

Mitsui Sumitomo Insurance Company Limited
Thailand Branch

Condensed interim financial statements
for the three-month and nine-month periods ended
30 September 2023
and
Independent auditor's review report



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Independent auditor's report on review of interim financial information

To the Management of Mitsui Sumitomo Insurance Company Limited Thailand Branch

I have reviewed the accompanying statement of financial position of Mitsui Sumitomo Insurance Company Limited Thailand Branch as at 30 September 2023; the statements of comprehensive income for the three-month and nine-month periods ended 30 September 2023; the statements of changes in Head Office Account and cash flows for the nine-month period ended 30 September 2023, and the condensed notes ("interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34, "Interim Financial Reporting". My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of Review

I conducted my review in accordance with the Thai Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34, "Interim Financial Reporting".

(Pantip Gulsantithamrong)
Certified Public Accountant
Registration No. 4208

KPMG Phoomchai Audit Ltd.
Bangkok
10 November 2023

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of financial position

Assets	Note	30 September	31 December
		2023	2022
		(Unaudited)	
		<i>(in thousand Baht)</i>	
Cash and cash equivalents	3	378,314	1,142,020
Premiums due and uncollected	4, 10	625,922	960,598
Accrued investment income		121,240	48,148
Reinsurance assets	7, 10	2,143,163	2,649,236
Reinsurance receivables	5, 10	192,290	171,190
Investments assets			
Investments in securities	6, 12, 13	21,489,791	19,860,334
Leasehold building improvement and equipment		12,252	15,126
Right-of-use assets		51,611	46,559
Intangible assets		15,144	18,981
Deferred tax assets		519,886	541,673
Other assets	10	106,459	204,181
Total assets		25,656,072	25,658,046

The accompanying notes form an integral part of the interim financial statements.

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of financial position

		30 September	31 December
	<i>Note</i>	2023	2022
Liabilities and Head Office Account		(Unaudited)	
		<i>(in thousand Baht)</i>	
<i>Liabilities</i>			
Insurance contract liabilities	7, 10	5,856,346	6,925,189
Reinsurance payables	8, 10	400,639	247,934
Corporate income tax payable		47,735	158,203
Employee benefit obligations		95,531	89,024
Lease liabilities		53,373	49,036
Other liabilities	10	293,926	433,602
Total liabilities		6,747,550	7,902,988
<i>Head Office Account</i>			
Funds from Head Office	10	13,593,146	13,593,146
Head Office current account	10	(121,206)	(130,777)
Retained earnings		5,835,077	4,384,860
Other components of Head Office Account		(398,495)	(92,171)
Total Head Office Account		18,908,522	17,755,058
Total liabilities and Head Office Account		25,656,072	25,658,046

The accompanying notes form an integral part of the interim financial statements.

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Statement of comprehensive income (Unaudited)

	Three-month period ended	
	30 September	
	2023	2022
	(in thousand Baht)	
Revenues		
Gross premiums written	1,679,665	1,154,769
Less premiums ceded	<u>(863,251)</u>	<u>(280,959)</u>
Net premiums written	816,414	873,810
Unearned premium reserve (increased) decreased from previous period	(114,402)	387,182
Add (less) reinsurers' share of unearned premium reserve increased (decreased) from previous period	<u>373,067</u>	<u>(148,869)</u>
Net premiums earned	1,075,079	1,112,123
Commission and brokerage income	17,653	29,194
Net investment income	98,452	77,160
Gain (loss) on investments	(3,624)	4,540
Gain on foreign exchange rate	348	331
Other income	<u>245</u>	<u>538</u>
Total revenues	<u>1,188,153</u>	<u>1,223,886</u>
Expenses		
Insurance claims expenses	630,547	1,597,873
Less insurance claims expenses recovered from reinsurers	<u>(50,535)</u>	<u>(1,026,948)</u>
Net insurance claims expenses	580,012	570,925
Commission and brokerage expenses	135,542	136,449
Other underwriting expenses	66,269	60,720
Operating expenses	71,278	62,964
Expected credit loss (reversal)	<u>39</u>	<u>(12)</u>
Total expenses	<u>853,140</u>	<u>831,046</u>
Profit before income tax	<u>335,013</u>	<u>392,840</u>
Income tax expense	<u>67,098</u>	<u>78,684</u>
Net profit	<u>267,915</u>	<u>314,156</u>

The accompanying notes form an integral part of the interim financial statements.

