

Unofficial Translation

May 27, 2008

Subject Evaluation of share of the Deves Insurance Public Company Limited (“DVS”) amended to reflect financial results of DVS as at March 31, 2008

To Secretary of the Securities Exchange Commission
President of the Stock Exchange of Thailand
Board of Directors of DVS
Shareholders of DVS

Attachment Evaluation of share of DVS by Bualuang Securities Public Company Limited as tender offer preparer and tender offer agent

Pursuant to the submission of the tender offer document (Form 247-4) to tender ordinary shares of DVS to the Securities Exchange Commission (the “SEC”) by the Crown Property Bureau (the “Offerer”) on May 21, 2008 whereby Bualuang Securities Public Company Limited (“BLS”) was appointed as financial adviser and tender offer preparer for the Offerer, BLS would like to submit to the SEC the evaluation of share of DVS amended to reflect financial results of DVS as at March 31, 2008. The share price of DVS evaluated by Bualuang is as follows:

1. Book Value: Based on reviewed financial statement as at March 31, 2008 of DVS, the share price equals Bt168.84 per share
2. Adjusted Book Value: Based on reviewed financial statement as at March 31, 2008 of DVS adjusted with revaluation of fixed assets, profit or loss of investment portfolio as at April 30, 2008, and profit or loss from selling the securities, tax effect, and dividend payment, the share price equals Bt172.63 per share
3. Historical Market Price Analysis: No change thus the DVS share price ranges from Bt176.58 to Bt185.90 per share
4. Price to Earning Per Share Ratio (P/E Ratio): Based on average P/E ratio of the insurance company listed on the Stock Exchange of Thailand (the “SET”) (exclude SCNYL – a life insurer and NSI which has negative LTM EPS) during the past 1 year from March 31, 2008, the share price ranges from Bt156.98 to Bt173.68 per share
5. Price to Book Value Per Share Ratio (P/BV Ratio): Based on average P/BV ratio of the insurance company listed on the SET (exclude SCNYL – a life insurer) during the past 1 year from March 31, 2008, the share price ranges from Bt183.17 to Bt194.45 per share
6. Discounted Cash Flow (DCF): No change
7. Dividend Discount Model (DDM): No change

BLS views that the most appropriate methodology in valuing DVS share is the adjusted book value in which adjusted from the reviewed financial statement as at March 31, 2008 with the abovementioned adjustments and the share price equals Baht 172.63 per share. The evaluated price is below the offering price of Bt188 per share offered by the Offerer. Thus, the adjustment had no impact to the offering price.

Sincerely Yours

Amornrat Lohsuwan

(Ms. Amornrat Lohsuwan)
Senior Chief of Finance Department
The Crown Property Bureau
The Offeror

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Chong Toh
(Mr. Chong Toh)
Authorized Director

Yarnsak Manomaiphiboon
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Authorized Director

Bualuang Securities Public Company Limited
Tender Offer Preparer

Note: This attachment of evaluation of share of the Deves Insurance Public Company Limited ("DVS") amended to reflect financial results of DVS as at March 31, 2008 will be circulated to shareholders together with opinion of the business regarding the tender offer (Form 250-2)

Fair value of DVS shares evaluated by financial advisor

To calculate value of DVS shares, Bualuang Securities Public Company Limited as the Offeror's financial advisor has evaluated fair value of DVS shares by using 7 methods as follows.

- (1) Book Value
- (2) Adjusted Book Value
- (3) Historical Market Price Analysis
- (4) Price to Earning Per Share Ratio (P/E Ratio)
- (5) Price to Book Value Per Share Ratio (P/BV Ratio)
- (6) Discounted Cash Flow (DCF)
- (7) Dividend Discount Model (DDM)

1. Book Value

Valuation of DVS shares by book value approach, the financial advisor has calculated DVS shares by using shareholders' equity of DVS as at March 31, 2008 reviewed by auditor. The book value can be calculated as follows:

Total shareholders' equity	2,026.13	Baht million
Total number of shares	<u>12.00</u>	Million shares
Book value per share	<u>168.84</u>	Baht per share

The share price of DVS based on book value approach equals Baht 168.84 per share.

