 % of the Company's total paid up shares
- 3) Bank of Ayudhya Public Company Limited which holds 27,288,700 shares of the Company, or 10.92 % of the Company's total paid up shares
- 4) Other shareholders who collectively hold 113,343,930 shares of the Company, or 45.33 of the Company's total paid-up shares

### 3.5 Operating Performance and Financial Position of the Company

#### 3.5.1 Financial Statements of the Company for the nine-month period of the years 2010 and 2011

The following tables show the statements of financial position, statements of comprehensive income and cash flow statements of the Company for the nine-month period of the years 2010 and 2011.

**Table 1** : Statements of Financial Position of the Company as at 31 December 2010 and 30 September 2011

Unit: Millions of Baht	Consolidated Financial Statements				Separate Financial Statements			
	As at 31 December 2010 (Audited)		As at 30 September 2011 (Unaudited but Reviewed)		As at 31 December 2010 (Audited)		As at 30 September 2011 (Unaudited but Reviewed)	
Assets	Amount	% of Total Assets	Amount	% of Total Assets	Amount	% of Total Assets	Amount	% of Total Assets
Cash and Cash Equivalents	379.79	4.82%	1,588.55	20.34%	318.87	4.31%	596.33	8.23%
Assets to be Transferred	-	-	-	-	-	-	866.60	11.97%
Accrued Income on Investment	24.77	0.31%	23.09	0.30%	19.77	0.27%	19.20	0.27%
Premium Due and Uncollected –Net	235.04	2.99%	204.37	2.62%	190.15	2.57%	-	-
Reinsurance Assets	426.81	5.42%	437.37	5.60%	360.21	4.87%	-	-
Investment Assets								
Investment in Held-for-Trading Securities	123.46	1.57%	-	-	-	-	-	-
Investment in Available-for-Sale Securities	4,789.76	60.84%	3,853.32	49.33%	3,634.80	49.11%	3,404.95	47.02%
Investment in Held-to-Maturity Securities	592.40	7.52%	383.60	4.91%	418.22	5.65%	272.34	3.76%
Investment in Other Securities	770.24	9.78%	770.24	9.86%	769.02	10.39%	769.02	10.62%
Total Investment in Securities –Net	6,275.86	79.72%	5,007.16	64.10%	4,822.04	65.15%	4,446.31	61.40%
Loans	3.38	0.04%	3.73	0.05%	3.38	0.05%	0.16	0.00%
Investment in Subsidiary	-	-	-	-	331.32	4.48%	1,223.58	16.90%
Receivable from Subsidiary –Share Subscription to be Returned	-	-	-	-	895.68	12.10%	-	-
Premises and Equipment –Net	63.84	0.81%	68.57	0.88%	60.36	0.82%	21.52	0.30%
Intangible Assets –Net	133.38	1.69%	125.47	1.61%	132.75	1.79%	0.01	0.00%
Deferred Tax Assets	208.63	2.65%	260.34	3.33%	172.52	2.33%	29.19	0.40%

Unit: Millions of Baht	Consolidated Financial Statements				Separate Financial Statements			
	As at 31 December 2010 (Audited)		As at 30 September 2011 (Unaudited but Reviewed)		As at 31 December 2010 (Audited)		As at 30 September 2011 (Unaudited but Reviewed)	
Assets	Amount	% of Total Assets	Amount	% of Total Assets	Amount	% of Total Assets	Amount	% of Total Assets
Other Assets	120.94	1.54%	92.80	1.19%	94.20	1.27%	39.22	0.54%
<b>Total Assets</b>	<b>7,872.44</b>	<b>100.00%</b>	<b>7,811.45</b>	<b>100.00%</b>	<b>7,401.25</b>	<b>100.00%</b>	<b>7,242.12</b>	<b>100.00%</b>
<b>Liabilities and Shareholders' Equity</b>								
Liabilities to be transferred	-	-	-	-	-	-	1,594.90	22.02%
Income Tax Payable	35.45	0.45%	24.90	0.32%	29.25	0.40%	11.77	0.16%
Due to Reinsurers	263.47	3.35%	287.20	3.68%	235.44	3.18%	-	-
Insurance Contract Liabilities								
Loss Reserve and Outstanding Claims	636.55	8.09%	732.89	9.38%	529.35	7.15%	109.00	1.51%
Unearned Premium Reserve	862.97	10.96%	841.04	10.77%	658.18	8.89%	-	-
Employee benefits obligation	45.66	0.58%	50.23	0.64%	39.92	0.54%	13.85	0.19%
Overdraft	-	-	0.11	0.00%	-	-	0.11	0.00%
Deferred tax liabilities	73.88	0.94%	35.16	0.45%	73.38	0.99%	35.16	0.49%
Premium written received in advance	222.44	2.83%	253.46	3.24%	133.82	1.81%	-	-
Accrued commissions	40.50	0.51%	38.73	0.50%	34.53	0.47%	-	-
Other payables	39.32	0.50%	-	-	39.32	0.53%	-	-
Other liabilities	91.70	1.16%	83.62	1.07%	68.47	0.93%	38.16	0.53%
<b>Total Liabilities</b>	<b>2,311.94</b>	<b>29.37%</b>	<b>2,347.34</b>	<b>30.05%</b>	<b>1,841.66</b>	<b>24.88%</b>	<b>1,802.95</b>	<b>24.90%</b>
Issued and Paid-up Capital	250.00	3.18%	250.00	3.20%	250.00	3.38%	250.00	3.45%
Premium on Share Capital	3,512.18	44.61%	3,512.18	44.96%	3,512.18	47.45%	3,512.18	48.50%
Retained Earnings	1,627.56	20.67%	1,621.75	20.76%	1,626.18	21.97%	1,594.94	22.02%
Surplus on Revaluation of Investments	170.76	2.17%	80.18	1.03%	171.23	2.31%	82.05	1.13%
<b>Total Shareholders' Equity</b>	<b>5,560.50</b>	<b>70.63%</b>	<b>5,464.11</b>	<b>69.95%</b>	<b>5,559.59</b>	<b>75.12%</b>	<b>5,439.17</b>	<b>75.10%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>7,872.44</b>	<b>100.00%</b>	<b>7,811.45</b>	<b>100.00%</b>	<b>7,401.25</b>	<b>100.00%</b>	<b>7,242.12</b>	<b>100.00%</b>

Source: The Stock Exchange of Thailand

Table 2 : Statements of Comprehensive Income of the Company for the Nine-Month Period of the years 2010 and 2011

Unit: Millions of Baht	Consolidated Financial Statements (Unaudited but Reviewed)		Separate Financial Statements (Unaudited but Reviewed)			
	For the nine-month period ending September 30, 2011		For the nine-month period ending September 30, 2010		For the nine-month period ending September 30, 2011	
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	% of Total Revenue
<b>Income</b>						
Earned Premium	1,266.89	88.38%	-	-	-	-
Commission and Brokerage Income	166.64	11.62%	-	-	-	-
<b>Total Income</b>	<b>1,433.53</b>	<b>100.00%</b>	-	-	-	-
<b>Expenses</b>						
<b>Underwriting Expenses</b>						
Insurance Claims and Loss Adjustment Expenses	642.58	44.83%	-	-	-	-
Commissions and Brokerages	270.84	18.89%	-	-	-	-
Other Underwriting Expenses	196.39	13.70%	-	-	-	-
Operating Expenses	217.85	15.20%	44.44	-	46.57	-
<b>Total Underwriting Expenses</b>	<b>1,327.66</b>	<b>92.61%</b>	<b>44.44</b>	-	<b>46.57</b>	-
<b>Profit (Loss) on Underwriting</b>	<b>105.87</b>	<b>7.39%</b>	<b>-44.44</b>	-	<b>-46.57</b>	-
Net Investment Income	208.35	14.53%	187.36	-	187.95	-
Gain on Investment	34.39	2.40%	50.46	-	34.56	-
Other Income	19.14	1.34%	2.48	-	21.46	-
<b>Operating Profit (Loss)</b>	<b>367.75</b>	<b>25.65%</b>	<b>195.86</b>	-	<b>197.40</b>	-
Contribution to the Office of Insurance Commission	5.07	0.35%	-	-	-	-
Contribution to Non-Life Insurance Fund	3.86	0.27%	-	-	-	-
Contribution to Road Victims Protection Fund	0.26	0.02%	-	-	-	-
Interest Expense	0.03	0.00%	0.07	-	0.03	-
<b>Profit (Loss) before Income Taxes</b>	<b>358.53</b>	<b>25.01%</b>	<b>195.79</b>	-	<b>197.37</b>	-
Incomes Taxes –Expense	64.33	4.49%	19.82	-	18.06	-
<b>Profit (Loss) after Incomes Taxes</b>	<b>294.20</b>	<b>20.52%</b>	<b>175.97</b>	-	<b>179.31</b>	-
Discontinued Operations	-	-	-	-	-	-
<b>Profit from Discontinued Operations</b>	<b>-</b>	<b>-</b>	<b>80.80</b>	-	<b>89.45</b>	-

Unit: Millions of Baht	Consolidated Financial Statements (Unaudited but Reviewed)		Separate Financial Statements (Unaudited but Reviewed)			
	For the nine-month period ending September 30, 2011		For the nine-month period ending September 30, 2010		For the nine-month period ending September 30, 2011	
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	% of Total Revenue
<b>Net Profit</b>	<b>294.20</b>	<b>20.52%</b>	<b>256.77</b>	-	<b>268.76</b>	-
<b>Other Comprehensive Income</b>						
Surplus on Revaluation of Investment	-129.42		141.24		-127.40	
Income Tax relating to Other Comprehensive Income (Expense)	38.83		-35.31		38.22	
<b>Other Net Comprehensive Income for the Periods –Net of Tax</b>	<b>-90.59</b>		105.93		-89.18	
<b>Total Comprehensive Income for the Periods</b>	<b>203.61</b>		<b>362.70</b>		<b>179.58</b>	

Source: The Stock Exchange of Thailand

Table 3: Statements of Cashflows of the Company for the Nine-Month Period of the years 2010 and 2011

Unit: Millions of Baht	Consolidated Financial Statements (Unaudited but Reviewed)		Separate Financial Statements (Unaudited but Reviewed)	
	For the nine-month period ending September 30, 2011		For the nine-month period ending September 30, 2010	
	For the nine-month period ending September 30, 2011		For the nine-month period ending September 30, 2011	
Net Cash from (Used in) Operating Activities	360.35	371.50	321.54	
Net Cash from (Used in) Investing Activities	1,148.29	0.78	255.82	
Net Cash from (Used in) Financing Activities	-300.00	-250.00	-300.00	
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,208.64</b>	<b>122.28</b>	<b>277.36</b>	
Cash and Cash Equivalents at the beginning of the period	379.79	574.24	318.87	
<b>Cash and Cash Equivalents at the end of the period</b>	<b>1,588.43</b>	<b>696.52</b>	<b>596.23</b>	

Source: The Stock Exchange of Thailand

## Explanation and Analysis of the Company's Operating Results and Financial Position for the First Nine Months of 2011

### Explanation and Analysis of the Company's Operating Result for the First Nine Months of 2011

For the first nine months of the year 2011, the Company and Sri Ayudhya General Insurance Public Company Limited –the Company's subsidiary had a total income of Baht 1,695.41 million comprising of earned premium, commission and brokerage income, net investment income, gain on investment and other income.

As for expenses, the Company and Sri Ayudhya General Insurance Public Company Limited had 2 main expenses: underwriting expenses (comprising of insurance claims and loss adjustment expenses, commissions and brokerages and other underwriting expenses) and operating expenses. During the first 9 months of 2011, the Company and Sri Ayudhya General Insurance Public Company Limited had total underwriting expenses of Baht 1,109.81 million. Commissions and brokerages vary directly with underwriting income. Meanwhile, insurance claims and loss adjustment expenses depend on loss incurred to the policy holders during the year. In the first nine months of 2011, the Company and Sri Ayudhya General Insurance Public Company Limited had total insurance claims and loss adjustment expenses of Baht 642.58 million. As for the operating expenses of the Company and Sri Ayudhya General Insurance Public Company Limited, it totaled Baht 217.85 million during the first nine months of 2011.

In the first nine months of 2011, the Company and Sri Ayudhya General Insurance Public Company Limited had an operating profit of Baht 367.75 million. The Company and Sri Ayudhya General Insurance Public Company Limited had a net profit of Baht 294.20 million during the first nine months of 2011. During the first nine months of 2011, the Company had total operating profit and net profit of Baht 197.40 and 268.76 million respectively.

### Explanation and Analysis of the Company's Financial Condition for the First Nine Months of 2011

#### ▪ The Company's Assets

According to the consolidated financial statements, the assets of the Company comprise investment in securities, loans, cash and cash equivalents, premises and equipment, premium due and uncollected and other assets. As at 30 September 2011, the Company's assets as indicated in the consolidated financial statements totaled Baht 7,811.44 million, a slight decline from year-end 2010 of Baht 7,872.44 million.

The main assets, in the consolidated financial statements of the Company as at 30 September 2011, was investment in securities. As at 30 September 2011, the company had net investment in securities of Baht 5,007.16 million, a decrease from Baht 6,275.86 million as at 31 December 2010. The main reason for a decrease in investment in securities as at 30 September 2011 from as at 31 December 2010 was a decrease in investment in available-for-sale securities from Baht 4,789.76 million as at 31 December 2010 to Baht 3,853.32 million as at 30

September 2011. Another investment which decreased significantly during the first nine months of the year 2011 was investment in held-to-maturity securities. The investment in held-to-maturity dropped from Baht 592.40 million as at 31 December 2010 to Baht 383.60 million as at 30 September 2011.

Cash and cash equivalents as at 30 September 2011 totaled Baht 1,588.55 million, an increase by Baht 1,208.76 million from Baht 379.79 million as at 31 December 2011. In fact, the fixed deposits were increased.

Premium due and uncollected, as indicated in the consolidated financial statement as at 30 September 2011, totaled Baht 204.37 million, a decrease by Baht 30.67 million from year-end 2010 of Baht 235.04 million.

As at 30 September 2011, the Company's reinsurance assets totaled Baht 437.37 million, an increase from year-end 2010 of Baht 426.81 million. As for deferred tax assets, it increased from Baht 208.63 million as at 31 December 2010 to Baht 260.34 million as at 30 September 2011.

#### ▪ The Company's Liabilities

Liabilities, as shown in the consolidated financial statements as at 30 September 2011, was Baht 2,347.33 million, an increase by Baht 35.39 million from year-end 2010 of Baht 2,311.94 million. The main reason for an increase in liabilities as at 30 September 2011 when comparing to the level as at year-end 2010, was an increase in loss reserve and outstanding claims. Loss reserve and outstanding claims rose from Baht 636.55 million at year-end 2010 to Baht 732.89 million at 30 September 2011.

Another element of liabilities that increased significantly during the first nine months of 2011 was premium written received in advance. It rose from Baht 222.44 million at year-end 2010 to Baht 253.46 million at 30 September 2011, representing an increase of 13.95%.

#### ▪ The Company's Shareholders' Equity

Shareholders' Equity as at 30 September 2011, as shown in the consolidated financial statements of the Company, totaled Baht 5,464.11 million, a decrease by Baht 96.39 million from Baht 5,560.50 million at year-end 2010. The main reason for the decrease was a decline in retained earnings of the Company from Baht 1,627.56 million at year-end 2010 to Baht 1,621.75 million at 30 September 2011. The Company's revaluation surplus on investments also dropped from Baht 170.76 million as at December 31, 2010 to Baht 80.17 million as at 30 September 2011.

#### ▪ Appropriate of the Company's Capital Structure

At 30 September 2011, the debt to equity ratio, as indicated in the consolidated financial statements of the Company was 0.43 times, a slight increase from that at year-end 2010 of 0.42 times.



■ **The Company's Cashflows**

For the first 9 months of 2011, the Company had net cash from operating activities as indicated in its consolidated financial statements of Baht 360.35 million. Meanwhile, during the first 9 months of 2011, the Company had net cash from investing activities of Baht 1,148.29 million as indicated in its consolidated financial statements. As for net cash related to financing activities, the Company had net cash used in financing activities of Baht 300 million during the first 9 months of 2011 as indicated in its consolidated financial statements. All the cash flows relating to financing activities were used in paying dividends to shareholders.

### 3.5.2 Financial Statements of the Company for the years 2010 and 2011

The following tables show statements of financial position, statements of comprehensive income and cash flow statements of the Company for the years 2010 and 2011.