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Statement of comprehensive income (Unaudited)

	Three-month period ended	
	30 September	
	2023	2022
	<i>(in thousand Baht)</i>	
Other comprehensive income (loss)		
<i>Items that will be reclassified subsequently to profit or loss</i>		
Loss on remeasurement of investments - fair value through other comprehensive income (loss)	(218,601)	(70,511)
Income tax relating to components of other comprehensive income (loss) that will be reclassified subsequently to profit or loss	43,720	14,102
Other comprehensive income (loss) for the period, net of income tax	(174,881)	(56,409)
Total comprehensive income for the period	93,034	257,747

The accompanying notes form an integral part of the interim financial statements.

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Statement of comprehensive income (Unaudited)

		Nine-month period ended	
		30 September	
	<i>Note</i>	2023	2022
		<i>(in thousand Baht)</i>	
<i>Revenues</i>			
Gross premiums written	10	4,560,830	4,563,378
<i>Less</i> premiums ceded	10	<u>(1,556,534)</u>	<u>(1,348,156)</u>
Net premiums written		3,004,296	3,215,222
Unearned premium reserve increased from previous period		(80,272)	(132,242)
<i>Add</i> reinsurers' share of unearned premium reserve increased from previous period		<u>285,488</u>	<u>188,927</u>
Net premiums earned		3,209,512	3,271,907
Commission and brokerage income	10	74,165	87,088
Net investment income		269,606	209,730
Gain (loss) on investments		(15,196)	55,279
Gain (loss) on foreign exchange rate		(256)	2,310
Other income		<u>747</u>	<u>992</u>
Total revenues		<u>3,538,578</u>	<u>3,627,306</u>
<i>Expenses</i>			
Insurance claims expenses	10	538,215	2,826,490
<i>Add (less)</i> insurance claims expenses recovered from reinsurers	10	<u>291,274</u>	<u>(1,331,989)</u>
Net insurance claims expenses		829,489	1,494,501
Commission and brokerage expenses	10	496,182	530,682
Other underwriting expenses		190,659	183,367
Operating expenses	10	209,266	189,086
Expected credit loss (reversal)	6	<u>120</u>	<u>(1,237)</u>
Total expenses		<u>1,725,716</u>	<u>2,396,399</u>
Profit before income tax		1,812,862	1,230,907
Income tax expense	9	<u>362,645</u>	<u>246,456</u>
Net profit		1,450,217	984,451

The accompanying notes form an integral part of the interim financial statements.

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Statement of comprehensive income (Unaudited)

		Nine-month period ended 30 September	
	<i>Note</i>	2023	2022
		<i>(in thousand Baht)</i>	
Other comprehensive income (loss)			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Loss on remeasurement of investments - fair value through other comprehensive income (loss)		(382,905)	(623,849)
Income tax relating to components of other comprehensive income (loss) that will be reclassified subsequently to profit or loss	9	76,581	124,770
Other comprehensive income (loss) for the period, net of income tax		<u>(306,324)</u>	<u>(499,079)</u>
Total comprehensive income for the period		<u>1,143,893</u>	<u>485,372</u>

The accompanying notes form an integral part of the interim financial statements.

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of changes in Head Office Account (Unaudited)

	Funds from Head Office	Head Office current account	Retained earnings <i>(in thousand Baht)</i>	Other components of Head Office Account	Total Head Office Account
				Gain (loss) on investments measured at fair value through other comprehensive income (loss)	
Nine-month period ended 30 September 2022					
Balance at 1 January 2022	13,593,146	(88,619)	2,911,128	112,901	16,528,556
Comprehensive income (loss) for the period					
Net profit	-	-	984,451	-	984,451
Other comprehensive income (loss)	-	-	-	(499,079)	(499,079)
Total comprehensive income (loss) for the period	-	-	984,451	(499,079)	485,372
Head Office current account	-	(49,373)	-	-	(49,373)
Balance at 30 September 2022	13,593,146	(137,992)	3,895,579	(386,178)	16,964,555

The accompanying notes form an integral part of the interim financial statements.

