



Letter to Shareholders

21st February 2013

2012 proved to be one of the most challenging years in the company's history following the floods in Thailand in late 2011. A major re-capitalisation project was undertaken early in 2012 and we welcomed a new major shareholder, Fairfax of Canada who invested THB 2.2 billion into the company. In addition to this existing shareholder support for the rights issue raised an additional THB 4.7 billion. The raising of this new capital resulted in strong interest from the capital markets and as a result there was an oversubscription during the rights issue. The support and confidence in the company demonstrated by our shareholders is very much appreciated by everyone associated with the company.

One of the major issues faced by the company in 2012 was the result of the rating downgrade to BBB+ following the flood crisis. This downgrade by the rating agencies resulted in a loss of around THB 500 million of net premiums income from thirteen clients, mainly foreign insurers who were unable to trade with the company. In addition thirty insurance companies withdrew from the 5% quota share market agreement and this caused an additional loss of THB 167 million of net premium.

Full accounting provisions for the impact of the claims arising from the 2011 floods have been made during the year. There has been no adverse development during the second half of the year as the claim amounts have been agreed and paid by insurers. No further provisions have therefore been required since the end of the second quarter when THB 9.2 billion of reserves for net losses were established. From a cash flow perspective the company has paid out, up to December 2012, THB 5.8 billion in flood claims which after reinsurance recoveries amount to THB 2.3 billion net.

In the non-life business good growth was achieved during the year in the non-conventional classes of business cancelling out the decline in conventional reinsurance referred to above. Net premium income from the non-conventional products closed at THB 3.2 billion, 41% higher than last year. Conventional products closed 49%, down at THB 1.06 billion. Non-conventional products now represent 75% of our total net premium income and property insurance had fallen to 8.2%. As mentioned in the previous letters to shareholders the non-conventional reinsurance is in respect of insurance products that are now emerging in the Thai insurance market mainly personal lines products. The total net premium income for the year reached THB 4.25 billion compared to THB 4.32 in 2011 (The 2011 figure has been adjusted for the purpose of comparing like with like). The combined ratio for the year was 103%, non-conventional business was 94% with conventional business showing 109%.



ThaiRe Life reported strong growth of 37% in net premium income of THB 1.13 billion for the year. ThaiRe Life is now making a solid contribution to the overall results of the company. On a stand-alone basis the net earnings of the company reached THB 222 million up over 10% on the previous year with a combined ratio of 77%.

The service businesses operated by Thaire's subsidiaries all made a positive contribution for the year and continue to provide important functions within the Thai insurance market. Total income from the service businesses amounted to THB 172 million with earnings of THB 45 million, up 21% and 110% respectively over last year.

Investment income was significantly higher at THB 726 million, up by more than THB 454 million over the previous year. This increase arose as a result of the higher level of funds available for investment from the much strengthened balance sheet following the capital raising exercise.

To illustrate the advances the company has made during the year the underlying consolidated result excluding the flood losses show net earnings of THB 724 million. The inclusion of the flood losses however makes the net loss THB 4.35 billion for the year.

The company now has good reason to look to the future with optimism, the following points are worth noting in this context: -

- A repeat of the 2011 event would not have the impact it had on the current business because of the significantly reduced portfolio
- The new business model is working well with limited concentration or aggregation of risk so that catastrophe exposure is minimized
- A revised reinsurance programme now ensures sufficient cover for any serious losses at a reduced cost due to reduced exposure
- Additionally the new business model is already showing positive results with the non-conventional classes of reinsurance growing sufficiently well to offset reduction in income from the more traditional types of reinsurance

The management of the company has been further strengthened with the appointment of new chief operating officers in both the life and the non-life businesses during 2012. They are both very experienced insurance executives having held senior key positions in the Thai insurance market for many years and will play a significant role in the growth of the business and development of the strategic direction of the company in the years to come.



The end of 2012 also marked a new step for the company as it moved its headquarters to new premises, recently acquired for that purpose. The life company and other subsidiaries are also in adjacent premises. The move has been popular with staff as the offices are close to the Bangkok underground railway system.

Finally it is important to convey a word of thanks to all the staff of the company for their hard work and support during the challenges that the company faced over the last two years.

Thai Re is now in a strong position and with the encouragement the company has received from its shareholders and staff it can now look forward to moving ahead with renewed confidence in its future success.

Financial data	31 Dec 2011	31 Dec 2012
Assets	25,720	33,642
Liabilities	24,978	30,153
Equity	742	3,489
Paid-up Capital	1,187	3,512
EPS (Excluding Flood) (Baht)	0.56	0.24
Book value per share (Baht)	0.61	0.99

Conventional Products

Current Quarter			Description	Year to Date		
2011	2012	%Growth		2011	2012	%Growth
459	217	-53%	Net Premium Written	2,066	1,063	-49%
62%	96%		Combined Ratio	88%	109%	

Non Conventional Products

Current Quarter			Description	Year to Date		
2011	2012	%Growth		2011	2012	%Growth
948	1,107	17%	Net Premium Written	2,255	3,183	41%
67%	104%		Combined Ratio	83%	94%	

THRE Net Earnings (Including Flood)

Current Quarter			Year to Date		
2011	2012	%Growth	2011	2012	%Growth
-2,123	229	111%	-1,831	-4,269	-133%

THRE Net Earnings (Excluding Flood)

Current Quarter			Year to Date		
2011	2012	%Growth	2011	2012	%Growth
201	234	16%	547	804	47%

ThaiRe Life Net Earnings

Current Quarter			Year to Date		
2011	2012	%Growth	2011	2012	%Growth
51	38	-25%	201	222	10%

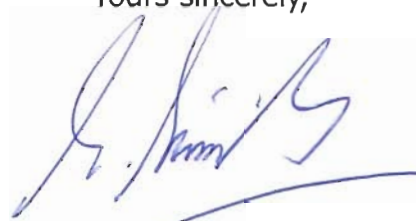
THRE Consolidated Net Earnings (Including Flood)

Current Quarter			Year to Date		
2011	2012	%Growth	2011	2012	%Growth
-2,056	158	108%	-1,716	-4,349	-153%

THRE Consolidated Net Earnings (Excluding Flood)

Current Quarter			Year to Date		
2011	2012	%Growth	2011	2012	%Growth
269	163	-39%	662	724	9%

Yours sincerely,



(Surachai Sirivallop)

Director & CEO