**Table 4 : Statements of Financial Position of the Company for the years 2010 and 2011**

Unit: Million Baht	Consolidated (Audited)				Separate (Audited)			
	As at 31 December 2010		As at 31 December 2011		As at 31 December 2010		As at 31 December 2011	
Assets	Amount	% of Total Assets	Amount	% of Total Assets	Amount	% of Total Assets	Amount	% of Total Assets
Cash and Cash Equivalents	379.79	4.82%	1,486.26	11.73%	318.87	4.31%	747.42	13.31%
Accrued Income on Investment	24.77	0.31%	20.59	0.16%	19.77	0.27%	14.49	0.26%
Premium Due and Uncollected –Net	235.04	2.99%	212.92	1.68%	190.15	2.57%	-	-
Reinsurance Assets	426.81	5.42%	5,258.56	41.52%	360.21	4.87%	-	-
Investment Assets								
Investment in Held-for-Trading Securities	123.46	1.57%	-	-	-	-	-	-
Investment in Available-for-Sale Securities	4,789.76	60.84%	3,832.48	30.26%	3,634.80	49.11%	2,525.74	44.97%
Investment in Held-to-Maturity Securities	592.40	7.52%	413.21	3.26%	418.22	5.65%	272.93	4.86%
Investment in Other Securities	770.24	9.78%	770.24	6.08%	769.02	10.39%	769.02	13.69%
Total Investment in Securities –Net	6,275.86	79.72%	5,015.93	39.60%	4,822.04	65.15%	3,567.69	63.52%
Loans	3.38	0.04%	3.72	0.03%	3.38	0.05%	0.08	0.00%
Investment in Subsidiary	-	-	-	-	331.32	4.48%	1,223.58	21.79%
Receivable from Subsidiary –Share Subscription to be Returned	-	-	-	-	895.68	12.10%	-	-
Premises and Equipment –Net	63.84	0.81%	65.19	0.51%	60.36	0.82%	20.23	0.36%
Intangible Assets –Net	133.38	1.69%	123.70	0.98%	132.75	1.79%	0.01	0.00%
Deferred Tax Assets	208.63	2.65%	383.62	3.03%	172.52	2.33%	19.70	0.35%
Other Assets	120.94	1.54%	96.16	0.76%	94.20	1.27%	23.16	0.41%
<b>Total Assets</b>	<b>7,872.44</b>	<b>100.00%</b>	<b>12,666.65</b>	<b>100.00%</b>	<b>7,401.25</b>	<b>100.00%</b>	<b>5,616.36</b>	<b>100.00%</b>
<b>Liabilities and Shareholders' Equity</b>								0.00%
Income Tax Payable	35.45	0.45%	17.52	0.14%	29.25	0.40%	17.52	0.31%
Due to Reinsurers	263.47	3.35%	365.99	2.89%	235.44	3.18%	-	-

Unit: Million Baht	Consolidated (Audited)				Separate (Audited)			
	As at 31 December 2010		As at 31 December 2011		As at 31 December 2010		As at 31 December 2011	
Insurance Contract Liabilities								
Loss Reserve and Outstanding Claims	636.55	8.09%	6,314.08	49.85%	529.35	7.15%	85.48	1.52%
Unearned Premium Reserve	862.97	10.96%	796.73	6.29%	658.18	8.89%	-	-
Employment Benefits Obligation	45.66	0.58%	53.56	0.42%	39.92	0.54%	15.08	0.27%
Deferred Tax Liabilities	73.88	0.94%	18.58	0.15%	73.38	0.99%	17.70	0.32%
Premium Written Received in Advance	222.44	2.83%	256.90	2.03%	133.82	1.81%	-	-
Accrued Commissions	40.50	0.51%	40.04	0.32%	34.53	0.47%	-	-
Other Payables	39.32	0.50%	-	-	39.32	0.53%	-	-
Other Liabilities	91.70	1.16%	103.15	0.81%	68.47	0.93%	33.94	0.60%
<b>Total Liabilities</b>	<b>2,311.94</b>	<b>29.37%</b>	<b>7,966.55</b>	<b>62.89%</b>	<b>1,841.66</b>	<b>24.88%</b>	<b>169.72</b>	<b>3.02%</b>
Issued and Paid-up Capital	250.00	3.18%	250.00	1.97%	250.00	3.38%	250.00	4.45%
Premium on Share Capital	3,512.18	44.61%	3,512.18	27.73%	3,512.18	47.45%	3,512.18	62.53%
Retained Earnings	1,627.56	20.67%	872.47	6.89%	1,626.18	21.97%	1,621.99	28.88%
Surplus on Revaluation of Investments	170.76	2.17%	65.45	0.52%	171.23	2.31%	62.47	1.11%
<b>Total Shareholders' Equity</b>	<b>5,560.50</b>	<b>70.63%</b>	<b>4,700.10</b>	<b>37.11%</b>	<b>5,559.59</b>	<b>75.12%</b>	<b>5,446.64</b>	<b>96.98%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>7,872.44</b>	<b>100.00%</b>	<b>12,666.65</b>	<b>100.00%</b>	<b>7,401.25</b>	<b>100.00%</b>	<b>5,616.36</b>	<b>100.00%</b>

Source: The Stock Exchange of Thailand

**Table 5 : Statements of Comprehensive Income of the Company for the years 2010 and 2011**

Unit: Million	Consolidated (Audited)				Separate (Audited)			
	For the Year Ended December 31, 2010		For the Year Ended December 31, 2011		For the Year Ended December 31, 2010		For the Year Ended December 31, 2011	
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	% of Total Revenue
<b>Income</b>								
Earned Premium	1,259.69	87.00%	1,661.46	88.22%	-	-	-	-
Commission and Brokerage Income	188.28	13.00%	221.91	11.78%	-	-	-	-
<b>Total Income</b>	<b>1,447.97</b>	<b>100.00%</b>	<b>1,883.37</b>	<b>100.00%</b>	-	-	-	-
<b>Expenses</b>								
<b>Underwriting Expenses</b>								
Insurance Claims and Loss Adjustment Expenses	632.04	43.65%	1,831.17	97.23%	-	-	-	-
Commissions and Brokerages	333.65	23.04%	360.91	19.16%	-	-	-	-
Other Underwriting Expenses	211.89	14.63%	269.98	14.33%	-	-	-	-
Operating Expenses	231.65	16.00%	283.38	15.05%	61.58	-	76.92	-
<b>Total Underwriting Expenses</b>	<b>1,409.23</b>	<b>97.32%</b>	<b>2,745.44</b>	<b>145.77%</b>	<b>61.58</b>	-	<b>76.92</b>	-
<b>Profit (Loss) on Underwriting</b>	<b>38.74</b>	<b>2.68%</b>	<b>-862.07</b>	<b>-45.77%</b>	<b>-61.58</b>	-	<b>-76.92</b>	-
Net Investment Income	226.01	15.61%	234.63	12.46%	222.98	-	206.17	-
Gain on Investment	85.89	5.93%	97.95	5.20%	86.60	-	98.10	-
Other Income	10.22	0.71%	22.60	1.20%	5.36	-	25.86	-
<b>Operating Profit (Loss)</b>	<b>360.86</b>	<b>24.92%</b>	<b>-506.89</b>	<b>-26.91%</b>	<b>253.36</b>	-	<b>253.21</b>	-
Contribution to the Office of Insurance Commission	5.54	0.38%	6.74	0.36%	-	-	-	-
Contribution to Non-Life Insurance Fund	3.52	0.24%	5.25	0.28%	-	-	-	-
Contribution to Road Victims Protection Fund	0.34	0.02%	0.34	0.02%	-	-	-	-
Interest Expense	0.09	0.01%	0.03	0.00%	0.09	-	0.03	-
<b>Profit (Loss) before Income Taxes</b>	<b>351.37</b>	<b>24.27%</b>	<b>-519.25</b>	<b>-27.57%</b>	<b>253.27</b>	-	<b>253.18</b>	-
Incomes Taxes –Expense	29.73	2.05%	-64.16	-3.41%	33.64	-	34.63	-
<b>Profit (Loss) after Incomes Taxes</b>	<b>321.64</b>	<b>22.21%</b>	<b>-455.09</b>	<b>-24.16%</b>	<b>219.63</b>	-	<b>218.55</b>	-
Discontinued Operations	-	-	-	-	100.65	-	77.26	-

Unit: Million	Consolidated (Audited)				Separate (Audited)			
	For the Year Ended December 31, 2010		For the Year Ended December 31, 2011		For the Year Ended December 31, 2010		For the Year Ended December 31, 2011	
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	% of Total Revenue
<b>Profit from Discontinued Operations</b>	<b>321.64</b>	<b>22.21%</b>	<b>-455.09</b>	<b>-24.16%</b>	<b>320.28</b>	<b>-</b>	<b>295.81</b>	<b>-</b>
<b>Net Profit</b>	<b>321.64</b>	<b>22.21%</b>	<b>-455.09</b>	<b>-24.16%</b>	<b>320.28</b>	<b>-</b>	<b>295.81</b>	<b>-</b>
<b>Other Comprehensive Income</b>								
Surplus on Revaluation of Investment	74.93		-160.62		75.59		-164.44	
Income Tax relating to Other Comprehensive Income (Expense)	-30.93		55.30		-31.13		55.68	
<b>Other Net Comprehensive Income for the Periods –Net of Tax</b>	<b>44.00</b>		<b>-105.32</b>		<b>44.46</b>		<b>-108.76</b>	
<b>Total Comprehensive Income for the Periods</b>	<b>365.64</b>		<b>-560.41</b>		<b>364.74</b>		<b>187.05</b>	

Source: The Stock Exchange of Thailand

Table 6: Statements of Cash Flows of the Company for the years 2010 and 2011

Unit: Million Baht	Consolidated (Audited)		Separate (Audited)	
	For the Year ending 31 December 2010	For the Year ending 31 December 2011	For the Year ending 31 December 2010	For the Year ending 31 December 2011
Net Cash from (Used in) Operating Activities	309.43	240.99	309.74	284.09
Net Cash from (Used in) Investing Activities	-328.29	1,165.47	-314.67	444.46
Net Cash from (Used in) Financing Activities	-250.00	-300.00	-250.00	-300.00
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>-268.86</b>	<b>1,106.46</b>	<b>-254.93</b>	<b>428.55</b>
Cash and Cash Equivalents as at 1 January	648.64	379.79	573.79	318.87
<b>Cash and Cash Equivalents as at 31 December</b>	<b>379.78</b>	<b>1,486.25</b>	<b>318.86</b>	<b>747.42</b>

Source: The Stock Exchange of Thailand

## Explanation and Analysis of the Company's Operating Results and Financial Position for the Year 2011

### Explanation and Analysis of the Company's Operating Results for the Year 2011

In 2011, the Company and Sri Ayudhya General Insurance Public Company Limited –the Company's subsidiary had a total income of Baht 2,239.05 million comprising of earned premium, commission and brokerage income, net investment income, gain on investment and other income. The total income increased from 2010 when the Company and Sri Ayudhya General Insurance Public Company Limited had a total income of Baht 1,770.09 million by Baht 468.96 million, or 26.49%. The main reason for an increase was an increase in earned premium from Baht 1,259.69 million in 2010 to Baht 1,661.46 million in 2011, representing a 31.89% increase. Another component of total income which increased significantly in 2011 was commission and brokerage income, which rose from Baht 188.28 million in 2010 to Baht 221.91 million in 2011, representing a growth of 17.86%.

As for expenses, the Company and Sri Ayudhya General Insurance Public Company Limited had 2 main expenses: underwriting expenses (comprising of insurance claims and loss adjustment expenses, commissions and brokerages and other underwriting expenses) and operating expenses. In 2011, the Company and Sri Ayudhya General Insurance Public Company Limited had total underwriting expenses of Baht 2,462.06 million or an increase by 109.08% from that in the Year 2010 of Baht 1,177.58. Commissions and brokerages vary directly with underwriting income. Meanwhile, insurance claims and loss adjustment expenses depend on loss incurred to the policy holders during the year. In 2011, the Company and Sri Ayudhya General Insurance Public Company Limited had total insurance claims and loss adjustment expenses of Baht 1,831.17 million, an increase from 2010 of Baht 632.04 million. The increase in insurance claims and loss adjustment expenses was due to transfer of non-life insurance business from the Company to Sri Ayudhya General Insurance Public Company Limited at the beginning of the fourth quarter of 2011 and claims payment to the policy holders affected from the flood crisis during October – November 2011. As for the operating expenses of the Company and Sri Ayudhya General Insurance Public Company Limited, it totaled Baht 283.38 million in 2011, an increase by Baht 51.73 million or 22.33% from Baht 231.65 million in 2010.

In 2011, the Company and Sri Ayudhya General Insurance Public Company Limited had an operating loss of Baht 506.89 million meanwhile in 2010, they had an operating profit of Baht 360.86 million. The main cause was an increase in insurance claims and loss adjustment expenses to Baht 1,831.17 million in 2011 from Baht 632.04 million in 2010. As a result, the Company and Sri Ayudhya General Insurance Public Company Limited had a net loss of Baht 455.09 million in 2011 and a net profit of Baht 321.64 million in 2010.

### Explanation and Analysis of the Company's Financial Position for the Year 2011

#### ▪ Assets of the Company

According to the consolidated financial statements, the assets of the Company comprise investment in securities, loans, cash and cash equivalents, premises and equipment, premium due and uncollected and other

assets. As at 31 December 2011, the Company's assets as indicated in the consolidated financial statements totaled Baht 12,666.65 million, an increase by 60.90% from year-end 2010 of Baht 7,842.44 million.

The main asset, in the consolidated financial statements of the Company as at 31 December 2011, was investment in securities. As at 31 December 2011, the Company had net investment in securities of Baht 5,015.93 million, a decrease from Baht 6,275.86 million as at 31 December 2010. The main reason for a decrease in investment in securities as at 31 December 2011 from as at 31 December 2010 was a decrease in investment in available-for-sale securities from Baht 4,789.76 million as at 31 December 2010 to Baht 3,832.48 million as at 31 December 2011. Another investment which decreased significantly during the year 2011 was investment in held-to-maturity securities. The investment in held-to-maturity dropped from Baht 592.40 million as at 31 December 2010 to Baht 413.21 million as at 31 December 2011.

Cash and cash equivalents as at year-end 2011 totaled Baht 1,486.26 million, an increase by Baht 1,106.47 million from Baht 379.79 million at year-end 2010. In fact, the fixed deposits were increased.

Premium due and uncollected, as indicated in the consolidated financial statements as at 31 December 2011, totaled Baht 212.92 million, a decrease by Baht 22.12 million from year-end 2010 of Baht 235.04 million. Concerning this matter, Sri Ayudhya General Insurance Public Company Limited who operates non-life insurance business, put a great emphasis on keeping track of premium due and uncollected by strictly follow and monitor the premium collection more closely. In addition, Sri Ayudhya General Insurance Public Company Limited had taken legal action against agents and customers who do not comply with the obligations. It also verifies the information regarding premium due and uncollected, the follow-up on premium due and collected, the payment of premium due and collected, as well as related accounting records.

As at 31 December 2011, the Company's reinsurance assets totaled Baht 5,258.56 million, an increase from year-end 2010 of Baht 426.81 million. As for deferred tax assets, it increased from Baht 208.63 million as at 31 December 2010 to Baht 383.62 million as at year-end 2011.

#### ▪ **Liabilities of the Company**

Liabilities, as shown in the consolidated financial statements as at 31 December 2011, was Baht 7,966.55 million, an increase by Baht 5,654.61 million from year-end 2010 of Baht 2,311.94 million. The main reason for a significant increase in liabilities as at year-end 2011 when comparing to the level as at year-end 2010, was an increase in loss reserve and outstanding claims. The increase in loss reserve and outstanding claims from Baht 636.55 million at year-end 2010 to Baht 6,314.08 million at 31 December 2011 rooted from the loss reserve and outstanding claims to be paid to the policy holders affected by the flood crisis in the fourth quarter of 2011.

Another element of liabilities that increased significantly during the year 2011 was due to reinsurers. It rose from Baht 263.47 million at year-end 2010 to Baht 365.99 million at year-end 2011, representing an increase of 38.91%.

▪ **Shareholders' Equity of the Company**

Shareholders' Equity as at 31 December 2011, as shown in the consolidated financial statements of the Company, totaled Baht 4,700.10 million, a decrease by Baht 860.40 million from Baht 5,560.50 million at year-end 2010. The main reason for the decrease was a drop in retained earnings of the Company from Baht 1,627.56 million at year-end 2010 to Baht 872.47 million at year-end 2011. In fact, in 2011 the Company had a net loss of Baht 455.09 million –the main cause being the claims payment Sri Ayudhya General Insurance Public Company Limited had to make to the policy holders affected by the flood crisis.

▪ **The Appropriateness of the Capital Structure of the Company**

At 31 December 2011, the debt to equity ratio, as indicated in the consolidated financial statements of the Company was 1.69 times, increasing from at year-end 2010 of 0.42 times. The main reasons for a dramatic increase in the debt to equity ratio at year-end 2011 from at year-end 2010 were an increase in the liabilities in the consolidated financial statements (with the main cause being an increase in loss reserve and outstanding claims) and a decrease in the shareholders' equity (due to a decrease in retained earnings during 2011).

▪ **Cash Flows of the Company**

Considering the years 2010 and 2011, net cash from operating activities were always positive. Meanwhile, in 2011 the Company had net cash from investing activities of Baht 1,165.47 million; however, in 2010 the Company had net cash used in investing activities of Baht 328.29 million. As for net cash related to financing activities, the Company had net cash used in financing activities of Baht 250 million and Baht 300 million in 2010 and 2011 respectively. Most of the cash flows relating to financing activities were used in paying dividends to shareholders.



#### 4. Information regarding Nature of Business and Operation of Ayudhya Allianz C.P. Life Public Company Limited

##### 4.1 General Information regarding the Business of Ayudhya Allianz C.P. Life Public Company Limited

Company Name	AYUDHYA ALLIANZ C.P. LIFE PUBLIC COMPANY LIMITED
Registered Number	0107537001315
Registered Address	1 <sup>st</sup> Fl. Zone B, 2 <sup>nd</sup> Fl. Zone B, 6 <sup>th</sup> Fl., 14 <sup>th</sup> Fl., and 17 <sup>th</sup> Fl., Ploenchit Tower, 898 Ploenchit Rd., Lumpini, Pathumwan, Bangkok 10330
Registration Date	May 4, 1994
Type of Business	Life Insurance
Registered Capital as at 31 December 2011	Baht 4,000 million (with a paid-up capital of Baht 2,950 million)

##### 4.2 Scope and Characteristics of Business Operation

Ayudhya Allianz C.P. Life Public Company Limited (“AACP”) is one of the leading life insurance companies in Thailand. It is a product of 3 well-known business partners, which are:

- 1) **The Bank of Ayudhya Group**, a well-recognized business group with high stability and financial strength. The group’s businesses span across multiple industries, including financial, television and broadcasting, as well as, industrial.
- 2) **The Allianz Group**, a No.1 conglomerate in Germany with indisputable financial security and over 100 years of experience in insurance, asset management and banking. Allianz has established a presence in more than 70 countries and had more than 75 million customers worldwide.
- 3) **The Charoen Pokphand Group**, one of Thailand’s biggest and most successful conglomerates with core business in agriculture, food, retail, property and telecommunication. It has been regarded for its excellent management for over 90 years.

AACP has been set up to operate life insurance business. AACP’s life insurance business has been growing constantly over the past years. AACP was registered as a public limited company on May 4, 1994. Nowadays, apart from the head office in Bangkok, AACP also has many branches in many provinces across Thailand- including Chiang Mai, Pitsanulok, Chantaburi, Songkhla, Lampang, Nongkai, Trang, Chonburi, Ayudhya and other branches within Bangkok.

AACP’s main business is life insurance. The main principle of life insurance is to offer protection against death and the possibility of financial strain. The policy holders will pay premiums to the insurance company and when the insured person experiences such unfortunate events, the insured person or the policy holder will receive

benefit payments from the insurance company. In practice, the insurance company will allocate a proportion of net premium written to life policy reserve in order to use in investment aligning with future expenses from loss claims or benefit payments. AACP emphasizes on long-term investments in low risk debt securities and ordinary shares of the SET-listed companies whose performances meet its investments criteria.

#### 4.3 Characteristics of Products and Operations of AACP

AACP operates life insurance business, with the main income coming from life insurance business and investment business.

- a. **Life Insurance Business:** In operating life insurance business, AACP put an emphasis on the customers' needs; hence, AACP has a variety of product offerings to the customers as follows.
- Protection products include life insurance, health insurance and accident insurance
  - Financial planning products include saving for education and saving for retirement
  - Investment products help ensure appropriate capital allocation and risk diversification while increase return to savings
  - Other financial service products include housing loan and loan repayment insurance

b. **Investment Business**

Main income of the insurance company comes from the return from investments; hence, AACP gives emphasis on investing premium received to get secure and stable returns to ensure AACP's sufficient cash flow for benefits payment to the policyholders. In this respect, the investment needs to be aligned with investment criteria announced and stipulated by the Office of the Insurance Commission (OIC).

AACP's investment policy values investments in assets that generate fixed income and have low risk. These include investments in government bonds, state enterprise bonds that are well-known and secured, private companies' debentures whose credit ratings are A, or higher from reputable and strong financial credit rating agencies.