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of changes in Head Office Account (Unaudited)

	Funds from Head Office	Head Office current account	Retained earnings <i>(in thousand Baht)</i>	Other components of Head Office Account Gain (loss) on investments measured at fair value through other comprehensive income (loss)	Total Head Office Account
Nine-month period ended 30 September 2023					
Balance at 1 January 2023	13,593,146	(130,777)	4,384,860	(92,171)	17,755,058
Comprehensive income (loss) for the period					
Net profit	-	-	1,450,217	-	1,450,217
Other comprehensive income (loss)	-	-	-	(306,324)	(306,324)
Total comprehensive income (loss) for the period	-	-	1,450,217	(306,324)	1,143,893
Head Office current account	-	9,571	-	-	9,571
Balance at 30 September 2023	13,593,146	(121,206)	5,835,077	(398,495)	18,908,522

The accompanying notes form an integral part of the interim financial statements.

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of cash flows (Unaudited)

		Nine-month period ended 30 September	
	Note	2023	2022
		(in thousand Baht)	
Cash flows from operating activities			
Premium received		4,733,166	4,690,878
Cash paid to reinsurers	16	(752,515)	(160,017)
Interest received		196,514	150,172
Other income		747	992
Insurance claims expenses		(1,655,366)	(2,210,972)
Commission and brokerage expenses		(546,305)	(549,908)
Other underwriting expenses		(190,658)	(183,368)
Operating expenses	16	(225,270)	(272,362)
Income tax paid		(374,745)	(350,205)
Cash received - financial assets		11,316,532	11,397,400
Cash payment - financial assets		(13,244,210)	(12,919,113)
Net cash flows used in operating activities		(742,110)	(406,503)
Cash flows from investing activities			
Cash flows provided by			
Proceeds from sale of leasehold building improvement and equipment		5	2
Cash provided by investing activities		5	2
Cash flows used in			
Purchase of leasehold building improvement and equipment		(1,467)	(162)
Purchase of intangible assets		-	(17,189)
Cash used in investing activities		(1,467)	(17,351)
Net cash flows used in investing activities		(1,462)	(17,349)
Cash flows from financing activities			
Payment of lease liabilities		(29,450)	(29,789)
Head Office current account	10	9,571	(49,373)
Net cash flows used in financing activities		(19,879)	(79,162)
Net decrease in cash and cash equivalents		(763,451)	(503,014)
Cash and cash equivalents at beginning of period		1,142,020	964,790
Effect of exchange rate changes on balances held in foreign currencies		(255)	2,310
Cash and cash equivalents at ending of period	3	378,314	464,086

The accompanying notes form an integral part of the interim financial statements.

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the condensed interim financial statements
For the three-month and nine-month periods ended 30 September 2023 (Unaudited)

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Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the condensed interim financial statements
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These notes form an integral part of the interim financial statements.

The interim financial statements issued for Thai regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the management on 10 November 2023.

1 General information

The principal business of the Branch is the provision of non-life insurance.

2 Basis of preparation of the interim financial statements

The condensed interim financial statements are presented in the same format as the annual financial statements and prepared its notes to the interim financial statements on a condensed basis (“interim financial statement”) in accordance with Thai Accounting Standard (TAS) No. 34 *Interim Financial Reporting*; guidelines promulgated by the Federation of Accounting Professions. In addition, the interim financial statements are prepared in accordance with the Notification of the Office of Insurance Commission regarding “Rules, Procedures, Conditions and Timing for the Preparation and Submission of the Financial Statements of Non-Life insurance Companies” B.E. 2566, dated 8 February 2023 which was applicable for the financial reporting period starting from 1 January 2023. The interim financial statements focus on new activities, events, and circumstances to avoid repetition of information previously reported in annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the financial statements of the Branch for the year ended 31 December 2022.

In preparing these interim financial statements, judgements and estimates are made by management in applying the Branch’s accounting policies. Actual results may differ from these estimates. The accounting policies, methods of computation and the key sources of estimation uncertainty were the same as those that were described in the financial statements for the year ended 31 December 2022.

The Branch has not early adopted a number of new and revised TFRS which are not yet effective for the current period in preparing these financial statements. Those new and revised TFRS that are relevant to the Branch’s operations are disclosed in note 15.

