

Ref: FN.A. 016/2014

15 May 2014

Subject: Explanation of changes in operating result

To: President of the Stock Exchange of Thailand

The Navakij Insurance Public Company Limited (the “Company”) would like to clarify the operating results and the financial statements in which the equity method is applied for the period ended 31 March 2014.

### **Operating Results**

For the first quarter of 2014 ended 31 March 2014, the Company’s operating results has net profit 27.67 million Baht, declined of 76.83 million Baht or 73.53% comparing with same period last year of 104.50 million Baht. Return on equity was 1.28% comparing to 4.72% of last year and Earning per share was 0.89 Baht compared to last year having 3.37 Baht per share.

### **Underwriting Income**

As of 31 March 2014, the Company’s underwriting income was 529.20 million Baht, increased by 30.06 million Baht or 6.02% from the same period of the previous year of 499.15 million Baht. Net earned premium was 486.55 million Baht, an increase of 26.76 million Baht or 5.82% from the same period last year of 459.79 million Baht, was due to changing in accounting policy that 1) in the past, premiums with coverage periods longer than 1 year are recorded as unearned items and recognized as income over the coverage period, at present, total unearned items has been recognized as unearned premium reserve 2) changing in calculation of unearned premium reserve from the method of average term at 1/24 to 1/365 to be consistent with the period insured which affected the underwriting income of fire and miscellaneous insurance.

### **Underwriting Expenses**

The Company’s underwriting expenses was 550.96 million Baht, increased by 80.83 million Baht or 17.19% from the same period of the previous year of 470.13 million Baht, of which claim and loss adjustment expenses was 328.53 million Baht, increased by 90.45 million Baht or 37.99% from the last year caused by increasing of claim, mainly from motor voluntary insurance as well as higher repair costs. Commission and brokerage expenses was 133.82 million Baht, an increase of 12.81 million Baht or 10.59% from the last year, due to the recognition of commission and brokerage fees of long-term insurance policies that premium is recognized as income in this quarter. Other underwriting expenses was 66.85 million Baht, reduced by 76.71 million Baht, due to decreasing of 28 million Baht of the doubtful accounts from reinsurance claims caused by the outstanding debt has been reimbursed to the Company.

**Investment and Other Income**

Investment income was 51.55 million Baht, decrease by 18.90 million Baht comparing with the same period last year. Income from interest and dividend was 23.86 million Baht, decreased by 12 million Baht or 33.46% from the last year. Gain on sales of securities was 27.69 million Baht, decreased by 6.90 million Baht or 19.94% from the last year. Profit sharing from investment in associate company was 5.16 million Baht, declined of 14.92 million Baht or 74.28% from the previous year.

**Financial Status**

As of 31 March 2014, the Company's total assets was 5,881.21 million Baht, decreased by 685.40 million Baht or 10.44% comparing to 6,566.60 million Baht of year ending 2013. Total liabilities was 3,721.13 million Baht, decreased by 683.81 million Baht or 15.52% from the ending last year. The high reduction was due to a settlement of outstanding claims and claim recovery from reinsurers.

As of 31 March 2014, the Company's shareholders equity was 2,160.08 million Baht, decreased by 1.59 million Baht or 0.07% comparing to the same period last year, due to the reduction of other components of equity of 29.26 million Baht, which results from losses on changes in value of investment in associate company and investment in securities, were presented in the other comprehensive income for the period - net of tax.

Please be informed accordingly.

Yours sincerely,

Mr. Pitiphong Bisalputra  
President