#### 4.4 Characteristics of AACP's Customers

The customers of AACP can be grouped by the product offerings of the company as follows:

- Protection products focus on customers with medium to high income with the age of 20 -50 years old. Those who wants to ensure his/her financial security in the time of illness or accident, that result in a loss of work ability for a short period or permanently, or to ensure the financial security for husband, wife, children or parents in case of the policyholder's illness or death.

- Financial planning products. In case of savings for education, the customers will be those who recently start a family or have children and want to ensure financial stability for the newborns. The customers usually ages 30 – 45 years old with 0 - 10 year-old children. Meanwhile, in case of savings for retirement, the customers will be an employee in a private company aged 35 – 55 years old who want financial security after the retirement.
- Investment products focus on high income customers with investment knowledge.
- Other financial service products. In case of loan repayment insurance, the customers will be those with a housing loan who want to ensure repayment ability in case he cannot repay the loan due to severe illness or accident.

#### 4.5 Distribution Channels

Currently, AACP has 4 main distribution channels: agent, Bancassurance, direct marketing and employee benefits:

1. Agent is the most important channel in expanding life insurance market due to its ability to reach the target customers in a timely manner and give consultation and recommendation on a suitable policy. The agent's compensation is in the form of commission.
2. Bancassurance, which AACP uses as its second distribution channel. Bank of Ayudhya Public Company Limited, one of its current shareholders, is a business alliance supporting the use of bank as a distribution channel.
3. Direct marketing through telephone, television and mail.
4. Employee benefits help alleviate the burden of the owners of the businesses, companies and organizations in providing care and help to their employees.

The following tables shows the proportions of premium received by AACP from each distribution channel during the years 2009 – 2011

**Table 7:** Proportions of AACP's premium received from each distribution channel during the years 2009-2011

Distribution Channel	2009	%	2010	%	2011	%
	(Unit: Million Baht)		(Unit: Million Baht)		(Unit: Million Baht)	
Agent	11,036.52	70.20 %	12,319.52	67.54 %	13,522.61	65.14 %
Bancassurance	2,111.74	13.43 %	2,932.21	16.07 %	3,591.27	17.30 %
Direct Marketing	2,030.31	12.91 %	2,281.99	12.51 %	2,790.82	13.44 %
Others	543.53	3.46 %	708.57	3.88 %	854.60	4.12 %
<b>Total Premium Received</b>	<b>15,722.10</b>	<b>100.00 %</b>	<b>18,242.29</b>	<b>100.00 %</b>	<b>20,759.3</b>	<b>100.00 %</b>

Source: The Thai Life Insurance Association

#### 4.6 Thailand's Life Insurance Industry

In 2011, domestic life insurance industry's total premiums income totaled Baht 328,596.70 million from the total 23 life insurance companies. The market share of total premiums of the first 10 life insurance companies is as follows:

**Table 8:** The market share of written premium income of life insurance business for the Years 2009-2011

Unit: Million Baht

Company	2009		2010		2011	
	Amount of Premium	Market Share	Amount of Premium	Market Share	Amount of Premium	Market Share
1 American International Assurance Co., Ltd.	86,311.8	33.30 %	91,705.2	30.96 %	94,332.9	28.71 %
2 Thai Life Insurance Co., Ltd.	35,487.7	13.69 %	36,747.1	12.40 %	40,041.3	12.19 %
3 Muang Thai Life Assurance Co., Ltd.	21,541.2	8.31 %	29,649.3	10.00 %	37,885.8	11.53 %
4 Bangkok Life Assurance Plc.	19,912.8	7.68 %	26,351.9	8.90 %	31,556.2	9.60 %
5 Siam Commercial New York Life Insurance Plc.*	19,487.1	7.52 %	24,554.7	8.29 %	30,300.7	9.22 %
6 Ayudhya Allianz C.P. Life Plc.	15,722.10	6.07 %	18,242.3	6.16 %	20,759.3	6.32 %

7	Krungthai-AXA Life Insurance Co., Ltd.	12,694.9	4.90 %	17,795.1	6.00 %	21,041.9	6.40 %
8	Ocean Life Insurance Co., Ltd.	10,741.8	4.14 %	11,608.3	3.92 %	13,272.6	4.04 %
9	ING Life Ltd.	7,832.4	3.02 %	9,164.7	3.09 %	10,162.7	3.09 %
10	The SouthEast Life Insurance Co., Ltd.	2,036.4	0.79 %	6,834.0	2.31 %	4,069.2	1.24 %
	Others	27,393.2	10.57 %	23,588.8	7.96 %	25,174.1	7.66 %
	<b>Total</b>	<b>259,161.4</b>	<b>100.00 %</b>	<b>296,241.4</b>	<b>100.00 %</b>	<b>328,596.7</b>	<b>100.00 %</b>

\*Currently, changed its name to Siam Commercial Insurance Public Company Limited

Source: The Thai Life Insurance Association

From the above table, it can be observed that of all 23 companies in domestic life insurance industry, the 5 companies with the highest market share had a total market share of more than 70% in 2009-2011. In fact, the first 10 companies had more than 90% of the market share whilst the company with the highest market share of 28-34% is American International Assurance Company Limited or AIA.

As for AACP during 2009-2011, it was ranked No. 6 after American International Assurance Company Limited, Thai Life Insurance Company Limited, Muang Thai Life Assurance Company Limited, Bangkok Life Assurance Public Company Limited, and Siam Commercial New York Life Insurance Public Company Limited (changed its name to Siam Commercial Insurance Public Company Limited), with the market share between 6-7% during 2009-2011.

**Table 9 :** Premium Growth by Type of Premium (2009-2011)

Unit: Million Baht

Type of Premium	2009	Premium Growth	2010	Premium Growth	2011	Premium Growth
First Year Premium	57,041.3	27.51 %	63,792.6	11.84 %	67,966.0	6.54 %
Renewal Premium	171,346.1	11.82 %	202,581.2	18.23 %	230,075.5	13.57 %
Single Premium	30,774.0	28.19 %	29,867.6	-2.95 %	30,555.2	2.30 %
<b>Total Written Premium Income</b>	<b>259,161.4</b>	<b>16.76 %</b>	<b>296,241.4</b>	<b>14.31 %</b>	<b>328,596.7</b>	<b>10.92 %</b>

Source: The Thai Life Insurance Association

**Table 10 : Premium Structure by Type of Premium (2009-2011)**

Unit: Million Baht

Type of Premium	2009	%	2010	%	2011	%
First Year Premium	57,041.3	22.01 %	63,792.6	21.5 %	67,966.0	20.68 %
Renewal Premium	171,346.1	66.12 %	202,581.2	68.4 %	230,075.5	70.02 %
Single Premium	30,774.0	11.87 %	29,867.6	10.1 %	30,555.2	9.30 %
<b>Total Written Premium Income</b>	<b>259,161.4</b>	<b>100 %</b>	<b>296,241.4</b>	<b>100 %</b>	<b>328,596.7</b>	<b>100 %</b>

Source: The Thai Life Insurance Association

From the above table, the industry's total premiums income was increased from Baht 296,241.4 million in 2010 to Baht 328,596.7 million in 2011, or a growth rate of 10.92%. This increase came from the growth of renewal premium, first year premium and single premium at 13.57%, 6.54% and 2.30% respectively.

The factors that have affected the growth of domestic life insurance business are:

- 1) Market interest rate, despite its increase, remains at a low level inducing purchase of life insurance policies for higher returns.
- 2) A number of new innovative products have been developed to suit new situations and meet customers' demands and purchasing power. Hence, customers have more options to choose from.
- 3) Expansion of distribution channels including telemarketing, television marketing or digital marketing enables faster access to broad groups of people.
- 4) Standards, established for supervisions by the government, resulted in improvement of quality of agent and service; hence, increased impressed customers and their loyalty to the company. In fact, it also prevents the termination of the policy and increases the credibility of the life insurance business.
- 5) The government has a policy to promote savings through the purchase of insurance policies. Taxable persons could deduct premiums of not more than Baht 100,000 paid for life insurance policies with terms of ten years or more from taxable income. In addition, in 2010, the government allowed deduction of pension premiums of not more than Baht 200,000 and not more than 15% of wage. The pension premiums including contribution to provident fund pursuant to the Provident Fund Act B.E. 2530, or contribution to government pension fund pursuant to the Government Pension Fund Act B.E. 2536, or contribution to private teacher aid fund pursuant to the Private School Act B.E. 2550 and payment for purchase of investment units in retirement mutual funds pursuant to the Securities and Exchange Commission Act B.E. 2535 must not exceed Baht 500,000. This encourages the public to purchase life insurance policies.

- 6) Up-countries' insurance market is expanding due to the OIC's campaign "Insurance to Public" promoting life insurance in provinces. This provokes interests and understandings among the locals and is beneficial to the expansion of life insurance business in provinces.

**Table 11 :** Total premium income by distribution channel (2009-2011)

Distribution Channel	2009 (Unit: Million Baht)	%	2010 (Unit: Million Baht)	%	2011 (Unit: Million Baht)	%
Agent	174,311.96	67.26 %	186,691.33	63.02 %	200,542.57	61.03 %
Bancassurance	67,692.96	26.12 %	90,768.36	30.64 %	106,925.37	32.54 %
Direct Marketing	8,837.40	3.41 %	9,242.73	3.12 %	11,073.71	3.37 %
Others	8,319.08	3.21 %	9,538.97	3.22 %	10,055.05	3.06 %
<b>Total Written Premium Income</b>	<b>259,161.4</b>	<b>100.00 %</b>	<b>296,241.4</b>	<b>100.00 %</b>	<b>328,596.7</b>	<b>100.00 %</b>

Source: The Thai Life Insurance Association

**Table 12 :** First Year and Single Premium Income by Distribution Channel (2009-2011)

Distribution Channel	2009 (Unit: Million Baht)	%	2010 (Unit: Million Baht)	%	2011 (Unit: Million Baht)	%
Agent	38,348.63	43.60 %	37,992.14	40.47 %	42,093.41	42.66 %
Bancassurance	43,501.60	49.46 %	49,814.33	53.06 %	49,438.46	50.11 %
Direct Marketing	3,246.06	3.69 %	2,701.99	2.88 %	3,424.53	3.47 %
Others	2,855.77	3.25 %	3,371.52	3.59 %	3,705.13	3.76 %
<b>Total Written Premium Income</b>	<b>87,952.06</b>	<b>100.00 %</b>	<b>93,879.98</b>	<b>100.00 %</b>	<b>98,661.53</b>	<b>100.00 %</b>

Source: The Thai Life Insurance Association

Considering the distribution channel from the tables above, it can be observed that the most important channel was agent, contributing 61.03% of the total written premium income in the year 2011. Nevertheless, when taking into account only the first year and single premium income, the most important distribution channel was Bancassurance. In 2010 and 2011, Bancassurance is accounted for 53.06% and 50.11% of the total first year and single premium income. This percentage showed a larger share than that of the agent of 40.47% in 2010 and 42.66% in 2011. This indicates the Bancassurance's importance as its share of total written premium income has significantly increased.

#### 4.7 Board of Directors

The Board of Directors of AACP consists of 11 directors, with details as follows:

Name	Designation
1. Mr. Manuel Bauer	Chairman
2. Mr. Brian James Smith	Director
3. Mrs. Napaporn Landy	Director
4. Mr. Narong Junlachart	Director
5. Mr. Puchai Satayaporn	Director
6. Mr. Ayuth Chansethikul	Director
7. Mr. Aphichat Siwayathorn	Director
8. Miss Orawan Tejapaibul	Director
9. Mr. Thitiwut Soukpornchaikul	Director
10. Mr. Wiroj Srethapramotaya	Director
11. Mr. Pongpinit Tejagupta	Director

Source: AACP

#### 4.8 Shareholding Structure

As at 31 December 2011, AACP had a total registered capital of Baht 4,000 million, consisting of 400 million ordinary shares, with a par value of Baht 10 each. Its total paid-up capital was Baht 2,950 million, consisting of 295 million ordinary shares, with a par value of Baht 10 each.

AACP's shareholding structure as at 28 February 2012 is as follows:

Name	Number of Shares Held	% of Paid-up Shares
1. CPRN Holding Co., Ltd.	99,560,163	33.75
2. Allianz SE	73,711,193	24.99
3. Sri Ayudhya Capital Plc.	34,428,086	11.67
4. Great Luck Equity Co., Ltd.	30,960,728	10.50
5. Bank of Ayudhya Plc.	25,072,194	8.50
6. CPRN (Thailand) Co., Ltd.	11,537,051	3.91
7. Great Fortune Equity Co., Ltd.	8,320,180	2.82
8. Bangkok Broadcasting & TV Co., Ltd.	8,218,212	2.79
9. Super Assets Co., Ltd.	2,418,436	0.82
10. Other Shareholders	773,757	0.26
<b>Total</b>	<b>295,000,000</b>	<b>100.00</b>

Source: AACP



In fact, AACP's shareholding structure as at 28 February 2012 shown in the table above comprises 5 major shareholders as follows:

- 1) Sri Ayudhya Capital Public Company Limited holding a total of 34,328,086 shares of AACP or 11.67% of AACP's existing paid-up capital.
- 2) Bank of Ayudhya Public Company Limited holding a total of 25,072,194 shares of AACP or 8.50% of AACP's existing paid-up capital.
- 3) Allianz SE and its related entities (comprising CPRN Holding Company Limited and CPRN (Thailand) Company Limited) holding a total of 184,808,407 shares of AACP or 62.65% of AACP's existing paid-up capital.
- 4) The Ratanarak Group (comprising Great Luck Equity Company Limited, Great Fortune Equity Company Limited, Bangkok Broadcasting & Television Company Limited and Super Assets Company Limited) holding a total of 49,917,556 shares of AACP or 16.92% of AACP's existing paid-up capital.
- 5) Other shareholders holding a total of 773,757 shares of AACP or 0.26% of AACP's existing paid-up capital.

## 4.9 Operating Performance and Financial Position of AACP

## 4.9.1 Financial Statements of AACP for the years 2008-2010

Table 13 : Statements of Financial Position of AACP for the years 2008-2010

Unit: Million Baht	(Audited)					
	As at 31 December 2008		As at 31 December 2009		As at 31 December 2010	
Assets	Amount	% of Total Assets	Amount	% of Total Assets	Amount	% of Total Assets
<b>Investment in Securities</b>						
Investment in Securities –Bonds	38,527.29	46.29%	45,757.06	50.42%	48,720.55	48.06%
Investment in Securities –Notes	10,412.02	12.51%	11,915.72	13.13%	14,705.57	14.50%
Investment in Securities –Stocks	2,145.17	2.58%	1,150.07	1.27%	1,689.33	1.67%
Investment in Securities –Debentures	19,504.74	23.43%	18,951.93	20.88%	20,597.54	20.32%
Investment in Other Securities	1,512.05	1.82%	1,945.80	2.14%	2,103.94	2.08%
<b>Total Investment in Securities</b>	<b>72,101.27</b>	<b>86.63%</b>	<b>79,720.58</b>	<b>87.85%</b>	<b>87,816.93</b>	<b>86.62%</b>
Total Loans –Net	5,258.09	6.32%	4,794.44	5.28%	5,145.72	5.08%
Cash and Deposits at Financial Institutions	2,058.56	2.47%	2,233.61	2.46%	4,046.44	3.99%
Land, Building and Equipment	1,124.30	1.35%	971.07	1.07%	853.74	0.84%
Due from Reinsurers	22.75	0.03%	52.81	0.06%	44.11	0.04%
Premium Due and Uncollected	795.06	0.96%	798.63	0.88%	933.67	0.92%
Accrued Income on Investment	1,518.48	1.82%	1,839.75	2.03%	2,214.12	2.18%
Other Assets	353.62	0.42%	333.88	0.37%	329.54	0.33%
<b>Total Assets</b>	<b>83,232.13</b>	<b>100.00%</b>	<b>90,744.77</b>	<b>100.00%</b>	<b>101,384.27</b>	<b>100.00%</b>
<b>Liabilities</b>						
Insurance Reserve	77,171.73	92.72%	82,760.76	91.20%	91,686.97	90.44%
Claims and Insurance Benefits Payable	238.73	0.29%	309.74	0.34%	281.76	0.28%
Other Payables to Policy Holders	1,292.90	1.55%	1,446.15	1.59%	1,570.42	1.55%
Due to Reinsurers	1.75	0.00%	39.54	0.04%	29.32	0.03%
Accrued Expenses	1,018.66	1.22%	1,033.89	1.14%	1,119.75	1.10%
Deferred tax liabilities	-	-	-	-	264.28	0.26%
Other Payables	234.36	0.28%	291.48	0.32%	218.07	0.22%
Other Liabilities	100.96	0.12%	236.63	0.26%	236.08	0.23%

Unit: Million Baht	(Audited)					
	As at 31 December 2008		As at 31 December 2009		As at 31 December 2010	
Assets	Amount	% of Total Assets	Amount	% of Total Assets	Amount	% of Total Assets
<b>Total Liabilities</b>	<b>80,059.09</b>	<b>96.19%</b>	<b>86,118.19</b>	<b>94.90%</b>	<b>95,406.65</b>	<b>94.10%</b>
<b>Shareholders' Equity</b>						
Issued and Paid-up Capital	2,950.00	3.54%	2,950.00	3.25%	2,950.00	2.91%
Unrealized Gains (Losses) due to Change in Fair Value of Investment Securities	-1,510.83	-1.82%	-55.85	-0.06%	599.47	0.59%
Retained Earnings	1,733.87	2.08%	1,732.43	1.91%	2,428.15	2.39%
<b>Total Shareholders' Equity</b>	<b>3,173.04</b>	<b>3.81%</b>	<b>4,626.58</b>	<b>5.10%</b>	<b>5,977.62</b>	<b>5.90%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>83,232.13</b>	<b>100.00%</b>	<b>90,744.77</b>	<b>100.00%</b>	<b>101,384.27</b>	<b>100.00%</b>

Source: AACP

Table 14 : Statements of Comprehensive Income of AACP for the years 2008-2010

Unit: Million	(Audited)					
	For the Year Ending as at 31 December 2008		For the Year Ending as at 31 December 2009		For the Year Ending as at 31 December 2010	
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	% of Total Revenue
<b>Income</b>						
Premium Written –Net	13,764.33	76.91%	14,894.94	82.73%	17,392.17	79.12%
Net Investment Income	4,033.79	22.54%	4,104.15	22.79%	4,365.83	19.86%
Gain (Loss) from Investment In Securities	41.80	0.23%	-986.06	-5.48%	201.80	0.92%
Gain (Loss) from Change in Fair Value of Derivatives Instruments	38.85	0.22%	-37.03	-0.21%	-1.77	-0.01%
Gain on Disposal of Land, Buildings, Equipment and Other Assets	2.38	0.01%	4.16	0.02%	4.28	0.02%
Other Income	15.40	0.09%	24.56	0.14%	18.50	0.08%