3 Cash and cash equivalents

	30 September 2023	31 December 2022
	<i>(in thousand Baht)</i>	
Cheque on hand	11,065	3,296
Deposits at banks - call deposits	230,459	558,752
Deposits at banks - time deposits	-	500,000
Highly liquid short - term investments	136,790	79,972
Total	378,314	1,142,020

Mitsui Sumitomo Insurance Company Limited Thailand Branch
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4 Premiums due and uncollected

As at 30 September 2023 and 31 December 2022, the aging analyses for premiums due and uncollected were as follows:

	30 September 2023	31 December 2022
	<i>(in thousand Baht)</i>	
Within credit terms	472,345	797,489
Overdue:		
Not over 30 days	52,577	132,183
31 - 60 days	75,746	21,243
61 - 90 days	5,153	2,854
91 days - 1 year	22,031	6,830
Over 1 year	(1,930)	(1)
Total	<u>625,922</u>	<u>960,598</u>

The normal credit term for brokers granted by the Branch is not over 60 days.

For premiums due and uncollected from brokers, the Branch has established collection guidelines in accordance with the regulatory requirement for premium collection. For overdue premium receivables, the Branch is pursuing legal proceedings against such agents and brokers.

5 Reinsurance receivables

	30 September 2023	31 December 2022
	<i>(in thousand Baht)</i>	
Due from reinsurers	192,290	171,190
Total	<u>192,290</u>	<u>171,190</u>

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the condensed interim financial statements
For the three-month and nine-month periods ended 30 September 2023 (Unaudited)

6 Investments in securities

6.1 Investment in securities by measurement are as follows:

	30 September 2023		31 December 2022	
	Cost / Amortised cost	Fair value (in thousand Baht)	Cost / Amortised cost	Fair value
Investment measured at fair value through other comprehensive income (loss)				
Government and state enterprise debt securities	15,199,262	14,767,475	13,341,749	13,202,247
Private debt securities	3,585,418	3,501,021	3,745,471	3,711,906
Unit trusts	410,528	404,581	340,528	373,966
Equity securities	7,492	27,450	7,492	27,950
Total	19,202,700	18,700,527	17,435,240	17,316,069
Less unrealised loss	(498,741)	-	(115,739)	-
Less allowance for impairment loss	(3,432)	-	(3,432)	-
Total investment measured at fair value through other comprehensive income (loss)	18,700,527	18,700,527	17,316,069	17,316,069
Allowance for expected credit loss	651	-	531	-
Investment measured at amortised cost				
Deposits at banks with original maturities over 3 months	2,789,264	2,789,264	2,544,265	2,544,265
Total investment measured at amortised cost	2,789,264	2,789,264	2,544,265	2,544,265
Total investment in securities	21,489,791	21,489,791	19,860,334	19,860,334

6.2 Investment measured at fair value through other comprehensive income (loss)

	30 September 2023		31 December 2022	
	Fair value	Allowance for expected credit loss / Allowance for impairment loss (in thousand Baht)	Fair value	Allowance for expected credit loss / Allowance for impairment loss
Debt securities - no significant increase in credit risk (stage 1)	18,268,496	651	16,914,153	531
Debt securities - unit trusts	404,581	-	373,966	-
Equity securities	27,450	3,432	27,950	3,432
Total	18,700,527	4,083	17,316,069	3,963

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the condensed interim financial statements
For the three-month and nine-month periods ended 30 September 2023 (Unaudited)

6.3 Investment measured at amortised cost

	Book value	30 September 2023 Allowance for expected credit loss (in thousand Baht)	Net book value
Debt securities - no significant increase in credit risk (stage 1)	2,789,264	-	2,789,264
Total	2,789,264	-	2,789,264

	Book value	31 December 2022 Allowance for expected credit loss (in thousand Baht)	Net book value
Debt securities - no significant increase in credit risk (stage 1)	2,544,265	-	2,544,265
Total	2,544,265	-	2,544,265

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the condensed interim financial statements
For the three-month and nine-month periods ended 30 September 2023 (Unaudited)

