

## Supporting Document

### Agenda 8 To approve on jointly purchasing all ordinary shares of Siam City Life Assurance Public Company Limited (SCILIFE)

TCAP and MBK jointly have studied and considered the possibility of investing in life insurance business and they are of the opinion that such business has potential. TCAP has experience in the business while MBK has expertise in marketing and clientele. Therefore, SCILIFE can utilize such experience and expertise to create new distribution channel in future business operation. This will benefit TCAP, MBK as well as SCILIFE's customers. For these reasons, in the meeting of the Board of Directors of TCAP No. 12/2013 had a resolution approving a joint investment with MBK to purchase all ordinary shares of SCILIFE at the price of 900 million baht, which is an appropriate price base on business status and opinion of Capital Advantage Company Limited, an Independent Financial Advisor, as mutually appointed by TCAP and MBK, who has appraised business value of SCILIFE at 911-976 million baht, which is not less than TCAP's investment price.

TCAP and MBK has agreed on shareholding proportion as follows

- TCAP purchases shares of SCILIFE in the amount of not less than 51 percent of total issued shares of SCILIFE.
- MBK purchases shares of SCILIFE in the amount of not more than 49 percent of total issued shares of SCILIFE.

Consequently, the Company will have controlling power over SCILIFE. As for this purchasing, the Company must first obtain the approval from the Bank of Thailand before executing any action. In addition, SCILIFE will still be one of the companies under Thanachart Financial Business Group. Moreover, according to the Public Limited Companies Act Section 107 (2), buying the shares of SCILIFE is required an approval from the Annual General Meeting of Shareholders while considering the buying of another company into one's own company.

#### Information of SCILIFE

##### **Business Operation**

SCILIFE was established by receiving a life insurance license from Ministry of Commerce on 12 September 1997 under the supervision of the Department of Insurance at that time (presently known as the Office of Insurance Commission or OIC) under the name, Srinakorn Life Assurance Company Limited with Srinakorn Bank Public Company Limited as a major shareholder. Initial registered capital was 500 million baht with incessantly life insurance business growth to current registered capital of 1,000 million baht with paid-up capital of 700 million baht.

Following the merger between Srinakorn Bank and Siam City Bank, Srinakorn Life Assurance Company Limited changed its name to Max Life Assurance Company Limited and later on 18 January 2008, it changed the name to Siam City Life Assurance Company Limited. Then in 2012, SCILIFE became part of Thanachart Financial Business Group with TBANK holding 100 percent of its total issued shares.

##### Registered and Paid-up Capital

Registered Capital	1,000 million baht which consists of 100,000,000 common shares at par value of 10 baht
Paid-up Capital	700 million baht which consists of 70,000,000 common shares at par value of 10 baht

## Board of Directors

No.	Name - Surname	Position
1	Mr. Somjate Moosirilert	Chairman
2	Miss Suwimol Boonnak	Director
3	Mr. Pornchai Wongtirasin	Director
4	Mr. Kongsak Hansawangsin	Director
5	Mrs. Thanawan Chaisithikarnkha	Director
6	Mrs. Chantcharas Boonkhun	Managing Director
7	Miss Busara Tonticharoen	Director

## Key Financial Information as at 31 December 2013

Total Assets	11,393.54	million baht
Total Debt	10,269.59	million baht
Shareholders' Equity	1,123.96	million baht
Net Profit	(26.29)	million baht

Initially, after there is a change of shareholders, the number of directors on SCILIFE's board of directors will remain the same (7 directors). The Company and MBK will send the representative directors to govern the company together with Mrs. Chantcharas Boonkhun, the current Managing Director of SCILIFE who will be continued to represent the Company.

**The opinion of Independent Financial Advisor**

Capital Advantage Company Limited ("CapAd") is an independent financial advisor as mutually appointed by TCAP and MBK. CapAd has appraised SCILIFE's business value which using 4 methods as follows:

1. Book Value Method
2. Adjusted Book Value Method
3. Price to Book Value Method
4. Actuarial Appraisal of Economic Value Method

For each valuation methods, there are certain considerations as follows

Book Value and Adjusted Book Value methods : These methods will reflect the status of business at any point in time. However, these methods do not take into consideration the fair value of certain assets in which its value may have increased or decreased from the book value as well. They also disregard SCILIFE's profitability and future business plan. In addition, the book value and adjusted book value methods do not reflect the overall trends of the economy and therefore do not reflect the true value of SCILIFE.

Price to Book Value Approach Method : This method is based on historical book value of SCILIFE as of 31 December 2013 in comparison with price to book ratios of 2 listed companies in Insurance and Life Assurance Sector of the Stock Exchange of Thailand i.e. Bangkok Life Assurance Plc. and SCB Life Assurance Plc.

However, since SCILIFE is a small insurance company compared to Bangkok Life Assurance Plc., who was ranked 5<sup>th</sup> in 2012 with market share of 8.87 percent of total direct premium and SCB Life Assurance., who was ranked 4<sup>th</sup> in 2012 with the market share of 10.73 percent of total direct premium whereas SCILIFE was ranked 18<sup>th</sup> in 2012 with the market share of 0.39 percent of total direct premium. Moreover, because number of life insurance companies listed in the Stock Exchange of Thailand is too small for a sample size, the appraising share value of SCILIFE by this method may not appropriately reflect its true value.

The independent financial advisor is of an opinion that the Actuarial Appraisal of Economic Value Method is the most appropriate method since it employs embedded value which is a current value of shareholders' equity of SCILIFE and current value of in-force business or VIF as well as current value of new policies. This method reflects SCILIFE's current status and ability to generate cash flow in addition its future performance. However, the opinion of the independent financial advisor to the assumptions of future cash flow estimation from new-business policies is based on the assumptions provided by SCILIFE under current status and economic condition. Therefore, any adjustment to SCILIFE's business plans and company policies or changes in economic condition which lead to significant deviation from its current business operation or assumptions used, may significantly affect the future cash flow estimation as well as the appraised share value of SCILIFE.

In conclusion, the independent financial advisor is of an opinion that the fair value of SCILIFE's share is 13.01 – 13.94 baht per share which is equal to the business value of 911 – 976 million baht. Hence the purchase price of SCILIFE at 12.86 baht per share or total price of 900 million is an appropriate price since it is lower than the fair value as appraised by the independent financial advisor

### **Request the approval**

For TCAP to invest and purchase all ordinary shares of SCILIFE in the amount of not less than 51 percent of total issued shares of SCILIFE at the price of 900 million baht, base on business value of SCILIFE with the key condition that TCAP must first obtain the approval from the Bank of Thailand for investing in SCILIFE to the point that TCAP will have controlling power over SCILIFE and SCILIFE will become part of Thanachart Financial Business Group.