Unit: Million	(Audited)					
	For the Year Ending as at 31 December 2008		For the Year Ending as at 31 December 2009		For the Year Ending as at 31 December 2010	
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	% of Total Revenue
<b>Total Income</b>	<b>17,896.55</b>	<b>100.00%</b>	<b>18,004.72</b>	<b>100.00%</b>	<b>21,980.81</b>	<b>100.00%</b>
<b>Expense</b>						
<b>Underwriting Expenses</b>						
Unearned Premium Reserve Increase from Previous Year	5,126.94	28.65%	5,589.03	31.04%	8,926.20	40.61%
Claims and Insurance Benefits Incurred	7,343.55	41.03%	6,952.85	38.62%	6,593.53	30.00%
Dividends allocated to policyholders	749.66	4.19%	762.21	4.23%	654.90	2.98%
Commissions and Brokerages	1,951.59	10.90%	2,322.10	12.90%	2,400.86	10.92%
Other Underwriting Expenses	24.64	0.14%	22.30	0.12%	19.02	0.09%
<b>Total Underwriting Expenses</b>	<b>15,196.38</b>	<b>84.91%</b>	<b>15,648.49</b>	<b>86.91%</b>	<b>18,594.51</b>	<b>84.59%</b>
<b>Operating Expenses</b>						
Personnel Expenses	980.53	5.48%	894.29	4.97%	932.15	4.24%
Premises and Equipment Expenses	271.36	1.52%	337.25	1.87%	335.00	1.52%
Taxes and Duties	106.64	0.60%	119.68	0.66%	120.22	0.55%
Bad Debt and Doubtful Account	143.85	0.80%	120.11	0.67%	122.98	0.56%
Directors' Remuneration	2.26	0.01%	3.41	0.02%	3.90	0.02%
Sales Promotion Expenses	827.15	4.62%	374.46	2.08%	479.27	2.18%
Bank Fee	72.80	0.41%	108.92	0.60%	80.18	0.36%
Other Operating Expenses	242.57	1.36%	372.63	2.07%	295.61	1.34%
<b>Total Operating Expenses</b>	<b>2,647.16</b>	<b>14.79%</b>	<b>2,330.75</b>	<b>12.95%</b>	<b>2,369.31</b>	<b>10.78%</b>
Other Expenses	0.75	0.00%	0.55	0.00%	2.77	0.01%
<b>Total Expenses</b>	<b>17,844.29</b>	<b>99.71%</b>	<b>17,979.79</b>	<b>99.86%</b>	<b>20,966.59</b>	<b>95.39%</b>
<b>Earnings before Taxes</b>	<b>52.26</b>	<b>0.29%</b>	<b>24.93</b>	<b>0.14%</b>	<b>1,014.22</b>	<b>4.61%</b>
Income Taxes	22.29	0.12%	26.35	0.15%	318.51	1.45%
<b>Net Profit (Loss)</b>	<b>29.97</b>	<b>0.17%</b>	<b>-1.42</b>	<b>-0.01%</b>	<b>695.71</b>	<b>3.17%</b>

Source: AACP

Table 15 : Statement of Cash Flows of AACP for the year 2008-2010

Unit: Million Baht	(Audited)		
	For the Year Ending as at 31 December 2008	For the Year Ending as at 31 December 2009	For the Year Ending as at 31 December 2010
Net Cash from (Used in) Operating Activities	5,808.24	7,402.04	9,697.81
Net Cash from (Used in) Investing Activities	-7,018.17	-6,461.99	-8,084.98
Net Cash from (Used in) Financing Activities	-150.45	-	-
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>-1,360.38</b>	<b>940.05</b>	<b>1,612.83</b>
Cash and Cash Equivalents as at 1 January	5,653.94	4,293.56	5,233.61
<b>Cash and Cash Equivalents as at 31 December</b>	<b>4,293.56</b>	<b>5,233.61</b>	<b>6,846.44</b>

Source: AACP

## 4.9.2 Explanation and Analysis of Operating Results and Financial Position of AACP

### 4.9.2.1 Operating Results of AACP during 2008-2010

#### 1) Income

Main income of AACP came from net premium written and net investment income, which can be concluded as follows.

##### Net Premium Written

AACP's net premium written was Baht 13,764.33 million, Baht 14,894.94 million, and Baht 17,392.17 million in 2008, 2009 and 2010 respectively. This was a growth of 8.21% and 16.77% in 2009 and 2010 respectively. In 2010, AACP's net premium written growth rate (16.77%) was higher than the overall life insurance industry growth rate of 14.35%. During 2008-2010, AACP's premium written had sustained growth due to an expansion of distribution channels, a development of new innovative products and an increase in agent training.

##### Net Investment Income

AACP's net investment income was Baht 4,033.79 million, Baht 4,104.15 million and Baht 4,365.83 million in 2008, 2009 and 2010 respectively. This was a growth of 1.74% and 6.38% in 2009 and 2010 respectively. The increase in net investment income was due to investment policy continuing from the previous years. The investment policy emphasizes investments in assets that generate fixed income and have low risk such as bonds. AACP had 53.43%, 57.40% and 55.48% of total investments in assets investing in bonds in 2008, 2009 and 2010 respectively. Moreover, an increase in the total amount of investments in securities by 10.57% and 10.16% in 2009 and 2010 respectively also contributed to the increase in net investment income.

#### 2) Expenses

AACP's expenses can be classified into 2 main types: underwriting expenses and operating expenses.

##### Underwriting Expenses

Underwriting expenses had 3 main components: unearned premium reserves increase from previous year, claims and insurance benefits incurred, and commissions and brokerages.

Unearned premium reserves increase from previous year were 37.25%, 37.52% and 51.32% of net premium written in 2008, 2009 and 2010 respectively. This was due to the business expansion in the past 3 years.

Claims and insurance benefits incurred were 53.55%, 46.68% and 37.91% of net premium written in 2008, 2009 and 2010 respectively. AACP's claims and insurance benefits incurred in 2008, 2009 and 2010 totaled Baht 7,343.55 million, Baht 6,952.86 million and 6,593.53 million respectively.

Commissions and brokerages were 14.18%, 15.59% and 13.80% of net premium written in 2008, 2009 and 2010 respectively. AACP's commissions and brokerages in 2008, 2009 and 2010 totaled Baht 1,951.59 million, Baht 2,322.10 million and Baht 2,400.86 million respectively.

### Operating Expenses

In 2008, 2009 and 2010, AACP's operating expenses totaled Baht 2,647.16 million, Baht 2,330.75 million and Baht 2,369.31 million respectively. During the past 3 years, personnel expenses and sales promotion expenses were the main components of AACP's operating expenses. In 2008, 2009 and 2010, AACP's personnel expenses amounted to Baht 980.53 million, Baht 894.29 million and Baht 932.15 million respectively; and sales promotion expenses totaled Baht 827.15 million, Baht 374.46 million and Baht 479.27 million respectively.

### 3) Net Profit (Loss)

AACP's net profit (loss) in 2008, 2009 and 2010 were Baht 29.97 million, Baht (1.43) million and Baht 695.71 million respectively. In 2009, AACP had a net loss of Baht 1.43 million due to the loss from investments in securities of Baht 986.06 million (the loss was due to decline in equity portfolio value due to global financial crisis in the US and domestic political unrest in the first quarter of 2009.). In 2010, the company had net profit of Baht 695.71 million due to the increase in net premium written and net investment income from 2009. Meanwhile, in the same year, AACP had investment income of Baht 201.80 million. The company managed to control both underwriting expenses and operating expenses quite well.

#### 4.9.2.2 Financial Position

##### 1) Assets

As at year-end of 2008, 2009 and 2010, AACP's total assets were Baht 83,232.13 million, Baht 90,744.77 million and Baht 101,384.27 million respectively. The investment assets, comprising investment in securities, loans and cash and deposits at financial institutions, are the main elements. In particular, the investment assets accounted for 95.42%, 95.60% and 95.69% of total assets in 2008, 2009 and 2010 respectively. In this regard, AACP has a policy to invest in assets that generate fixed income and have low risk. Such investment includes government bonds, state enterprise bonds that are well known and secured, and debentures whose credit ratings are A or higher. AACP's

investment in securities was 86.63%, 87.85% and 86.62% of total assets in 2008, 2009 and 2010 respectively.

As at year-end of 2008, 2009 and 2010, AACP's loan (net) totaled Baht 5,258.10 million, Baht 4,794.45 million and Baht 5,145.73 million respectively. The main component of loans was policy loans. As at year-end 2010, AACP's policy loans were 95.88% of net loan.

As for cash and deposits at financial institutions, their proportion was approximately 2%-5% of total investment assets.

## 2) Liabilities

AACP's total liabilities have constantly increased with the expansion of its business. As at year-end 2008, 2009 and 2010, AACP's total liabilities totaled Baht 80,059.09 million, Baht 86,118.19 million and Baht 95,406.65 million representing a growth rate of 7.57% and 10.79% in 2009 and 2010 respectively. Approximately 90% of total liabilities were insurance reserve. An increase in insurance reserve in 2009 and 2010 totaled Baht 5,589.03 million and Baht 8,926.21 million representing an increase of 7.24% and 10.79% respectively. This aligned with the growth of the policy in force.

## 3) Shareholders' Equity

AACP's shareholder' equity as at year-end of 2008, 2009 and 2010 totaled Baht 3,173.05 million, Baht 4,626.59 million and Baht 5,977.63 million. This represented a growth of 45.81% and 29.20% in 2009 and 2010 respectively. The increase came from a sustained increase in retained earnings and net unrealized gains (loss) on the change in fair value of its investments.

### 4.9.2.3 Liquidity

In 2008, 2009 and 2010, AACP's net cash flow provided by operating activities totaled Baht 5,808.24 million, Baht 7,402.04 million and Baht 9,697.81 million respectively. The increase was due to an increase in net premium written and investment income each year.

Net cash used in investing activities in 2008, 2009 and 2010 was Baht 7,018.17 million, Baht 6,461.99 million and Baht 8,084.98 million respectively. Most of it was investment in securities and loans, which aligned with AACP's normal business principles.

AACP's net cash used in financing activities in 2008 totaled Baht 150.45 million, coming from dividends paid. In 2009 and 2010, no cash was used in financing activities since no dividend was paid in 2009 and 2010.



## 4.9.3 Financial Statements of AACP during the first 9 months of the years 2010 and 2011

Table 16 : Statements of Financial Position of AACP as at 31 December 2010 and as at 30 September 2011

Unit: Million Baht Assets	As at 31 December 2010 (Restated)		As at 30 September 2011 (Unaudited but have been Reviewed)	
	Amount	% of Total Assets	Amount	% of Total Assets
Cash and Cash Equivalents	6,846.44	6.74%	3,731.73	3.43%
Accrued Income from Investment	2,214.12	2.18%	2,506.58	2.30%
Premium Due and Uncollected –Net	969.49	0.95%	1,308.32	1.20%
Reinsurance Assets	283.08	0.28%	334.33	0.31%
Investment Assets				
Investment in Securities				
Investment in Available-for-Sale Securities	6,394.33	6.29%	6,127.62	5.63%
Investment in Held-to-Maturity Securities	78,581.47	77.33%	88,189.16	81.04%
Investment in Other Securities	41.14	0.04%	41.14	0.04%
Total Loans –Net	5,145.72	5.06%	5,451.34	5.01%
Land, Building and Equipment –Net	853.74	0.84%	766.08	0.70%
Intangible Assets –Net	89.32	0.09%	82.71	0.08%
Income Tax Withholding and Income Tax Refundable	112.97	0.11%	112.97	0.10%
Other Assets	91.43	0.09%	167.07	0.15%
<b>Total Assets</b>	<b>101,623.25</b>	<b>100.00%</b>	<b>108,819.05</b>	<b>100.00%</b>
<b>Liabilities and Shareholders' Equity</b>				
<b>Liabilities</b>				
Income Tax Payable	264.28	0.26%	81.35	0.07%
Due to Reinsurers	268.30	0.26%	216.24	0.20%
Insurance Contract Liabilities				
Life Insurance Reserve	90,241.46	88.80%	96,682.09	88.85%
Insurance Benefits Payable	1,549.63	1.52%	1,692.53	1.56%
Loss Reserve and Outstanding Claims	112.76	0.11%	211.95	0.19%
Unearned Premium Reserve	1,445.50	1.42%	1,832.92	1.68%
Accrued Expenses	1,073.85	1.06%	1,056.43	0.97%
Employee Benefit Obligation	45.90	0.05%	62.51	0.06%
Provisions	133.22	0.13%	157.19	0.14%
Other Liabilities	510.72	0.50%	552.67	0.51%
<b>Total Liabilities</b>	<b>95,645.62</b>	<b>94.12%</b>	<b>102,545.88</b>	<b>94.24%</b>
<b>Shareholders' Equity</b>				
Issued and Paid-up Capital	2,950.00	2.90%	2,950.00	2.71%
Retained Earnings	2,428.17	2.39%	2,999.81	2.76%
Unrealized Gains (Losses) due to Change in Fair Value of Investment in Available-for-Sale Securities	599.46	0.59%	323.36	0.30%
<b>Total Shareholders' Equity</b>	<b>5,977.63</b>	<b>5.88%</b>	<b>6,273.17</b>	<b>5.76%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>101,623.25</b>	<b>100.00%</b>	<b>108,819.05</b>	<b>100.00%</b>

**Table 17:** Statements of comprehensive income of AACP during the first 9 months of the year 2010 and during the first 9 months of the year 2011

Unit: Million Baht	9-Month Period ending 30 September 2010 (Restated)		9-Month Period ending 30 September 2011 (unaudited but reviewed)	
	Amount	% of Total Revenue	Amount	% of Total Revenue
<b>Income</b>				
Premium Written –Net	11,888.10	77.71%	13,774.35	78.29%
Commission Income	190.09	1.24%	195.32	1.11%
Net Investment Income	3,220.49	21.05%	3,625.43	20.60%
<b>Total Income</b>	<b>15,298.68</b>	<b>100.00%</b>	<b>17,595.10</b>	<b>100.00%</b>
<b>Expenses</b>				
<b>Underwriting Expenses</b>				
Change in Life Insurance Contracts Reserve	6,233.00	40.74%	6,440.63	36.60%
Insurance Benefits Payment	3,617.72	23.65%	5,133.24	29.17%
Insurance Claims and Loss Adjustment Expenses	1,302.62	8.51%	1,410.11	8.01%
Commission and Brokerages	1,865.16	12.19%	1,920.69	10.92%
Other Underwriting Expenses	324.98	2.12%	357.55	2.03%
<b>Operating Expenses</b>				
Personnel Expenses excluding Underwriting Expenses and Loss Adjustment Expenses	552.62	3.61%	592.70	3.37%
Premises and Equipment Expenses excluding Underwriting Expenses and Loss Adjustment Expenses	164.98	1.08%	179.25	1.02%
Tax and Duties	88.87	0.58%	94.86	0.54%
Bad Debt and Doubtful Accounts	99.07	0.65%	176.86	1.01%
Directors' Remuneration	2.93	0.02%	3.20	0.02%
Sales Promotion Expenses	304.00	1.99%	345.70	1.96%
Other Operating Expenses	146.63	0.96%	195.08	1.11%
<b>Total Operating Expenses</b>	<b>1,359.10</b>	<b>8.88%</b>	<b>1,587.65</b>	<b>9.02%</b>
<b>Total Expenses</b>	<b>14,702.58</b>	<b>96.10%</b>	<b>16,849.87</b>	<b>95.76%</b>
<b>Profit on Underwriting</b>	<b>596.10</b>	<b>3.90%</b>	<b>745.23</b>	<b>4.24%</b>
Gain on Investment	228.25	1.49%	99.13	0.56%
Other Income	22.65	0.15%	28.96	0.16%
<b>Operating Profit</b>	<b>847.00</b>	<b>5.54%</b>	<b>873.32</b>	<b>4.96%</b>
Contribution to the Office of Insurance Commission	23.38	0.15%	26.86	0.15%
Contribution to Life Insurance Fund	12.24	0.08%	13.76	0.08%
<b>Earnings before Tax</b>	<b>811.38</b>	<b>5.30%</b>	<b>832.70</b>	<b>4.73%</b>
Income Tax	194.15	1.27%	261.04	1.48%
<b>Earnings After Tax</b>	<b>617.23</b>	<b>4.03%</b>	<b>571.66</b>	<b>3.25%</b>
<b>Other Profit (Loss)</b>				
Change in Fair Value of Investment in Available-for-Sale Securities	461.48		-276.14	
Other Profit (Loss) for the Period	<b>461.48</b>		<b>-276.14</b>	
<b>Net Profit (Loss) for the Period</b>	<b>1,078.71</b>		<b>295.52</b>	

Source: AACP

**Table 18:** Statements of Cash Flows of AACP during the first 9 months of the year 2010 and during the first 9 months of the year 2011

Unit: Million Baht	9-Month Period ending 30 September 2010 (Restated)	9-Month Period ending 30 September 2011 (unaudited but reviewed)
Net Cash from (Used in) Operating Activities	7,035.11	7,033.93
Net Cash from (Used in) Investing Activities	-5,340.94	-10,148.63
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,694.17	-3,114.70
Cash and Cash Equivalents at the beginning of the period	5,233.61	6,846.44
<b>Cash and Cash Equivalents at the end of the period</b>	6,927.78	3,731.74

#### 4.9.4 Explanation and Analysis of Operating Results and Financial Position of AACP during the first 9 months of the year 2010 and during the first 9 months of the year 2011

##### 4.9.4.1 Operating Results of AACP during the first 9 months of the year 2010 and during the first 9 months of the year 2011

###### 1) Income

AACP's main income during the first 9 months of 2010 and during the first 9 months of 2011 was composed of net premium written and net investment income. The details are as follows:

###### Net Premium Written

During the first 9 months of 2011, AACP had net premium written of Baht 13,774.35 million, an increase from Baht 11,888.10 million during the same period in 2010 or an increase of 15.87% due to AACP's expansion of distribution channels, development of new products and increase in training sessions for agents.

###### Net Investment Income

During the first 9 months of 2011, AACP's net investment income totaled Baht 3,625.43 million; up from Baht 3,220.49 million during the same period in 2010 or a 12.57% increase. One of the reasons for the increase in net investment income included an increase in returns from government bond, which had the highest proportion in AACP's investment portfolio and a 10.70% increase in AACP's investment in securities from the amount as at year-end 2010.

AACP's total income during the first 9 months of 2011 totaled Baht 17,595.10 million, an increase from Baht 15,298.68 million during the same period in 2010 or an increase of 15.01%. The main reason for an increase in AACP's total income during the first 9 months of 2011, comparing to

the first 9 months of 2010, was an increase in net premium written and net investment income. As for the commission income of AACP during the first 9 months of 2011, it was increased slightly from Baht 190.09 million during the first 9 months of 2010 to Baht 195.32 million during the first 9 months of 2011.