2. Adjusted Book Value

Valuation of DVS shares by adjusted book value approach, the financial advisor has calculated DVS shares based on value received from book value approach above adjusted with increase/decrease of value of some fixed assets that were appraised by independent asset appraiser – Bangkok Appraiser Company Limited, gain/loss from investment port marked to market as at April 30, 2008, and gain/loss from selling of securities for the period of 1 month ended April 30, 2008 – adjusted from period ended March 31, 2008. The financial advisor applied 30% corporate income tax on any gains from these adjustments. In addition, the financial advisor adjusted the said value with dividend payment to calculate the value of DVS shares based on adjusted book value approach in which the detail adjustments are as follow:

- The adjustments on some fixed assets are based on the appraisal of independent asset appraiser as stated in the report dated February 13 – 22, 2008. The fixed assets comprise land and 6 branch buildings, and land and building foreclosed from customer. The independent asset appraiser used market value approach for the said fixed assets. Another land and building foreclosed from customer was appraised by market value approach and replacement cost. The leasehold right of 2 buildings in which DVS leased from CPB for head office for 30 years. At appraiser date, the lease has 20 years and 10 months remaining lease term. The independent appraiser used income approach based on discounted cash flow to value the leasehold right. From these adjustments, the value of these fixed assets appraised by the independent appraiser were Baht 169.19 million higher than the book value of these fixed assets as stated in the reviewed financial statements as at March 31, 2008.
- Gain/loss from investment port marked to market as at April 30, 2008 (the ending day of the latest month of report on portfolio investment in securities before the submission date) to reflect the fair value of these investments and to realize gain/loss from selling of securities for the period of 1 month ended April 30, 2008 – adjusted from period ended March 31, 2008, this adjustment made the value of investment decrease by Baht 1.49 million.
- Dividend payment following shareholders' meeting of DVS held on April 29, 2008 was Baht 6 per share totaling Baht 72 million. This dividend will be paid on May 7, 2008.

According to the reviewed financial statement as at March 31, 2008 adjusted with the above adjustments, the details of calculation are as follows:

Total shareholders' equity	2,026.13	Baht million
<u>Adjustments</u>		
Increase of fixed assets	169.19	Baht million
Decrease in investments	(1.37)	Baht million
<u>Less: Loss from selling securities</u>	<u>(0.12)</u>	Baht million
<u>Less: 30% corporate income tax</u>	<u>(50.31)</u>	Baht million
Shareholders' equity after adjustments	2,143.52	Baht million
<u>Less: dividend payment</u>	<u>(72.00)</u>	Baht million
Shareholders' equity after all adjustments	<u>2,071.52</u>	Baht million
Total shares outstanding	12.00	Million shares
Adjusted book value per share	<u>172.63</u>	Baht per share

The share price of DVS based on adjusted book value approach equals Baht 172.63 per share.

3. Historical Market Price Analysis

Weighted average trading price of DVS shares a year ago prior to the last date that DVS's board of director meeting had approved resolution of DVS shares delisting from SET which is equivalent to February 25, 2008 is summarized as follows:

Historical Period	Trading Value (Baht)	Trading Amount (Share)	Weighted Average Market Price (Baht per share)
February 25, 2008	-	-	-
5 Days prior February 25, 2008	-	-	-
3 Months prior February 25, 2008	180,000	1,000	180.00
6 Months prior February 25, 2008	1,450,000	7,800	185.90
9 Months prior February 25, 2008	3,100,000	16,800	184.52
12 Months prior February 25, 2008	3,920,000	22,200	176.58

Source: SET

Thus, historical price of DVS shares during the past one year is between Baht 176.58 to 185.90 per share

4. Price to Earning Per Share Ratio (P/E Ratio)

This method evaluates value of DVS by using estimated earning per share ("ESP") of DVS as at end of 2008 (summary of assumptions used is in (6) Discounted Cash Flow) multiplied by average trailing 12 months price to earning per share ratio ("P/E Ratio") of the listed companies in insurance sector (excluding SCNYL which is life insurance company and NSI which has negative LTM EPS). The financial advisor applied average P/E value in the past 1 year from March 31, 2008 to derive a price range of DVS shares, which can be summarized as follows:

Period	P/E of Insurance Sector (Time)	Estimated 2008 EPS of DVS (Baht per Share)	Share Price (Baht per Share)
Past 3 months	17.42	9.97	173.68
Past 6 months	16.96	9.97	169.10
Past 9 months	16.16	9.97	161.07
Past 12 months	15.75	9.97	156.98

Source: SET

From P/E Ratio approach, the share price of DVS during the past 1 year ranges from Baht 156.98 to Baht 173.68 per share.

