

Dear Fellow Shareholders,

The Thai economy is predicted to expand by 3-4 percent in 2017, its best performance in the past five years. Strong growth in the export of goods and services, a growing tourism sector and a recovery in private consumption provided the main building blocks for GDP growth. The Thai government also announced many projects that are aimed at improving the quality of life, health and property security, these will generate economic activity for many years to come. Also introduced were schemes to help reduce the ever-widening wealth gap which include rice crop insurance, insurance for low-income earners and the underprivileged, and the granting of income tax deduction for health insurance premiums. The buoyant economy has allowed the insurance industry to record an annual growth rate of 4 percent reaching a total of THB 220 billion. Sales of new motor vehicles led to market wide motor insurance premium growth of 4 percent, accident and health insurance grew by 6 percent whilst property and engineering insurance recorded low single digit growth because of competitive pressures in that sector of the market.

Summary of Operating Results

In 2017, the Company posted a net profit of THB 631 million but a loss of THB 111 million is shown in the consolidated results due to the accounting treatment of the investment in Thaire Life Assurance PCL (THREL). The investment has been reclassified from an "Available-for-sale investment" to "Trading investment" in the second and the third quarters. From the fourth quarter, such reclassification will no longer causes differences between the separate financial statement and the consolidated financial statement. A drop of 139.9 percent in the consolidated profit from operations in 2017 compared to a profit of THB 278 million in 2016. More details are as follows: -

Underwriting Income

Gross written premium in 2017 decreased year-on-year by 5.4 percent to THB 4,903 million as the Company remained cautious in its underwriting amid continued competition. The combined ratio increased from 92.4 percent in 2016 to 105.9 percent due to losses in business reinsured in 2009-2010 period with a cover term not exceeding nine years. If these were excluded the combined ratio would have been 93.9 percent.

Investment Income

As at year-end 2017, the Company had investment assets of THB 7,392 million a reduction of 18.8 percent from 2016. Net investment income was THB 371 million being an ROI of 5.1 percent, up by 4.2 ppt. from the previous year. Ignoring the reclassification of investment in THREL the net investment income would have been THB 510 million, an ROI of 6.7 percent, up by 2.0 ppt.

In the second quarter the Company invested in 49 percent of the equity in Carpool Insurance Broker (Carpool) which was established with registered capital of THB 30 million. The business will be applying technology to enhance efficiency in insurance-related services known as InsurTech. Carpool has progressed well since its establishment.

Income from Service Businesses

The Company's policy is to play a dual role as not only a reinsurer but also as an insurance sector service provider, service income in 2017 expanded by 20.1 percent and made up 7.4 percent of total revenues compared 5.6 percent in 2016. New services and a larger customer base were the main reasons for this expansion.

Moving Forward

The Company has confidence in and is committed to its three-year strategic plan (2017-2019) for future business operations. In 2017 progress with the four key initiatives was follows: -

1. Reinsurance activities continue to focus on commercial lines with low catastrophe risk exposures, and personal lines. The proportion of personal lines business has expanded from 69 percent in 2011 to 80 percent in 2017.

2. The company has increased the frequency of product modification and development to at least one product per quarter and seeks cooperation with trade partners in developing and launching at least two new products every year. This is to ensure that products protection plans meet customer expectations given the ever-changing customer needs. New products introduced by the Company in 2017 included Vision Insurance, Jet Ski Insurance for renters, and Peer-to-Peer Insurance.

3. The company has deployed new technology into its service business in order to enhance the competitiveness in the future. During the year, the Company has also provided knowledge and experience in technological change to internal staffs and clients to keep up with changes. This will lead to effective business development in the future.

New distribution channels have been developed and these include multi-channels such as Brick-and-Mortar, Click-and-Mortar and Click-and-Click. The Company also acquired additional sales channels through optical stores, hospitals and the newly established InsurTech company "Carpool". The Company also established a new technology unit to develop ways of "increasing income and reducing cost" with insurers.

4. Headway into the Southeast Asian (SEA) reinsurance markets has been made. In 2017 an MOU was signed with partners in Vietnam, Cambodia and Laos and it is expected that revenue will develop during 2018. The Company has also conducted a feasibility studies for the provision of insurance-related services in those countries. Business expansion in SEA is set to benefit future growth of the Company.

Following through with the Company's strategic plan and seizing on new initiatives together with the priority given to investments, stakeholder interests, sound corporate governance and sustainability, the Company will be in a strong position to obtain results in both growth and profitability that will bring benefits to all stakeholders in the years ahead.



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Chief Executive Officer