## 2) Expense

AACP had 2 main types of expenses: underwriting expenses and operating expenses

### Underwriting Expenses

During the first 9 months of 2011, underwriting expenses were composed of unearned premium reserve increase from previous year, benefits payment to life policy during the year and commissions and brokerages.

During the first 9 months of 2011, AACP's unearned premium reserves increase from previous year was Baht 6,440.63 million, an increase from 6,233.00 million during the same period in 2010, representing an increase of 3.33% due to an increase in net premium written.

During the first 9 months in 2011, AACP had insurance benefits payment of Baht 5,133.24 million, up from Baht 3,617.72 million during the same period in 2010 representing an increase of 41.89%.

During the first 9 months in 2011, AACP's commissions and brokerages were Baht 1,920.69 million, an increase from Baht 1,865.16 million during the same period in 2010, representing an increase of 2.98%.

In this regard, total underwriting expenses during the first 9 months of 2011 of Baht 15,262.22 million increased from total underwriting expenses during the first 9 months of 2010 of Baht 13,343.48 million, representing an increase of 14.38%. The growth rate of underwriting expenses during the first 9 months of 2011 comparing with the same period in 2010 is close to the 15.87% growth rate of net premium written during the first 9 months of 2011 comparing with the same period in 2010.

### Operating Expenses

During the first 9 months of 2011, operating expenses of AACP (comprising 2 main parts: personnel expenses and sales promotion expenses) was Baht 1,587.65 million; up from the same period in 2010 which AACP had total operating expenses of Baht 1,359.10 million or an increase of 16.82%.

In this regard, personnel expenses during the first 9 months of 2011 was Baht 592.70 million, up from Baht 552.62 million during the same period in 2010 or an increase of 7.25%. Sales promotion expenses increased from Baht 304.00 million during the first 9 months of 2010 to Baht 345.70 million during the first 9 months of 2011 or an increase of 13.72%.

Other operating expenses (such as premises and equipment expenses, taxes and duties, bad debt and doubtful accounts, directors' remuneration and other operating expenses) during the first 9 months of 2011 was Baht 649.25 million, up by Baht 146.77 million from Baht 502.48 million during the same period in 2010. The main reason of the increase was an increase in bad debt and doubtful accounts and other operating expenses.

### 3) Net Profit

During the first 9 months of 2011, AACP had net profit of Baht 571.66 million (or earnings per share of Baht 1.94), a decrease from Baht 617.23 million (or earnings per share of Baht 2.09) during the same period in 2010 with the reason being an increase in AACP's total income (comprising net premium written, commission income, net investment income, gain from investment in securities and other income) was at a slower rate than an increase in AACP's expenses (comprising underwriting expenses and operating expenses). AACP's total income during the first 9 months of 2011 increased by 13.98% from the total income during the same period in 2010 while total expenses during the first 9 months of 2011 increased by 14.60% from the total expenses during the same period in 2010. In addition, the income tax during the first 9 months of 2011 of Baht 261.04 million increased from the income tax during the same period of 2010 of Baht 194.15 million.

#### 4.9.4.2 Financial Position

##### 1) Assets

As at 30 September 2011, AACP had total assets of Baht 108,819.05 million, an increase from the amount as at 31 December 2010. The main components of AACP's assets as at 30 September 2011 was investment in securities –comprising investment in available-for-sale securities, investment in held-to-maturity securities and investment in other securities of Baht 6,127,62 million, 88,189.16 million and 41.14 million respectively. It can be observed that the main component of AACP's total assets as at 30 September 2011 was investment in held-to-maturity securities, which gave constant returns at low risks. These included investments in government bonds, state enterprise bonds that are well-known and secured, private companies' debentures whose credit ratings are A or higher, promissory notes and bank deposits of maturity period higher than 3 months.

Net loans were another main component of AACP's total assets. As at 30 September 2011, AACP had net loans of Baht 5,451.34 million with main component being loan with insurance guarantee. As at 30 September 2011, AACP's loan with insurance guarantee accounted for 96.94% of net loans.

## 2) Liabilities

AACP's total liabilities had increased in align with the growth of the business. As at 30 September 2011, AACP's total liabilities was Baht 102,545.88 million. The main component of AACP's total liabilities was life insurance reserve amounting Baht 96,682.09 million as at 30 September 2011. The life insurance reserve will move in the same direction with net premium written of AACP.

## 3) Shareholders' Equity

As at 30 September 2011, AACP's shareholders' equity was Baht 6,273.17 million. At the aforementioned date, AACP's shareholders' equity comprised issued and paid-up capital of Baht 2,950 million, retained earnings of Baht 2,999.82 million and unrealized gains due to change in fair value of available-for-sale securities of Baht 323.36 million.

### 4.9.4.3 Liquidity

During the first 9 months of 2011, AACP's net cash from operating activities was Baht 7,033.93 million, a slight decrease from the same period in 2010 which AACP's net cash from operating activities was Baht 7,035.11 million. During the first 9 months of 2011, the main components of cash flows provided by operating activities were net premium received and interest income while the main components of cash flows used in operating activities were insurance benefits payment, commission and brokerages and operating expenses.

During the first 9 months of 2011, AACP had net cash used in investing activities of Baht 10,148.63 million, up from the same period in 2010 which AACP's net cash used in investing activities was Baht 5,340.94 million. During the first 9 months of 2011, almost all of cash flows provided by investing activities came from the sale of investment in securities and the maturity of some securities while cash flows used in investing activities came from additional investment in securities and deposits at financial institutions.

During the first 9 months of 2011 and 2010, AACP had no cash flows provided by or used in financing activities.

## 5. Rationale and Reasonableness of the Transaction

In considering the reasonableness and necessity of the Company's transaction of acquiring AACP ordinary shares from BAY, the major shareholder of the Company, the Independent Financial Advisor has considered the following key factors.

### 5.1 Purpose and Rationale of the Acquisition Transaction

The Company's business plan aims to change the business of the Company from a non-life insurance company to an insurance holding company that holds stake in both life and non-life insurance to benefit the Company and the shareholders in the long run. In this regard, the Company will maintain its listed status in the Stock Exchange of Thailand (the Company presented the aforementioned business plan at the 61st Annual General Meeting of the Shareholders held on 20 April 2010). The additional investment in AACP will increase the Company's stake in AACP from 11.67% of AACP's paid-up capital as at 31 January 2012 (comprising AACP's shares originally held by the Company of 17,162,978 shares, representing 5.82% of AACP's paid-up capital and 17,265,108 shares of AACP, or 5.85% of AACP's paid-up capital, acquired from the Charoen Pokphand Group on 18 January 2012) to 20.17% of AACP's paid-up capital after the acquisition of AACP's existing ordinary shares from BAY is completed. As a result, AACP will become an associate company of the Company after the transaction of acquiring AACP's existing ordinary shares from BAY is final. (Nevertheless, the Company may increase its stake in AACP in the future if other shareholders of AACP are willing to sell AACP shares they hold under the terms, conditions and at trading price as agreed upon by both the buyer and the seller).

The Company's additional investment in AACP conforms to the Company's business plan presented at the 61st Annual General Meeting of the Shareholders held on 20 April 2010. The business plan aims to expand its investment to insurance business with growth potential. Due to the Company's acquisition of BT Insurance Company Limited (currently changed its name to Sri Ayudhya General Insurance Public Company Limited) in 2011, the Company had gradually transferred its non-life insurance related assets to Sri Ayudhya General Insurance Public Company Limited after it had completed all procedures as stipulated in relevant rules and regulations. The Company completed the transfer of non-life insurance business to Sri Ayudhya General Insurance Public Company Limited, as well as followed the steps set by the OIC regarding the transfer of non-life insurance business of the Company since the fourth quarter of 2011. The Company followed the business plan and already returned the insurance license to the OIC. In addition, it converted into an insurance holding company effective 20 December 2011 onwards. As a result, Sri Ayudhya General Insurance Public Company Limited will operate all non-life insurance business whilst the Company will mainly invest in insurance companies as a holding company under the name "Sri Ayudhya Capital Public Company Limited". Therefore, the entering into the transaction of the Company acquiring additional AACP's existing ordinary shares of 25,072,194 from BAY, representing 8.50% of AACP's paid-up capital, conforms to Company's business plan. The business plan was presented at the 61st Annual General Meeting of the Shareholders held on 20 April 2010 with the emphasis on



long-term investment in insurance related business with good fundamentals and long-term growth potential.

## 5.2 Advantages and Disadvantages of Entering into the Transaction

Considering the Company's business plan obtained from the management of the Company and other relevant information received from AACP, the Company and other reliable sources, the Independent Financial Advisor views that the advantages/benefits and disadvantages/risks of the Company's entering into the transaction of acquiring AACP's existing ordinary shares from BAY are as follows.

### 5.2.1 Advantages/Benefits of Entering into the Transaction

#### 1) Conforming to the Company's Business Plan

The Company's additional acquisition of AACP capital of 25,072,194 shares, representing 8.50% of AACP's paid-up capital from BAY (which will total 59,500,280 shares or 20.17% of AACP's paid-up capital after combining with 17,162,978 shares originally held by the Company and 17,265,108 shares acquired by the Company from the Charoen Pokphand Group in January 2012) conforms to the long-term business plan of the Company. In this regard, the Company will mainly invest in insurance business –both life and non-life insurance businesses as an insurance holding company in order to benefit the Company and the shareholders in the long run.

#### 2) An Increase in the Company's Stake in a Leading Life Insurance Company in Thailand

Due to additional investment in AACP –a leading life insurance company in Thailand by acquiring AACP's shares from BAY, the Company will increase its stake in life insurance business in Thailand. During the past years, life insurance companies in Thailand have seen a continuous growth, thanks to a number of supporting factors. The acquisition of AACP capital, here in, not only helps the Company to expand into life insurance business with much less capital, time and risk than to start its new business, it also diversifies risk from investment in non-life insurance business, the main business of Sri Ayudhya General Insurance Public Company Limited –the subsidiary and the core company of the Company.

#### 3) Diversifying risk from non-life insurance business, the main business of Sri Ayudhya General Insurance Public Company Limited

Presently, the Company is an insurance holding company. The Company holds a total of 99.99% of paid-up capital of Sri Ayudhya General Insurance Public Company Limited. Sri Ayudhya General Insurance Company Limited, the subsidiary and the core company of the Company, operates non-



life insurance business. In 2011, the Company had a net loss, as indicated in the consolidated financial statements of Baht 455.09 million. However, the Company had a net profit, as indicated in the separate financial statements, of Baht 295.81 million and Sri Ayudhya General Insurance Public Company Limited had a net loss, as indicated in its separate financial statements, of Baht 756.45 million. The main reason for a net loss of Sri Ayudhya General Insurance Public Company Limited was claims payment to the policy holders affected by the flood crisis in the fourth quarter of 2011. It could be said that the Company's increasing stake in a leading life insurance company would help to reduce a certain level of risk from concentrated investment in non-life insurance business.

- 4) An opportunity to receive returns from additional investment in business with high growth potential

The investment in AACP, a leading life insurance company in Thailand with continuous growth potential in the future, will create an opportunity for the Company to receive return and cash flows in the form of dividends. In the long run, the stated dividend should be higher than return from main investment of the Company in debt securities and deposits at financial institutions.

In this regard, after the Company's additional acquisition of AACP's capital from BAY is final, the Company will hold a total of 59,500,280 shares of AACP, representing 20.17% of AACP's paid-up capital. Hence, AACP will become an associate company of the Company.

- 5) Increase knowledge sharing and business cooperation

The AYUD Group (comprising the Company and Sri Ayudhya General Insurance Public Company Limited) is a leading group in non-life insurance business in Thailand whilst AACP is a leading life insurance company in Thailand. Each party has expertise, experience and know-how in its own business. Henceforth, after the Company has increased its stake in AACP, the knowledge, experience, expertise and know-how will be exchanged and shared. As a result, both parties will be beneficial. Currently, the AYUD Group and AACP have not had a written agreement regarding exchange and sharing of knowledge, experience, expertise and know-how between them. However, the AYUD Group and AACP may exchange and share their knowledge, experience, expertise and know-how in the area of managing insurance business, risk management and etc.

## 5.2.2 Disadvantages/Risks of the Transaction

- 1) Risk of investment in non-listed securities and the Company may not receive investment return as expected

Currently, AACP is not listed in the Stock Exchange of Thailand. Therefore, its shares lack trading liquidity and reference market price for trading in case that the Company wants to sell AACP's shares in order to invest in other securities or assets. Nevertheless, the Independent Financial Advisor deems that the liquidity risk should not be of concern to the Company since the Company's additional investment in AACP does not aim at short-term profit. Rather, it intends to be a long-term investment and help to diversify risk from investment in non-life insurance business, or the main business of Sri Ayudhya General Insurance Public Company Limited –the subsidiary and the core company of the Company.

As the investment return is concerned, although the Company has an opportunity to receive investment return and cash flows in the form of dividends, it may fluctuate and vary from year to year, depending on the growth rate of the business, operating result, retained earnings and AACP's need of cash for investment each year. Furthermore, the insurance business shows sign of a more heated competition in the future. Various factors are affecting operating result and dividends payment of AACP. As can be seen in 2009, 2010 and 2011, given each year's operating result, AACP had not made any dividends payment to the shareholders. Nevertheless, the Company is a listed company in the Stock Exchange of Thailand. Additionally, it focuses on long-term investment in AACP. As a result, the Company will have tax benefit in the form of tax exemption on dividends payment from investment in AACP. That is to say, if in the future AACP makes dividends payment to the shareholders, the Company will be exempted from tax on dividends.

- 2) Loss of opportunity to invest in other financial securities with higher liquidity, relatively constant return and less investment risk

To acquire AACP's existing ordinary shares of 25,072,194 at Baht 30 per share totaling Baht 752.17 million from BAY, the Company will use 100% internal cashflow, including cash flow from the disposal of investment securities held by the Company (comprising of investment in ordinary shares, debt securities, bank deposits and unit investment trust in mutual funds), with no loan from outside financial institutions. In this regard, the Company does not incur additional financial burden from the entering into the transaction. However, the Company may have to withdraw some of deposits at financial institutions and dispose of some investment securities with high liquidity to convert into cash such as unit investment trust in mutual funds, short-term debt securities, money market instruments and capital securities of listed companies with good fundamentals. The aforementioned action of

disposing relatively low risk investment securities with high liquidity and constant return might result in the questioning of the worthiness and benefits of the investment in AACP's existing ordinary shares.

Nevertheless, the Independent Financial Advisor views that the comparison of worthiness, benefits and appropriateness between the investment in high liquidity securities with relatively constant return and lower risk to be disposed by the Company to raise fund to invest in AACP's existing ordinary shares and the investment in AACP should not focus only on trading liquidity, constant cash flow, return of investment and investment risk. It should also consider other advantages from investing in AACP such as risk diversification of the AYUD Group (the Company and Sri Ayudhya General Insurance Public Company Limited) who has its main business only in non-life insurance. In addition, there is also an advantage of business cooperation and sharing of experience, expertise and know-how which will benefit both the AYUD Group and AACP.

- 3) After the acquisition of AACP's capital, AACP's shareholding structure will not adhere to the regulations relating to the issuance and offering of securities by the Capital Market Supervisory Board and requirements to remain a listed company in the Stock Exchange of Thailand

Table 19 illustrated below shows the comparison between AACP's shareholding structure before and after the acquisition of AACP's capital from BAY.

Table 19 Comparison between AACP's shareholding structure before the Company acquiring additional AACP's capital from BAY and AACP's shareholding structure after the acquisition is final

Name	Shareholding Structure before the Share Acquisition		Shareholding Structure after the Share Acquisition	
	No. of Shares	% of Total Shares	No. of Shares	% of Total Shares
1) Allianz SE and its related entities	184,808,407	62.65	184,808,407	62.65
CPRN Holding Co., Ltd.	99,560,163	33.75	99,560,163	33.75
Allianz SE	73,711,193	24.99	73,711,193	24.99
CPRN (Thailand) Co., Ltd.	11,537,051	3.91	11,537,051	3.91
<b>2. The Ratanarak Group</b>	<b>49,917,556</b>	<b>16.93</b>	<b>49,917,556</b>	<b>16.93</b>
Great Luck Equity Co., Ltd.	30,960,728	10.50	30,960,728	10.50
Great Fortune Equity Co., Ltd.	8,320,180	2.82	8,320,180	2.82
Bangkok Broadcasting & TV Co., Ltd.	8,218,212	2.79	8,218,212	2.79
Super Assets Co., Ltd.	2,418,436	0.82	2,418,436	0.82
3. Sri Ayudhya Capital Plc.	34,428,086	11.67	59,500,280	20.17
4. Bank of Ayudhya Plc.	25,072,194	8.50	-	-
5. Other Shareholders	773,757	0.26	773,757	0.26
<b>Total</b>	<b>295,000,000</b>	<b>100.00</b>	<b>295,000,000</b>	<b>100.00</b>

From the table 19 above, after the Company acquires additional AACP's capital from BAY, the Company will hold a total of 59,500,280 shares of AACP, representing 20.17% of AACP's paid-up capital. As a result, AACP will become an associate company of the Company. As for the remaining shares of AACP, they will be collectively held by Allianz SE, its related entities and the Ratanarak Group for more than 50 % of AACP's paid-up capital (295,000,000 shares)

In this regard, Allianz SE is considered a major shareholder of the Company. As at 11 November 2011, or the latest closing date of shareholder's register book of the Company, Allianz SE holds the Company's shares (through DEUTSCHE BANK AG, FRANKFURT A/C CLIENTS ACCOUNT-DCS) of 42,104,000 or 16.84% of the Company's paid-up capital. As the Ratanarak Group is concerned, it is also a major shareholder of the Company (through Bangkok Broadcasting & TV Company Limited, BBTV Equity Company Limited, Great Fortune Equity Company Limited, Ms. Sudthida Ratanarak and

Ms. Sasithorn Ratanarak) holding 67,263,370 shares of the Company, representing 26.91% of the Company's paid-up capital as at 11 November 2011.

It can be noticed that Allianz SE, its related entities and the Ratanarak Group (each group being a major shareholder of AACP) collectively hold more than 50% of AACP's paid-up capital. Such shareholding structure does not adhere to the Notification of the Capital Market Supervisory Board Tor.Jor. 28/2551 regarding Application and Approval for Newly-issued Shares no. 12(2) stating that the applicant for permission to issue and offer securities must not have its conflicted person (s) holding more than 10% of the subsidiary's and associate company's voting rights unless it could prove that such shareholding structure of the subsidiary and associate company is for the best interest of the applicant. With the stated shareholding structure of AACP, the Company risks not receiving permission to issue and offer securities to raise capital since the qualification do not adhere to the Notification of the Capital Market Supervisory Board Tor. Jor. 28/2551. That is unless the Company can prove that AACP's shareholding structure is for the Company's best interest. Moreover the aforementioned shareholding structure of AACP does not comply with the Notification of the Stock Exchange of Thailand regarding the listed status in the Stock Exchange of Thailand, 2001, no.6 demanding the listed company and its subsidiary have no conflict of interest according to the relevant regulations stipulated in the Notification of the Capital Market Supervisory Board.