5. Price to Book Value Per Share Ratio (P/BV Ratio)

This method evaluates value of DVS by using book value ("BV") of DVS as at the end of financial year 2007 multiplied by average trailing 12 months price to book value ("P/BV ratio") of the listed companies in insurance sector (excluding SCNYL which is life insurance company). The financial

advisor applied average P/BV value during the past 1 year from March 31, 2008 to derive a price range of DVS shares, which can be summarized as follows:

Period	P/BV of Insurance Sector (Time)	2007 BVS of DVS (Baht per Share)	Share Price (Baht per Share)
Past 3 months	1.15	168.84	194.45
Past 6 months	1.14	168.84	192.26
Past 9 months	1.11	168.84	187.04
Past 12 months	1.08	168.84	183.17

Source: SET

From P/BV Ratio approach, the share price of DVS during the past 1 year ranges from Baht 183.17 to Baht 194.45 per share.

6. **Discounted Cash Flow (DCF)**

Discounted Cash Flow (DCF) method derives net present value of DVS by discounting the future free cash flow to equity of DVS (after expenses, taxes, interests, and debt repayments) with the rate of return on equity (K_e). The financial adviser prepared financial projection for 5 years during 2008 to 2012 and estimated stream of cash flow generated in the future based on historical performance of DVS and takes into account current view and future outlook of industry and future plan of DVS. Key assumption is that DVS will continuously operate its business (on-going basis) and there is no material change in its business operation.

The preparation of financial projection is based on there is no material change in current economy situation. Nevertheless, any material change affecting DVS operation and DVS situation significantly changes from these assumptions, the value of DVS calculated based on this approach will change.

Key Assumption for preparing financial projection

- **Gross Written Premium**

Projected growth rate of gross written premium for each business during projection period is based on historical data of DVS and growth rate of GDP expected in the future is as follows:

- Fire: Grow 9.4% in 2008 and grow 5.0% per annum during 2009 – 2012
- Marine: Grow 17.4% in 2008 and grow 5.0% per annum during 2009 – 2012. In 2008, DVS emphasizes on getting the gross written premium for Marine for the big corporate clients
- Motor: Grow 1.4% in 2008 and grow 5.0% per annum during 2009 – 2012. In 2007, DVS saw significant increase of the gross written premium for Motor as a result of the special project it received. However, the projection for year 2009 does not take into account such portion
- Miscellaneous: Grow 7.1% in 2008 and grow 5.0% per annum during 2009 - 2012

- **Reinsurance**

Projected proportion of reinsurance to gross written premium for each business is based on historical data of DVS together with business operation policy in the future in which DVS will reduce its reinsurance proportion. Thus, the projected proportion of reinsurance to gross written premium for each business during 2008 - 2012 is as follows:

- Fire: estimated to be 17.5% of gross written premium during 2008 - 2012
- Marine: estimated to be 59.9% of gross written premium during 2008 – 2012
- Motor: estimated to be 1.9% of gross written premium during 2008 -2012
- Miscellaneous: estimated to be 80.3% of gross written premium during 2008 - 2012

- **Unearned Premium Reserve**
The financial adviser projected the proportion of unearned premium reserve to net premium based on DVS historical data and the growth rate of premium which would have impact to unearned premium reserve. The projected proportion of unearned premium reserve to net premium during 2008 to 2012 equals 58.03%, 65.49%, 72.60%, 79.37%, and 85.82% respectively.
- **Loss Incurred during the Year**
Projected proportion of loss incurred during the year to net premium for each business is close to that of DVS's historical data in which proportion of fire, motor, and miscellaneous slightly increase while marine slightly decreases. The projected proportion of loss incurred during the year to net premium for each business during 2008 to 2012 is as follows:
 - Fire: estimated to be 12.5% of net premium during 2008 - 2012
 - Marine: estimated to be 16.8% of net premium during 2008 – 2012
 - Motor: estimated to be 51.6% of net premium during 2008 -2012
 - Miscellaneous: estimated to be 39.3% of net premium during 2008 - 2012
- **Loss Adjustment Expense**
The projected loss adjustment expense during 2008 to 2012 equals 1.60% of net premium of DVS based on historical data of DVS.
- **Commissions and Brokerages**
The projected commissions and brokerages during 2008 to 2012 equal approximately 4.00% of net premium of DVS in which slightly increases from historical data since DVS will focus more on retail customers requiring more commissions and brokerages in the future.
- **Other Expenses**
The projected other expenses during 2008 to 2012 equal approximately 7.50% of net premium of DVS in which slightly increases from historical data.
- **Total Operating Expenses**
The projected total operating expenses during 2008 to 2012 equal approximately 28.80% of net premium of DVS in which slightly decreases from historical data.
- **Rate of Return on Investment Portfolio**
The projected rate of return on investment portfolio during 2008 to 2012 ranges from 4.00% to 5.00% in which yields similar return of that in the past. The estimated investment portfolio of DVS ranges from Baht 2,191 million to Baht 2,491 million.
- **Capital Expenditure**
Capital expenditure of DVS comprises vehicle, equipment, computer, building improvement, and computer software. The estimated capital expenditure of DVS during 2008 to 2012 ranges from Baht 13.35 million to Baht 25.68 million.
- **Working Capital**