Regarding this, Allianz SE, its related entities and the Ratanarak Group have held shares of AACP for a long time. Both groups are major shareholders of AACP before the Company is acquiring shares of AACP from BAY. In the past, Allianz SE (a financial conglomerate from Germany with experience and expertise in insurance, asset management and banking businesses in more than 70 countries worldwide) has managed the business of AACP well and successfully. Moreover, Allianz SE also supports AACP's life insurance business in various ways. Presently, Allianz SE, its related entities and the Ratanarak Group have invested in only one life insurance company in Thailand which is AACP. Moreover, AACP presently does not and in the near future will not enter into significant transactions with both groups of major shareholders except normal business transactions or transactions to support the normal business of AACP (both kinds of transactions are not significant relative to the size of AACP.). In case the Company or its subsidiary will enter into an asset acquisition/disposition transaction, a connected transaction or any transactions that may give rise to potential conflict of interest, the Company and its subsidiary will strictly conform to relevant rules and regulations as prescribed by the SEC and the SET.

- 4) The Company will have no absolute control over the AACP's management, operation and business policies

The investment in AACP, which will increase the Company's stake in AACP to 20.17% after the transaction is finalized, does not grant an absolute power to the Company to manage and control the operation and policy of AACP. This is because Allianz SE, its related entities and the Ratanarak Group are still major shareholders of AACP. Both groups will hold in total more than 50% of AACP's paid-up capital. In addition, the intensifying competition in life insurance business may affect the operating result and dividends payment of AACP in the future. This means the Company's investment return from AACP may differ from the expectation.

- 5) The possibility of BAY's withdrawal of support in terms of bank branches currently being used as AACP's distribution channel (Bancassurance) since BAY will no longer hold AACP's shares

After BAY disposes 25,072,194 shares of AACP, or 8.50% of AACP's voting rights to the Company, BAY will no longer be the shareholder of AACP; hence, the possibility of BAY's reduction or withdrawal of support in Bancassurance to AACP. Nevertheless, according to the Bancassurance Agreement between AACP and BAY, the counterparty cannot use the reason of BAY no longer holding AACP's shares to terminate the stated agreement.

Hence, BAY's sale of all AACP's shares held to the Company which makes it no longer the shareholder of AACP is not the reason for BAY to terminate the Bancassurance Agreement. Furthermore, the Bancassurance Agreement between BAY and AACP gives an exclusive right to AACP which results in BAY can distribute only AACP's policies within the specific areas and duration agreed by the counterparties. In fact, the sale of AACP shares by BAY is not the cause to terminate the Bancassurance Agreement whatsoever. As a result, the distribution of AACP's policies through BAY in the agreed area will not be affected by BAY establishing its life insurance company or holding shares in other insurance companies within the terms of the Bancassurance Agreement due to the aforementioned exclusive right.

The risk of AACP's Bancassurance Agreement with BAY and other distribution-related agreement not being renewed is a common business risk to AACP and other life insurance companies. As a result, AACP has followed a policy of distributing the policies through a variety of distribution channels and making an effort to develop, expand and strengthen the distribution channels of the company.

### 5.2.3 Comparison of Advantages/Benefits and Disadvantages of Entering into the Connected Transaction

#### Advantages/Benefits of Acquiring AACP's Capital from BAY

In the past, the Company has continuously studied the possibility of investment in AACP, a leading life insurance company in Thailand, in order to invest and hold stake in the stated company. The Company has negotiated with all AACP shareholders holding a significant number of AACP's shares as of 28 February 2012 (including BAY, the Ratanarak Group, Allianz SE and its related entities, all of which are the Company's major shareholders or related to the Company's major shareholder). BAY has intended to sell the investment in AACP. This is due to life insurance not being the main business of BAY. The Company and BAY have continuously negotiated regarding the AACP's share trading price and the conditions for the sale and the purchase of shares until both companies reach an agreement to sell and to purchase AACP' shares.

Although BAY is a major shareholder of the Company, the transaction of acquiring additional investment in AACP from BAY may trigger fewer questions regarding the necessity, reason and transparency of the transaction from the minority shareholders and outside investors. This is because BAY (a leading financial institution of the country with modern and transparent management) and the Company are listed in the Stock Exchange of Thailand. Therefore, both BAY and the Company must strictly comply with the relevant rules and regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand regarding acquisition or disposal of assets and connected transaction in order to protect the investors who have no interest in the transaction. In addition, BAY will also have to submit permission request and receive an approval to enter into the transaction from the Bank of Thailand. Meanwhile, the Company must receive an approval from the shareholders, who have no interest in the transaction, to enter into the transaction and disclose accurate information in accordance with relevant regulations of the SEC and the SET. All above actions shall make the transaction more credible and transparent in the eye of minority shareholders of the Company and outside investors.

#### Disadvantages of Entering into the Transaction

Although the Company's acquisition of AACP shares from BAY has to follow relevant rules and regulations of the SEC and the SET, and the Company has to disclose transaction-related information to the investors, such acquisition transaction is still regarded as the Company's transaction with its major shareholder. Therefore, investors with no interest in the transaction may question the reasonableness of the transaction's conditions and the reasonableness of AACP's shares price of Baht 30 per share. In this respect, the Independent Financial Investor views that the transaction of the Company acquiring AACP's existing ordinary shares from BAY, a related person of the Company, is reasonable and has conditions

similar to those of the transaction with unrelated person of the company. The supporting reasons are as follows.

1. The additional investment in AACP conforms to the Company's long-term business plan of converting from a non-life insurance company into an insurance holding company that invest and hold shares in insurance companies with good fundamentals and growth potential. Moreover, it is also a channel of the Company to expand into life insurance business, with high growth potential expected in the long run.
2. The Company will acquire AACP's existing ordinary shares from BAY at Baht 30 per share, a price deemed acceptable for the long-term investment in AACP by the Independent Financial Advisor (the opinion of the Independent Financial Advisor regarding the reasonableness of trading price of AACP's shares of Baht 30 per share is presented in part 6 of this opinion of the Independent Financial Advisor.).
3. Important conditions regarding the trade of AACP's shares, stipulated in the draft of share purchase agreement between the Company and BAY, are appropriate and do not yield any unfair benefits to each of the counterparty. (the opinion of the Independent Financial Advisor regarding the appropriateness of the key conditions, stipulated in the draft of share purchase agreement between the Company and BAY, is presented in part 7.).

#### **The Sufficiency of Source of Fund for Additional Acquisition of AACP's Capital from BAY**

To acquire additional AACP's capital of 25,072,194 shares, representing 8.50% of AACP's paid-up capital, from BAY at Baht 30 per share totaling Baht 752.17 million, the Company will use 100% internal financing, with no loan from financial institutions whatsoever. Concerning this, the Independent Financial Advisor deems that the Company has sufficient fund for one-time payment to BAY. According to the letter confirming the sufficiency of source of fund to be used in acquiring AACP's existing ordinary shares dated 16 March 2012, received by the Independent Financial Advisor from the Company and the examination of the audited separate financial statements of the Company for the year ended December 31, 2011, the Independent Financial Advisor found that the Company has cash and cash equivalents as at 31 December 2011 of Baht 747.42 million and available-for-sale securities, which are short-term investment possessing high liquidity to convert into cash, of Baht 2,525.74 million. Thus, the Company's internal fund which can be used to invest in AACP's capital totals Baht 3,273.16 million. This amount is significantly higher than the amount needed for an additional investment in AACP of Baht 752.17 million. In case the Company needs to sell its short-term investments to finance the acquisition of AACP shares, it will withdraw bank deposits and dispose of its available-for-sale securities in the form unit trust of mutual



funds. Doing so will not significantly affect the overall financial liquidity of the Company and amount of funds to be used for other purposes and investments.

## 6. Fairness of Price and Conditions

As the Company is to invest in AACP in order to increase its stake by 8.50%, the appropriate valuation to be used for this transaction is the valuation of AACP in proportion with the Company's stated investment. The valuation will be based on the 5 approaches as follows.

- 1) Book Value Approach
- 2) Net Adjusted Book Value Approach
- 3) Price to Book Value Ratio Approach (P/BV Ratio Approach)
- 4) Price to Earnings Ratio Approach (P/E Ratio Approach)
- 5) Actuarial Appraisal of Economic Value Method

### 1. Book Value Approach

Book value approach calculates the share price from the shareholders' equity, as shown in the AACP's financial statements. The financial statements used in the valuation are the one as at 30 September 2011, which was the latest version of AACP's financial statements. The Independent Financial Advisor hereby presented the financial statements as at 31 December 2010 as a comparison. The details are in the table below.

Unit: Million Baht

รายการ	31 December 2010	30 September 2011
1) Registered and paid-up share capital with par value of Baht 10 per share of 295,000,000 shares and 295,000,000 shares in December 2010 and September 2011 respectively	2,950.00	2,950.00
2) Surplus (deficit) on revaluation of investment	599.47	323.33
3) Retained earnings (loss)		
- Appropriated – statutory reserve	150.11	150.11
- Unappropriated	2,278.05	2,849.71
<b>Total shareholders' equity</b>	<b>5,977.64</b>	<b>6,273.15</b>
<i>Issued and paid-up ordinary shares (Million shares)</i>	295.00	295.00
<b>Book value of the business (Baht per share)</b>	<b>20.26</b>	<b>21.26</b>

*Remarks: Financial statements as at 30 September 2011 were audited by KPMG Phoomchai Audit Limited.*

According to this approach, AACP shareholders' equity as at 30 September 2011 was Baht 6,273.15 million.

Nevertheless, this method only showed the value of the company at a certain period of time. It does not take into account whatsoever the company's future performance and overall economic and industry trends. This is not to mention the failure to include the fair value of AACP's assets and liabilities.

## 2. Net Adjusted Book Value Approach

This approach demonstrated the value of the company after the adjustment of the shareholders' equity, as shown in the company's financial statements, by adjusting the audited book value of the company as at 30 September 2011 to reflect real financial status and current fair value of the business. The mentioned adjustment was calculated by AACP by taking into account the significant items in the financial statements such as the fair value of investment in order to reflect the fair value of the business.

### Adjusted shareholders' equity as at 30 September 2011

Item	Value (Million Baht)
Book value as at 30 September 2011	6,273.15
Adjusted item	
- Adjustment for valuation of investment	183.67
<i>Total Adjustment</i>	<i>183.67</i>
Adjusted net book value	6,456.82
Adjusted shareholders' equity (Baht per share)	21.89

According to the appraisal of the fair value of AACP by using net adjusted book value approach as at 30 September 2011, the price per share of AACP was Baht 21.89.

## 3. Price to Book Value Approach or P/BV Approach

Price to book value approach appraised the value of the company by multiplying AACP's book value with price to book value of life/non-life insurance company enlisted in the Stock Exchange of Thailand. The Independent Financial Advisor had compared the P/BV of life insurance companies including Siam Commercial Life Assurance Public Company Limited ("SCBLIF") and Bangkok Life Assurance Public Company Limited ("BLA"), as well as the insurance sector ("INSUR") which comprised 17 insurance companies enlisted in the SET. Of those 17 insurance companies, 2 of them were in life insurance business whilst the other 15 were in non-life.

### 3.1 Comparison with the life insurance companies listed in the Stock Exchange of Thailand

Currently, only 2 life insurance companies: SCBLIF and BLA are listed in the SET. The closing price and the book value per share of the 2 companies as at 2 March 2012 were as follows.

Company	Closing Price As at 2/3/2012 (Baht per Share)	Par Value (Baht per Share)	Book Value/Share As at 30 September 2011 (Baht per Share)	P/BV As at 2/3/2012 (Times)
1. SCBLIF	480	10	113.53	4.23
2. BLA	46	1	10.76	4.11

Source: SET SMART

#### SCBLIF

To appraise value with this method, the Independent Financial Advisor had calculated P/BV of SCBLIF. The details are as follows.

Period	Average Volume Trade (Thousand Shares)	P/BV of SCBLIF (Times)	As at 2/3/2012	
			AACP Share Value (Million Baht)	Fair Value (Baht per Share)
Average as at 2/3/2012	1.60	4.23	26,535.42	89.93
7 Days Average 23/2/2012 – 2/3/2012	3.04	4.14	25,952.92	87.96
15 Days Average 10/2/2012 – 2/3/2012	1.91	4.04	25,372.80	85.99
30 Days Average 23/1/2012 – 2/3/2012	2.22	3.94	24,684.85	83.66
3 Months Average 2/12/2011 – 2/3/2012	1.94	3.84	24,099.01	81.67
6 Months Average 2/9/2011 – 2/3/2012	1.47	3.92	24,618.63	83.43
12 Months Average 2/3/2011 – 2/3/2012	2.87	4.11	25,752.68	87.28

Source SET SMART

**Remarks:** Book value in calculation is based on the value in AACP's reviewed financial statements as at 30 September 2011

According to the appraisal of the share price by using P/BV of SCBLIF, the share value of AACP will range from Baht 24,099 to 26,535 million or Baht 81.67 to 89.93 per share.

However, the average trading volume of SCBLIF was low. Therefore, using P/BV of SCBLIF to estimate the share value of AACP would be less appropriate.

### BLA

To appraise value with this method, the Independent Financial Advisor had calculated P/BV of BLA. The details are as follows.

Period	Average Volume Trade (Thousand Shares)	P/BV of BLA (Times)	As at 2/3/2012	
			AACP Share Value (Million Baht)	Fair Value (Baht per Share)
Average as at 2/3/2012	2,341.50	4.11	25,782.65	87.38
7 Days Average 23/2/2012 – 2/3/2012	2,997.70	3.99	25,011.95	84.77
15 Days Average 10/2/2012 – 2/3/2012	3,044.11	4.19	26,288.68	89.09
30 Days Average 23/1/2012 – 2/3/2012	2,320.41	4.36	27,369.75	92.76
3 Months Average 2/12/2011 – 2/3/2012	2,035.90	4.38	27,504.73	93.21
6 Months Average 2/9/2011 – 2/3/2012	1,919.30	4.44	27,853.78	94.40
12 Months Average 2/3/2011 – 2/3/2012	2,150.29	4.49	28,162.89	95.45

Source SET SMART

**Remarks:** Book value in calculation is based on the value in AACP's reviewed financial statements as at 30 September 2011

According to the appraisal of the share price by using P/BV of BLA, the share value of AACP will range from Baht 25,012 to 28,163 million or Baht 84.77 to 95.45 per share.

However, the average trading volume of BLA was low. Therefore, using P/BV of BLA to estimate the share value of AACP would be less appropriate

### 3.2 Comparison with the insurance business group (INSUR) listed in the Stock Exchange of Thailand

As aforementioned, the life and non-life insurance companies listed in the SET totaled 17 companies, of which 2 companies in life insurance business and the other 15 companies in non-life insurance business. The general information as at 2 March 2012 was as follows.

Company	Closing Price/Index	52 Weeks Highest	52 Weeks Lowest	P/BV
	As at 2/3/2012	Closing Price/Index	Closing Price/Index	As at 2/3/2012 (Times)
Insurance	9,040.46	10,853.74	7,720.49	2.22

Source: SET SMART

To appraise value with this method, the Independent Financial Advisor had calculated P/BV of INSUR. The details are as follows.

Period	P/BV of Insurance (Times)	As at 2/3/2012	
		AACP Share Value	Fair Value
		(Million Baht)	(Baht per Share)
Average as at 2/3/2012	2.22	13,926.39	47.20
7 Days Average 23/2/2012 – 2/3/2012	2.15	13,514.16	45.80
15 Days Average 10/2/2012 – 2/3/2012	2.17	13,583.46	46.03
30 Days Average 23/1/2012 – 2/3/2012	2.13	13,336.72	45.20
3 Months Average 2/12/2011 – 2/3/2012	2.08	13,031.96	44.17
6 Months Average 2/9/2011 – 2/3/2012	2.09	13,087.98	44.36
12 Months Average 2/3/2011 – 2/3/2012	2.12	13,304.92	45.09

Source SET SMART

**Remarks:** Book value in calculation is based on the value in AACP's reviewed financial statements as at 30 September 2011

According to the appraisal of the share price by using P/BV of INSUR, the share value of AACP will range from Baht 13,032 to 13,926 million or Baht 44.17 to 47.20 per share.

However, P/BV of insurance business group (INSUR) might not be appropriate for estimating the value of AACP because most companies in the insurance business group are in non-life insurance business.

The valuation method of using P/BV to appraise ordinary shares reflects market mechanism and position of the business at a specific point of time. Nevertheless, the company used for comparison may vary in details of fundamental factors including accounting policy (income recognition and provision for bad debt), investment policy, size of business, cost structure, other income, and quality of assets and business.

#### 4. Price to Earnings Approach or P/E Approach

This method of valuation is calculated by multiplying AACP's net profit with P/E of insurance companies listed in the SET. Similar to P/BV approach, the Independent Financial Advisor has compared P/E of life insurance companies including SCBLIF and BLA and also compared P/E of insurance business sector (INSUR) listed in SET.

##### 4.1 Comparison with the life insurance companies listed in the Stock Exchange of Thailand

Currently, only 2 life insurance companies: SCBLIF and BLA are listed in the SET. The closing price and the book value per share of the 2 companies as at 2 March 2012 were as follows.

Company	Closing Price	Par Value (Baht Per Share)	Earnings/Share	P/E
	As at 2/3/2012 (Baht Per Share)		As at 30 September 2011 (Baht Per Share)	As at 2/3/2012 (Times)
1. SCBLIF	480	10	37.58	13.78
2. BLA	46	1	2.85	16.15

Source: SET SMART

##### SCBLIF

To estimate value with this method, the Independent Financial Advisor had calculated P/E of SCBLIF. The details are as follows.

Period	Average Volume Trade (Thousand Shares)	P/E of SCBLIF (Times)	As at 2/3/2012	
			AACP Share Value (Million Baht)	Fair Value (Baht per Share)
Average as at 2/3/2012	1.60	13.78	8,958.79	30.37
7 Days Average 23/2/2012 – 2/3/2012	3.04	13.49	8,768.40	29.72

Period	Average Volume Trade (Thousand Shares)	P/E of SCBLIF (Times)	As at 2/3/2012	
			AACP Share Value	Fair Value
			(Million Baht)	(Baht per Share)
15 Days Average 10/2/2012 – 2/3/2012	1.91	13.18	8,569.58	29.05
30 Days Average 23/1/2012 – 2/3/2012	2.22	12.82	8,337.05	28.26
3 Months Average 2/12/2011 – 2/3/2012	1.94	12.52	8,141.31	27.60
6 Months Average 2/9/2011 – 2/3/2012	1.47	12.72	8,272.49	28.04
12 Months Average 2/3/2011 – 2/3/2012	2.87	13.01	8,461.27	28.68

Source: SET SMART

Remarks: The Company's net profit of Baht 650.13 million is calculated based on the net profit of the last 4 quarters starting from the 4<sup>th</sup> quarter of 2010 to the 3<sup>rd</sup> quarter of 2011

According to the appraisal of the share price by using P/E of SCBLIF, the share value of AACP will range from Baht 8,141 to 8,959 million or Baht 27.60 to 30.37 per share.