Premium due and uncollected – net	approximately 278 days
Loss reserve and outstanding claims	approximately 88 days
Amount withheld on reinsurance treaties	approximately 37 days
- **Perpetual Growth Rate**
The financial adviser assumes that DVS will carry on its business operation and assumes a perpetual growth rate of 2.00% after 2012 to calculate terminal value.

Calculation of the discount rate

Rate of return on equity (K_e) of DVS by using capital asset pricing model (CAPM) is as follow.

$$\begin{aligned}
 \text{Rate of return on equity } (K_e) &= R_f + \beta (R_m - R_f) \\
 \text{Assuming: Risk Free Rate } (R_f) &= 4.33\%
 \end{aligned}$$

Beta (β)	=	0.44
Equity Risk Premium ($R_m - R_f$)	=	9.02%
Therefore; K_e	=	8.29%

Assuming	R_f	is a 10-year government bond yield as at February 22, 2008 (Data sourced from Thai Bond Market Association)
	β	is a value used to measure the volatility based on daily closing price of insurance sector (exclude SCNYL and NSI) against the SET index during the past 2 years (data is from Bloomberg)
	R_m	is the average return on investment in the SET in the past 1 year from February 22, 2008 (data is from Bloomberg)

From the above assumptions, the calculation of net present value of DVS based on the discount rate (K_e) calculated from CAPM of 8.29% equals Baht 147.49 per share. In addition, the financial adviser sensitizes the share price of DVS based on the range of K_e of 7.29% to 9.29% resulting in the following share price of DVS:

Discount Rate (%)	Share Price (Baht per Share)
9.29	126.95
8.29	147.49
7.29	175.79

Share price of DVS based on DCF using range of K_e of 7.29% to 9.29% and perpetual growth rate of 2.00% equal between Baht 126.95 to Baht 175.79 per share.

7. Dividend Discount Model (DDM)

DDM is calculated from the net present value of the expected dividend in the future using the same assumptions for 2008 – 2012 as prepared and presented in (6). Financial adviser assumes that DVS pays out 60.0% of its net profit for dividend during 2008 – 2012 following its current dividend policy. After 2012, financial adviser assumes the perpetual growth rate of 2.0% to derive the terminal value of dividend.

Discount Rate (%)	Share Price (Baht per Share)
9.29	94.65
8.29	109.99
7.29	131.15

Share price of DVS based on DDM using range of K_e of 7.29% to 9.29% and perpetual growth rate of 2.00% equal between Baht 94.65 to Baht 131.15 per share.

Summary of DVS share price by various valuation methods

Share Price Valuation Methods	Share price (Baht per share)
1) Book Value	168.84
2) Adjusted Book Value	172.63
3) Historical Market Price Analysis	176.58 – 185.90
4) Price to Earning Per Share Ratio: P/E Ratio	156.98 – 173.68
5) Price to Book Value Per Share Ratio: P/BV Ratio	183.17 – 194.45
6) Discounted Cash Flow: DCF	126.95 – 175.79
7) Dividend Discount Model: DDM	94.65 – 131.15

According to all seven valuation methods above, the financial advisor believes that the adjusted book value is the appropriate method in valuing DVS since it reflects fundamental value and net

asset value DVS currently has. On the other hand, other valuation methods such as book value only consider financial operation and position of DVS at one point in time without considering its true value of assets. In addition, historical market price analysis and P/E and P/BV ratios have certain limitations in which they reflect financial operation and position of DVS at one point in time without taking into account future profitability. Furthermore, these methods also have limitation in terms of liquidity resulting in the valuation of DVS evaluated by these methods do not fairly reflect the true valuation. DCF considers current and future free cash flow of the business, overall industry outlooks, and future expansion plan of DVS. The method also assumes going concern basis of DVS's operation after the projection period. However, this valuation relies heavily on set of assumptions which may not actually happen as assumed resulting from material change in the business operation of DVS. Another method, DDM takes into account the dividend payout which is only part of net income. Thus, the financial advisor views that the most appropriate DVS share price is Baht 172.63 per share, which the price is derived from adjusted book value in which is the most appropriate valuation methodology amongst others.

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