However, the average trading volume of SCBLIF was low. Therefore, using P/E of SCBLIF to estimate the share value of AACP would be less appropriate.

### BLA

To estimate value with this method, the Independent Financial Advisor had calculated P/E of BLA. The details are as follows.

Period	Average Volume Trade (Thousand Shares)	P/E of BLA (Times)	As at 2/3/2012	
			AACP Share Value	Fair Value
			(Million Baht)	(Baht per Share)
Average as at 2/3/2012	2,341.50	16.15	10,499.60	35.59
7 Days Average 23/2/2012 – 2/3/2012	2,997.70	14.99	9,747.31	33.04
15 Days Average 10/2/2012 – 2/3/2012	3,044.11	13.48	8,765.05	29.71
30 Days Average 23/1/2012 – 2/3/2012	2,320.41	13.05	8,484.85	28.76
3 Months Average 2/12/2011 – 2/3/2012	2,035.90	12.64	8,217.96	27.86



Period	Average Volume Trade (Thousand Shares)	P/E of BLA (Times)	As at 2/3/2012	
			AACP Share Value	Fair Value
			(Million Baht)	(Baht per Share)
6 Months Average 2/9/2011 – 2/3/2012	1,919.30	13.19	8,573.46	29.06
12 Months Average 2/3/2011 – 2/3/2012	2,150.29	14.74	9,584.84	32.49

Source: SET SMART

Remarks: The Company's net profit of Baht 650.13 million is calculated based on the net profit of the last 4 quarters starting from the 4<sup>th</sup> quarter of 2010 to the 3<sup>rd</sup> quarter of 2011

According to the appraisal of the share price by using P/E of BLA, the share value of AACP will range from Baht 8,218 to 10,500 million or Baht 27.86 to 35.59 per share.

However, the average trading volume of BLA was low. Therefore, using P/E of BLA to estimate the share value of AACP would be less appropriate.

#### 4.2 Comparison with the insurance business group (INSUR) listed in the Stock Exchange of Thailand

The general information of insurance business as at 2 March 2012 was as follows.

Company	Closing Price / Index	52 Weeks Highest	52 Weeks Lowest	P/E
	As at 2/3/2012	Closing Price / Index	Closing Price / Index	As at 2/3/2012
				(Times)
Insurance	9,040.46	10,853.74	7,720.49	2.22

Source: SET SMART

To estimate value with this method, the Independent Financial Advisor had calculated P/E of INSUR. The details are as follows.

Period	P/E of Insurance (Times)	As at 2/3/2012	
		AACP Share Value	Fair Value
		(Million Baht)	(Baht per Share)
Average as at 2/3/2012	17.69	11,500.80	38.99
7 Days Average 23/2/2012 – 2/3/2012	15.92	10,351.00	35.09
15 Days Average 10/2/2012 – 2/3/2012	14.20	9,230.11	31.29

Period	P/E of Insurance (Times)	As at 2/3/2012	
		AACP Share Value (Million Baht)	Fair Value (Baht per Share)
30 Days Average 23/1/2012 – 2/3/2012	13.16	8,552.89	28.99
3 Months Average 2/12/2011 – 2/3/2012	12.24	7,959.48	26.98
6 Months Average 2/9/2011 – 2/3/2012	12.34	8,024.26	27.20
12 Months Average 2/3/2011 – 2/3/2012	13.27	8,629.41	29.25

Source: SET SMART

Remarks: *The Company's net profit of Baht 650.13 million is calculated based on the net profit of the last 4 quarters starting from the 4<sup>th</sup> quarter of 2010 to the 3<sup>rd</sup> quarter of 2011*

According to the appraisal of the share price by using P/E of INSUR, the share value of AACP will range from Baht 7,959 to 11,501 million or Baht 26.98 to 38.99 per share.

However, P/E of insurance business group (INSUR) might not be appropriate for estimating the value of AACP because most companies in the insurance business group are in non-life insurance business.

The valuation method of using P/BV to appraise ordinary shares reflects market mechanism and position of the business at a specific point of time. Nevertheless, the company used for comparison may vary in details of fundamental factors including accounting policy, financial policy, size of business, cost structure, financial structure and other income.

## 5. Actuarial Appraisal of Economic Value Method

As for the Actuarial Appraisal of Economic Value Method, the share value will be calculated based on the fundamentals of life insurance companies. Important business value is comprised of 3 key elements as follows.

- 1) **Adjusted Net Worth** is the Shareholders' equity value adjusted to reflect the fair value of assets and liabilities
- 2) **Value of Existing Business** calculates the present value of benefits from the existing business to the shareholders, hereby referring to the present value to belonging to the shareholders from the future net profit over the terms of the policy written and in effect.

- 3) **Value of New Business** calculates the present value of benefits from the new business in the future to the shareholders, by taking into account current business factors including the company's structure and distribution channels etc.

To estimate value with this method, AACP prepared the financial model to calculate the share value based on the information as at 30 September 2011. Subsequently, AACP has assigned the Independent Actuarial Consultant or Consultant A ("CA") to review and adjust the assumptions used in the aforementioned financial model before submitting the revision results to the Company and AACP in the report on Appraisal Valuation dated 9 February 2012.

In this regard, the Independent Financial Advisor has verified and confirmed the credibility of CA. The Independent Financial Advisor found that the company is one of the most renowned companies in the world with 60-year experience in offering professional consultation in actuaries. The consultation the company offered to businesses includes employee benefits, investment consulting, life insurance & financial services and health care. It has 53 branches all over the world and received a total income of USD 676 million in 2010.

#### **Value Appraisal Results by the Independent Actuarial Consultant ("CA")**

CA reviewed and adjusted the valuation of AACP's life insurance business (comprising adjusted net worth, value of existing business and value of new business). In addition, CA also indicated that the report on Appraisal Valuation prepared is exclusively made for the Company and Allianz SE. As a result, CA will not warrant the study concluded by any third party. In fact, the conclusion of the appropriateness included in this report was drawn and reviewed by the Independent Financial Advisor. Therefore, pursuant to the law, CA is not responsible for the mentioned summary of the CA's report. In addition, CA does not warrant to any third party the accuracy, completeness or suitability for the use of details and information which it has provided to the Company and Allianz SE in undertaking its valuation. As for the information presented in CA's report, CA had relied upon the information received as being accurate and complete without undertaking any specific steps to validate it as such.

This is to say, in calculating the value of AACP's insurance business, the Independent advisor or CA has referred to the estimation of cash flows from existing business and new business and relevant assumptions provided by AACP. CA then considered the valuation methods; revised the calculation steps; reviewed some of the formulas; and revised the credibility and the appropriateness of assumptions by comparing them with the overall industry and AACP's past information.

1. **Adjusted Net Worth** determines the current fair value of shareholders by adjusting some items of AACP's assets. As at 30 September 2011, AACP had shareholder's equity of approximately Baht 6,273.15 million. CA

used information provided by AACP based on its valuation to estimate value. The details of adjusted net worth is as follows.

**Adjusted shareholders' equity as at 30 September 2011 (based on the CA's report)**

Item	Value (Million Baht)
Book value as at 30 September 2011	6,273.15
Adjusted item	
- Adjustment for valuation of investment	183.67
<b>Total Adjustment</b>	<b>183.67</b>
Adjusted net book value	<b>6,456.82</b>
Adjusted shareholders' equity (Baht per share)	<b>21.89</b>

2. **Value of Existing Business** determines the present value of benefit from the existing business to the shareholders based upon relevant assumptions. The benefit to shareholders is calculated from the following principle.

The benefit to the shareholders = (Premium written + Investment income) subtracting (Death claims, Surrender and maturity payments, Dividends payment to policyholders, Benefits payment to policyholders + Commissions and brokerages + Operating expenses + Increase (decrease) in policy reserve + Corporate tax)

**Key Assumptions**

CA prepared the appraisal report based on the assumptions and valuations of AACP, which referred to the information as at 30 September 2011. CA had verified and revised the aforementioned information and adjusted some of the key assumptions that affect the valuation of AACP's shares. The details are to be discussed in the following part.

CA noticed that the assumptions regarding options and guarantee had not been updated. However, the Independent Financial Advisor had reviewed with AACP and found that the components used in calculating assumptions regarding options and guarantee did not change significantly during the past years.

As aforementioned, CA had adjusted some of its valuations and opinions regarding the adjustments of some significant assumptions as follows.

- 1) **Mortality Rate.** Considering the study on mortality rate prepared in 2009, CA found that, AACP has low exposure for age 65 or above. However, due to limited information CA deems it is more prudent to

assume higher mortality rate for age 65 and above. Thus, it adjusts mortality rate at the age of 65 to be 80% and grades to 100% at the terminal age. CA has explained in the appraisal report that the mortality rate may not have material impact on the value of business. Furthermore, CA noticed that AACP had changed the calculation formula used for Group EB policy and deemed that the stated calculation was reasonable.

- 2) **Lapse Rate.** AACP's assumption regarding lapse rate was determined by referring to the past information. CA has studied and compared the information used in appraisal and found that it is close to the average value of the industry. However, CA has adapted the lapse rates in some of the products so that it will be in line with the average value of the actual information during the past 3 years. The adjustment examples include the adjustment of lapse rate assumption for Group EB –excluding PA from 20% to 10% and the adjustment of lapse rate assumption for Group EB –PA in the same direction from 75% to 35%.

Policy	Actual Lapse Rate				Assumptions of AACP		New Assumptions suggested by CA	
	2551	2552	2553	เฉลี่ย	2553	2554	2553	2554
Group EB - Excluding PA	5%	17%	5%	9%	20%	20%	10%	10%
Group EB - PA	14%	75%	15%	35%	75%	75%	35%	35%

CA has clarified in the additional report that the adjustment of the assumptions will decrease the value by Baht 27 million. The impact from the adjustment of assumptions was calculated by AACP.

- 3) **Net Investment Return.** AACP's estimation model is based on the assumption of net investment return as follows.

Year	Investment Return	
	From Existing Business	From New Business
1	4.60%	3.70%
2	4.42%	3.70%
3	4.24%	3.70%
4	4.06%	3.70%
5	3.88%	3.70%
6+	3.70%	3.70%

The table above shows the estimation of investment return rate over 5 years. 5-year period is chosen because as of September 2011 AACP invested over 92% of its investment portfolio in fixed income with an average term to maturity of 5 years.

In addition, CA has examined the investment return calculated by AACP and found that the methodology and assumptions used are appropriate. Moreover, the investment return from new business at 3.70% is deemed reasonable.

- 4) **Discount Rate.** Share valuation requires appropriate discount rate, which could be determined by various factors such as expected rate of return from investment and the business's cost of capital. CA and AACP deem that the appropriate discount rate is 12% as indicated in the actuarial report. In order to perform sensitivities, CA used a discount rate range of 11%-13% based on the return to the shareholders in the long run to reflect business's risks.

According to the Actuarial Report, CA reasoned that the discount rate of 12% is reasonable considering the various elements related to the transaction such as assumptions used in estimating income, the urgency to enter into the transaction, rate of return and cost of capital, economies of scale, economies of scope, and tax benefits etc. The consideration was based on the experience of CA in insurance business in Thailand and other countries in Asia.

Furthermore, CA noticed that the discount rate of 12% was higher than the discount rate disclosed to the public during 2010-2011 by some life insurance companies. This was due to AACP's different calculation method from other life insurance companies'. In fact, the discount rate used by AACP directly reflected the cost of capital from options and guarantees.

5) **Cost of Solvency Margin**

The Office of Insurance Commission announced the new regulatory framework for the Risk-Based Capital (RBC) to be in force in September 2011. It determined that the insurance company must have the solvency ratio of at least 125% of RBC in 2011 – 2012, before increasing to 140% of RCB in 2013 and onwards. In this regard, the aforementioned adjustment of solvency ratio also requires an adjustment of RBC to a more appropriate level.

As a result, AACP had conservatively adjusted the solvency ratio assumption to 140% since the beginning of the year and set the RBC at approximately 6% for every year. The stated RBC came from the average value of existing RBC (in proportion with the solvency ratio of 100%) based on the new solvency ratio of 140%. In this case, the solvency ratio was 307% and 295% in September 2011 and as at year-end 2011 respectively. The solvency ratios for both periods, as aforementioned, were higher than that stipulated in the new regulatory framework.

Concerning this, CA noticed that the elements used in calculating solvency ratio of AACP: total capital available (TCA) and total capital required (TCR) had changed significantly during 30 September 2010

and 30 September 2011. Nevertheless, CA had not reviewed the calculation of TCA and TCR in the aforementioned period and had not analyzed the causes for the stated scenario.

In this regard, CA had no conflicting opinion against the assumption of RBC used by AACP in the appraisal report and had not found the aforesaid assumption unreasonable.

Present value of existing business appraised by CA is as follows.

Unit: Million Baht

	Discount Rate		
	11.0%	12.0%	13.0%
Value of Existing Business	933.35	672.95	432.90
Value per Share of Existing Business (Baht per Share)	3.16	2.28	1.47

*Remarks: The value of existing business is the present value of the future profits less cost of solvency margin, cost of capital and cost of options and guarantees.*

3. **Value of New Business** determines the present value of projected cash flows to shareholders from the new business in the future. To calculate the value of new business, 2 parts will be considered.

3.1 Present value of one- year new business

3.2 Multiplier or capitalized factor

3.1 **Present value of one-year new business** CA reviewed the valuation of new business by using the same calculation method and assumptions as the valuation of existing business. The present value of one-year new policy as at 30 September 2011 shown in the Actuarial Report of CA is as follows.

Unit: Million Baht

	Discount Rate		
	11.0%	12.0%	13.0%
Value of One-Year New Business	283.61	221.67	166.26
Value per Share of One-Year New Business (Baht per Share)	0.96	0.75	0.56

*Remarks: The value presented is the value after deducting the cost of solvency margin.*

3.2 **Multiplier or capitalize factor** is calculated based on an growth rate estimate for each policy type throughout the projected period in order to determine the accumulated growth and its present value by utilizing the designated discount rate.

CA viewed that the appropriate multiplier, based on the value of one-year new business during the past 10 years, should be 6 times. The stated multiplier is a common rate used in the Actuarial Appraisal of Economic Value Method. Furthermore, the stated multiplier is appropriated when considering AACP's appropriate discount rate and past growth rate of new business value. The company's growth rate during the year 2006 – September 2011 is as follows.

Unit: Billion Baht

Year	Premium from New Business	Growth Rate
2006	2.5	-
2007	5.6	119%
2008	4.0	-29%
2009	4.3	7%
2010	4.4	3% <sup>a)</sup>
9 months of the year 2010	3.1	
9 months of the year 2011	3.5	13% <sup>b)</sup>
2011	4.3	-2%

a) The calculation of premium from new business and growth rate of 2010 does not take into account premium received through CIMB of Baht 268 million since CIMB started to be AACP's Bancassurance since the first half of 2010 and terminated the stated business at the end of the same year.

b) Information on premium for new business for 9 months of the year 2010 and 2011 was received from AACP.

c) Information for the year 2011 was estimated based on the CA's report by using 9-month income.

According to the table showing the growth rate above, CA viewed that an appropriate growth rate for calculating multiplier should be 0% due to the fluctuation in growth rate during the last 5 years. In this respect, CA additionally commented that if AACP's future growth rate is close to the market growth rate of 10%, the multiplier of AACP shall be 9.2%.

### Summary of the Actuarial Appraisal of Economic Value Method according to the CA's Report of Appraisal Valuation

- 1) According to the Actuarial Report of CA prepared as at 9 February 2012, AACP's share value estimated by CA will be as follows.

Unit: Million Baht

Discount	11.00%	12.00%	13.00%
Adjusted Shareholders' Equity <sup>1</sup>	6,456.82	6,456.82	6,456.82
Value of Existing Business	933.35	672.95	432.90



Discount	11.00%	12.00%	13.00%
Value of One Year New Business	283.61	221.67	166.26
Multiplier	6.00	6.00	6.00
Value of New Business	1,701.67	1,330.04	997.59
Fair Value	9,091.85	8,459.81	7,887.30
Fair Value per Share (Baht per Share)	30.82	28.68	26.74

Remarks: 1) CA's adjusted shareholders' equity has not been additionally adjusted with AACP data

Apart from considering the value of ordinary share upon the aforementioned assumption, CA has also conducted sensitivity analysis, which can be divided into 2 scenarios based on the discount rate of 12% as follows.

- 1) Decrease in the rate of return by 0.25%
- 2) Increase in the rate of return by 0.25%

The result of the study is in the table below.

*Value at the discount rate of 12%*

Unit: Million Baht

Discount Rate of 12%	Base Case	Scenario 1 Investment Return Increase by 0.25%	Scenario 2 Investment Return Decrease by 0.25%
Adjusted Shareholders' Equity	6,456.82	6,456.82	6,456.82
Value of Existing Business	672.95	1,394.52	(49.87)
Value of One Year New Business	221.67	301.60	141.74
Multiplier	6.00	6.00	6.00
Value of New Business	1,330.04	1,809.62	850.46
Fair Value	8,459.81	9,660.96	7,257.41
Fair Value per Share (Baht per Share)	28.68	32.75	24.60

Source: CA's Report

From CA's estimate, the fair value of AACP share in all cases would range from Baht 24.60 to 32.75 per share. It can be observed that the change in return from investment is the factor that could significantly affect AACP's share value.

**Opinion of the Independent Financial Advisor to the Report of Appraisal Valuation prepared by the CA**

The Independent Financial Advisor has considered the assumptions used by CA in the valuation and viewed that the assumptions, most are adjusted or noted in the CA's appraisal valuation report, can be referred and are reasonable. The Independent Financial Advisor has additional opinions to each assumption as follows.

**Adjusted Net Worth**

According to the information provided by AACP, the Independent Financial Advisor found that approximately 95% of the adjustment made in the shareholders' equity was the result of the mark-to-market changes in held-to-maturity fixed income investments. The rest was due to the changes in policyholder loan value as shown in the table below.

Adjustment	Value (Baht Million)
Held-to-maturity fixed income	174
Policyholder loan	10
<b>Total</b>	<b>184</b>

**Value of Existing Business**
**1) Mortality Rate**

The Independent Financial Advisor has studied details of assumptions used in CA's model and found that using conservative assumptions results in discreet and appropriate estimation.

**2) Lapse Rate**

The Independent Financial Advisor has compared the aforesaid assumptions with the actual lapse rate in 2008-2010. As a result, it was found that the adjustment of assumptions, as advised by CA, is in line with the average value and goes in the same direction with the actual change in 2010. Hence, the new assumptions are reasonably acceptable.

In this regard, according to the additional inquiries to the AACP, the Independent Financial Advisor found that the reason for the significant increase in the lapse rate of both policies in 2009 was the increase in premium of the two policies in an effort to match with the increase in claims in the previous year. As a result, the customers terminate the policies at an unusual rate in 2009.

### 3) *Net Investment Return*

As at 30 September 2011, AACP invested 92%, 2% and 6% in debt securities, equity securities and unit trusts, and other investments respectively. The average investment return from overall investments (Portfolio Return) was 4.6%.

In this regard, the Independent Financial Advisor has compared the assumptions regarding the net return from investment with AACP's latest average returns as at 30 September 2011 and has found that CA's opinion, as aforementioned, can still be used as a reference.

### 4) *Discount Rate*

The Independent Financial Advisor has calculated investment rate of return to the shareholders based on CAPM model for comparison. The details are as follows.

$$R_e = R_f + \beta(R_m - R_f)$$

Whilst

$R_f$  = Risk free rate of interest or rate of interest from 10-year government bond as at 2 March 2012 of approximately 3.50% per year (Source: Thai Bond Market Association). The rate of interest of 10-year government bond is chosen as a reference because it reflects long-term risk free rate of interest well. In addition, most government bond with terms greater than 10 years has low trading liquidity; thus, not appropriate to use as a reference.

$\beta$  = Beta coefficient is a variable used to estimate the systematic risk of the Company's securities. The value of Beta used herein is based on the Beta of domestic life insurance companies as at 2 March 2012 which was calculated from information as at 2 March 2011 to 2 March 2012. The details are as follows.

Company	Beta (Levered)
<i>Domestic Life Insurance Company</i>	
1) SCBLIF	0.779
2) BLA	0.458
<i>Average</i>	<i>0.619</i>

Source: Bloomberg

$R_m$  = Expected return of the market based on the 30-year average of rate of return from investment in the Stock Exchange of Thailand. The 30-year average of rate of return is expected to cover the cycle of investments in SET. Hence, it

can be used as a reference for the expected return of the market. In this case, the 30-year average of rate of return from investment in SET (1 March 1982 to 2 March 2012) is approximately 11.89%.

Re = Expected rate of return

According to the CAPM Model, the expected rate of return of 10.43% is close to CA's opinion of using the discount rate of 11% to 13%. In fact, since AACP is not listed in the Stock Exchange of Thailand, the stated discount rate has already taken into account the liquidity premium of approximately 20%.

Meanwhile, the Independent Financial Advisor deems that if the discount rate calculated by the Independent Financial Advisor is used, the appropriate value of AACP might be higher than the price range calculated by CA. Nevertheless, the Independent Financial Advisor deems that the discount rate used by the CA in the report is still acceptable since the Company's investment in AACP is a strategic investment with the purpose as detailed in part 5 of this report.

**5) Solvency Margin**

The Independent Financial Advisor has no conflicting opinion against the information indicated in the CA's report and views that by using conservative assumptions, the estimation will be more discreet.

**Value of New Business**

**1) Present value of one-year new business**

The Independent Financial Advisor views that the information on present value of one-year new business, indicated in the CA's appraisal valuation report, reflects the AACP's latest operating results. Moreover, it is based on the same assumptions as the existing business valuation. As a result, the Independent Financial Advisor deems acceptable.

**2) Multiplier or Capitalize Factor**

The Independent Financial Advisor deems that according to the past year statistic, excluding 2011 which is estimation, 2008 was the only year with negative growth rate of new business. Whilst the compound annual growth rate (CAGR) from 2006-2011 was approximately 11.12% and the simple average was 19.77%. In addition, it can be observed that the gross domestic product or GDP ranged between -2.20% to 5.10% during the same period. Therefore, the Independent Financial Advisor has an opinion that to obtain an appropriate multiplier, it should refer to the growth rate of the new business ranging from 0% to 4% which aligns with the long-term growth rate of Thai

economy. Therefore, the Independent Financial Advisor has recalculated the new multiplier by adjusting the growth rate of the new business to the stated range as follows.

The multipliers at each appropriate growth rate and discount rate are as follows.

	Multiplier (times) at the Discount Rate		
	11.0%	12.0%	13.0%
Growth Rate of 0%	6.20	5.98	5.77
Growth Rate of 1%	6.44	6.20	5.98
Growth Rate of 2%	6.68	6.43	6.19
Growth Rate of 3%	6.94	6.67	6.42
Growth Rate of 4%	7.20	6.92	6.66

If the new business's growth rate of 0% - 4% is used along with the value of one-year new business, as indicated in the CA' report, the total value of new business will be as follows.

*Constant growth rate at 0%*

Unit: Million Baht

Discount Rate	11.00%	12.00%	13.00%
Value of One-Year New Business	283.61	221.67	166.26
Multiplier (times)	6.20	5.98	5.77
Total Value of New Business	1,759.71	1,325.51	959.02

*Constant growth rate at 1%*

Unit: Million Baht

Discount Rate	11.00%	12.00%	13.00%
Value of One-Year New Business	283.61	221.67	166.26
Multiplier (times)	6.44	6.20	5.98
Total Value of New Business	1,825.59	1,374.17	993.54

*Constant growth rate at 2%*

Unit: Million Baht

Discount Rate	11.00%	12.00%	13.00%
Value of One-Year New Business	283.61	221.67	166.26
Multiplier (times)	6.68	6.43	6.19
Total Value of New Business	1,894.70	1,425.19	1,029.73

*Constant growth rate at 3%*

Unit: Million Baht

Discount Rate	11.00%	12.00%	13.00%
Value of One-Year New Business	283.61	221.67	166.26
Multiplier (times)	6.94	6.67	6.42
Total Value of New Business	1,967.21	1,478.71	1,067.66

*Constant growth rate at 4%*

Unit: Million Baht

Discount Rate	11.00%	12.00%	13.00%
Value of One-Year New Business	283.61	221.67	166.26
Multiplier (times)	7.20	6.92	6.66
Total Value of New Business	2,043.30	1,534.83	1,107.43

Moreover, the Independent Financial Advisor has performed additional estimation based on information from CA's appraisal valuation report, new multiplier according to the growth rate of new business, and adjusted net shareholder's equity as at 30 September 2011.

- 1) Given a constant new business growth rate of 0%, as estimated by the Independent Financial Advisor, the inclusion of multiplier in one-year new business value will yield the result as follows.

Unit: Million Baht

Discount Rate	11.00%	12.00%	13.00%
Adjusted Shareholders' Equity	6,456.82	6,456.82	6,456.82
Value of Existing Business	933.35	672.95	432.90
Value of New Business	1,759.71	1,325.51	959.02
Fair Value of Equity	9,149.88	8,455.28	7,848.74

Discount Rate	11.00%	12.00%	13.00%
Fair Value per Share (Baht per Share)	31.02	28.66	26.61

- 2) Given a constant new business growth rate of 1%, as estimated by the Independent Financial Advisor, the inclusion of multiplier in one-year new business value will yield the result as follows.

Unit: Million Baht

Discount Rate	11.00%	12.00%	13.00%
Adjusted Shareholders' Equity	6,456.82	6,456.82	6,456.82
Value of Existing Business	933.35	672.95	432.90
Value of New Business	1,825.59	1,374.17	993.54
Fair Value of Equity	9,215.76	8,503.94	7,883.26
Fair Value per Share (Baht per Share)	31.24	28.83	26.72

- 3) Given a constant new business growth rate of 2%, as estimated by the Independent Financial Advisor, the inclusion of multiplier in one-year new business value will yield the result as follows.

Unit: Million Baht

Discount Rate	11.00%	12.00%	13.00%
Adjusted Shareholders' Equity	6,456.82	6,456.82	6,456.82
Value of Existing Business	933.35	672.95	432.90
Value of New Business	1,894.70	1,425.19	1,029.73
Fair Value of Equity	9,284.87	8,554.96	7,919.45
Fair Value per Share (Baht per Share)	31.47	29.00	26.85

- 4) Given a constant new business growth rate of 3%, as estimated by the Independent Financial Advisor, the inclusion of multiplier in one-year new business value will yield the result as follows.

Unit: Million Baht

Discount Rate	11.00%	12.00%	13.00%
Adjusted Shareholders' Equity	6,456.82	6,456.82	6,456.82
Value of Existing Business	933.35	672.95	432.90
Value of New Business	1,967.21	1,478.71	1,067.66
Fair Value of Equity	9,357.38	8,608.48	7,957.38
Fair Value per Share (Baht per Share)	31.72	29.18	26.97

- 5) Given a constant new business growth rate of 4%, as estimated by the Independent Financial Advisor, the inclusion of multiplier in one-year new business value will yield the result as follows.

Unit: Million Baht

Discount Rate	11.00%	12.00%	13.00%
Adjusted Shareholders' Equity	6,456.82	6,456.82	6,456.82
Value of Existing Business	933.35	672.95	432.90
Value of New Business	2,043.30	1,534.83	1,107.43
Fair Value of Equity	9,433.47	8,664.60	7,997.15
Fair Value per Share (Baht per Share)	31.98	29.37	27.11



**Summary of the view on the value of AACP's ordinary share**

The share prices of AACP from different appraisal methods are compared in the table below.

Valuation Method	Shares Value (Million Baht)	Fair Value (Baht per Share)	Difference from Offered Price (Baht per Share)	Percentage of Difference (Percent)
1. Book Value Method	6,273.15	21.26	(8.74)	-29.12
2. Net Adjusted Book Value	6,456.82	21.89	(8.11)	-27.04
3. P/BV Method	13,031.96 – 28,162.89	44.14 - 95.45	14.14 – 65.45	47.13 - 218.17
4. P/E Method	7,959.48 – 11,500.80	26.98 – 38.99	(3.02) – 8.99	(10.07) – 29.97
5. Actuarial Appraisal of Economic Value Method <sup>/a</sup>	7,257.41 – 9,660.96	24.60 - 32.75	(5.40) - 2.75	(18.00) - 9.17

<sup>/a</sup> The share value range shown is derived from the collection of opinions from the CA's appraisal report and the calculation by the Independent Financial Advisor

The Independent Financial Advisor has an opinion on the different appraisal methods as follows. For Book Value method, the share value will be derived from the company's current operation. It also reflects the past operating results and takes into account the various effects on financial statements. However, this method does not consider the profit and ability to perform in the future; hence, making this method less appropriate. Moreover, the book value does not take into account the present value of some asset items such as value of investment in financial securities and AACP's fixed current assets. The value of ordinary share calculated by this method, based on the book value as at 30 September 2011 is Baht 6,273.15 million or Baht 21.26 per share.

As for Net Adjusted Book Value method, the share value is derived from the stockholders' equity in financial statements adjusted by the fair value of assets and liabilities. The adjustment was calculated by AACP. The net adjusted book value will be Baht 6,456.82 million or Baht 21.89 per share. Nevertheless, this method does not take into account future profit and performance; hence, making this method less appropriate.

As for Price to Book Value Ratio method, AACP's book value is compared with the reference ratio of life insurance companies and insurance business group (INSUR) listed in the SET. Although this method has an ability to estimate the value of the company, there are only two life insurance companies listed in the Stock Exchange of Thailand. Meanwhile, non-life insurance business has different business policy in both accounting policy and reserve requirements. Therefore, this appraisal method is less appropriate. According to P/BV ratio method, the share value of AACP is between Baht 13,031.96 – 28,162.89 million or Baht 44.14 - 95.45 per share.

As for Price to Earnings Ratio method, AACP's net profit is compared with the reference ratio of life insurance companies and insurance business group (INSUR) listed in the SET. However, only two life insurance companies, SCBLIF and BLA, are listed in the SET whereas the other listed insurance companies are in non-life insurance business, AACP's profit varies in details. Therefore, this method is less appropriate. AACP's share value estimated by this method ranges from Baht 7,959.48 – 11,500.80 million or Baht 26.98 – 38.99 per share.

Lastly, the Actuarial Appraisal of Economic Value method is based on combining net adjusted book value, value of existing business and value of new business. For the valuation, the Independent Financial Advisor has taken into account the information received from expert in life insurance and non-life insurance, CA. Meanwhile, CA uses the financial information and share value from net adjusted book value method from AACP and gives no different opinion from the estimation of the company except in some of the assumptions used in estimating the value of business.

In this regard, the Independent Financial Advisor has considered net adjusted book value to reflect the fair value of assets as at 30 September 2011, and estimated the capitalize factor based on the growth principle, conforming with premium and overall economic growth rate. This valuation methodology takes into account the fair value of assets and an ability to perform in the future. As a result, this method is reasonable and appropriate to be a reference. The value estimated from this method based on the multiplier set by the Independent Financial Advisor is between Baht 7,257.41 million to 9,660.96 million or Baht 24.60 - 32.75 per share.

To conclude, the Independent Financial Advisor deems that the appropriate value of AACP share should be based on Actuarial Appraisal of Economic Value Method and the adjusted shareholders' equity. After careful consideration, the Independent Financial Advisor has an opinion that the appropriate value of AACP's ordinary share is between Baht 7,257.41 million to Baht 9,660.96 million or Baht 24.60 - 32.75 per share.

Finally, it could be said that the share price agreed between the Company and BAY at Baht 30 per share is an acceptable price for a long-term investment since it falls in the range of Baht 24.60 - 32.75 per share. This range was estimated by the Independent Financial Advisor using the Actuarial Appraisal of Economic Value Method based on Independent Appraiser's Actuarial Report.

## 7. Opinion of the Independent Financial Advisor regarding the Appropriateness of Conditions in the Draft of Share Purchase Agreement of AACP

### 7.1 Summary of the draft of share purchase agreement of AACP between the Company and BAY

Parties : The Buyer

Sri Ayudhya Capital Public Company Limited (the “Company”)

The Seller

Bank of Ayudhya Public Company Limited (“BAY”)

**Asset to Acquire :** The Buyer agrees to buy and the Seller agrees to sell the existing ordinary shares of Ayudhya Allianz C.P. Life Public Company Limited (“AACP”) of the amount of 25,072,194 shares or 8.50% of AACP’s existing paid-up capital at Baht 30 per share totaling Baht 752.17 million.

**Conditions Precedent :** The Company will acquire AACP’s existing ordinary shares from BAY upon satisfaction of the conditions precedent as follows:

- BAY receives an approval relating to the sale of AACP’s share capital from its Board of Directors and the Bank of Thailand.
- The Company receives an approval regarding the acquisition of AACP’s shares from the shareholders’ meeting.

**Share Delivery and Payment :** Within 5 working days from the satisfaction of the conditions precedent or any other day as agreed by the counterparty, the Company and BAY must carry out the followings to ensure delivery of and payment for AACP shares:

- 1) The Company shall pay to BAY the purchase price of AACP shares by cashier check issued by a Thai commercial bank.
- 2) BAY shall deliver to the Company AACP’s existing ordinary shares, free from any claim, pledge, liens, other encumbrances or other third party right of any kind.

## 7.2 Opinion of the Independent Financial Advisor regarding the appropriateness of the conditions in the draft of share purchase agreement of AACP

After examination and consideration of key conditions stipulated in the draft of share purchase agreement of AACP between the Company and BAY, the Independent Financial Advisor views that such conditions stipulated are appropriate and do not yield unfair benefits to any particular party because:

- 1) The trading price specified at Baht 30 per share is acceptable for the long-term investment in AACP as it falls in the fair value range of Baht 24.60 - 32.75 per share as estimated by the Independent Financial Advisor.
- 2) Conditions precedent is specified. The Company must receive an approval to enter into the transaction from the shareholders' meeting. As for BAY, it must receive an approval to dispose of AACP's shares from its board of directors' meeting and the Bank of Thailand. The conditions precedent is specified in order to ensure all parties entering into the transaction have strictly followed the relevant rules and regulations. Once the share purchase agreement is signed, the conditions stipulated will be in effect and legally binding for the counterparties as the agreement has been lawfully prepared.
- 3) Within 5 business days from the date of conditions precedent being fully satisfied or any other day as agreed by the counterparties, the Company must make a payment for AACP shares to BAY and BAY must follow the relevant legal process in order to deliver the shares of AACP, which are free from whatsoever claim, pledge, liens, other encumbrances or other third party right of any kind to the Company. The share payment and delivery condition, as aforementioned, are appropriate and does not cause disadvantages to either party. The condition, which sets a limit of 5 business days or any number of days as agreed by the counterparties, helps reduce significant counterparty risk.

## 8. Opinion of the Independent Financial Advisor regarding Resolution of the Shareholders

Considering the relevant information from AACP, the Company and the Independent Financial Advisor's gathering from many reliable sources, the Independent Financial Advisor views that the transaction of the Company acquiring additional AACP's existing ordinary shares of 25,072,194, or 8.50% of AACP's voting rights at Baht 30 per share totaling 752.17 million from BAY, the major shareholder of the Company, is reasonable and beneficial to the Company's operation because:

1. Doing so allows the Company to conform to the business plan focusing on positioning the Company as an insurance holding company with an investment in insurance sector, both in non-life and life insurance businesses. The Company will remain listed in the Stock Exchange of Thailand. The stated additional investment in AACP will increase the Company's stake in a leading life insurance company in Thailand with high growth potential.
2. The trading price agreed by the Company and BAY of Baht 30 per share is acceptable for the long-term investment in AACP. This is because the stated price falls into the fair value range of Baht 24.60 – Baht 32.75 per share, derived by the Independent Financial Advisor based on the Actuarial Valuation Method used by an actuary.
3. The key conditions, stipulated in the draft of share purchase agreement between the Company and BAY, are appropriate and do not yield unfair benefits to any specific party.

As a result, the shareholders should approve the Company to enter into the transaction of acquiring additional AACP's capital of 25,072,194 shares, representing 8.50% of AACP's voting rights, at Baht 30 per share totaling Baht 752.17 million from BAY –the Company's connected person.

Maybank Kim Eng Securities (Thailand) Public Company Limited, the Independent Financial Advisor, is to certify that it has used professional knowledge and skills to provide opinion regarding the Company's acquisition of AACP's existing ordinary shares from BAY, and has taken into account the best interest of the Company and the shareholders of the Company.

Yours truly,

.....  
Mr.Montree Sornpaisarn, CFA  
Executive Director  
Maybank Kim Eng Securities (Thailand) Plc.

.....  
Mr.Pusit Kaewmongkolsri  
Executive Director  
Maybank Kim Eng Securities (Thailand) Plc.

In performing the duty as the Independent Financial Advisor, we assign Ms. Wantana Petlerkwong to be the supervisor of financial advisory operation.

.....  
Ms. Wantana Petlerkwong  
Supervisor of financial advisory operation