7 Insurance contract liabilities

	30 September 2023			31 December 2022		
	Liabilities under insurance contracts	Reinsurers' share of liabilities	Net (in thousand Baht)	Liabilities under insurance contracts	Reinsurers' share of liabilities	Net
Short-term technical reserves						
Loss reserves and outstanding claims						
- Case reserves	1,560,853	(718,891)	841,962	2,502,600	(1,377,723)	1,124,877
- Incurred but not reported	763,752	(361,625)	402,127	971,121	(494,354)	476,767
Total loss reserves and outstanding claims	2,324,605	(1,080,516)	1,244,089	3,473,721	(1,872,077)	1,601,644
Unearned premium reserves	3,531,741	(1,062,647)	2,469,094	3,451,468	(777,159)	2,674,309
Total	5,856,346	(2,143,163)	3,713,183	6,925,189	(2,649,236)	4,275,953
7.1 Loss reserves and outstanding claims						
At 1 January	3,473,721	(1,872,077)	1,601,644	3,244,785	(1,698,002)	1,546,783
Insurance claim expenses incurred during the period / year	691,985	158,545	850,530	2,944,163	(1,328,065)	1,616,098
Insurance claim expenses paid during the period / year	(1,633,732)	500,287	(1,133,445)	(2,831,885)	1,238,369	(1,593,516)
Change in estimation and assumption	(207,369)	132,729	(74,640)	116,658	(84,379)	32,279
At 30 September 2023 / 31 December 2022	2,324,605	(1,080,516)	1,244,089	3,473,721	(1,872,077)	1,601,644
7.2 Unearned premium reserves						
At 1 January	3,451,468	(777,159)	2,674,309	3,359,793	(710,109)	2,649,684
Premiums written during the period / year	4,560,830	(1,556,534)	3,004,296	6,167,563	(1,764,334)	4,403,229
Earned premium in the period / year	(4,480,557)	1,271,046	(3,209,511)	(6,075,888)	1,697,284	(4,378,604)
At 30 September 2023 / 31 December 2022	3,531,741	(1,062,647)	2,469,094	3,451,468	(777,159)	2,674,309

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the condensed interim financial statements
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8 Reinsurance payables

	30 September 2023	31 December 2022
	<i>(in thousand Baht)</i>	
Amount withheld on reinsurance	104,576	99,812
Due to reinsurers	296,063	148,122
Total	400,639	247,934

9 Income tax expense

<i>For the nine-month period ended 30 September</i>	2023	2022
	<i>(in thousand Baht)</i>	
Current tax expense		
Current period	264,277	290,963
Deferred tax expense		
Movements in temporary differences	98,368	(44,507)
Total	362,645	246,456

Income tax recognised in other comprehensive income (loss)

<i>For the nine-month period ended 30 September</i>	2023	2022
	<i>(in thousand Baht)</i>	
Deferred tax expense		
Loss on remeasurement of investments - fair value through other comprehensive income (loss)	76,581	124,770
Total	76,581	124,770

Reconciliation of effective tax rate

<i>For the nine-month period ended 30 September</i>	2023		2022	
	Rate (%)	<i>(in thousand Baht)</i>	Rate (%)	<i>(in thousand Baht)</i>
Profit before income tax		1,812,862		1,230,907
Income tax using the Thai corporation tax rate	20.0	362,572	20.0	246,181
Expenses not deductible for tax purposes	-	73	-	275
Total	20.0	362,645	20.0	246,456

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the condensed interim financial statements
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10 Related parties

There is no material change in relationships with key management and related parties during the period.

The pricing policies for transactions with related parties are explained further below:

Transactions	Pricing policies
Gross premium written	At contractually agreed prices
Commission and brokerage income	At contractually agreed prices
Insurance claims expenses recovered from reinsurers	As it incurred
Premiums ceded	At contractually agreed prices
Insurance claims expenses	As it incurred and at contractually agreed prices
Commission and brokerage expenses	Within range of rates announced by the Office of Insurance Commission or as stated in the agreement
Other operating expenses	At contractually agreed prices

Significant transactions for the nine-month period ended 30 September 2023 and 2022 with key management and related parties were summarised as follows:

<i>For the nine-month period ended 30 September</i>	2023	2022
	<i>(in thousand Baht)</i>	
<i>Revenues</i>		
<i>Other related parties</i>		
Gross premiums written	89,922	146,363
Commission and brokerage income	10,649	11,540
Insurance claims expenses recovered from reinsurers (reversal)	(69,091)	225,891
<i>Expenses</i>		
<i>Other related parties</i>		
Premiums ceded	289,112	215,265
Insurance claims expenses	48,190	39,706
Commission and brokerage expenses	249,355	280,961
Other operating expenses	100,620	82,421
<i>Key management compensation</i>		
Short-term and long-term benefits	8,395	9,762

Significant balances as at 30 September 2023 and 31 December 2022 with related parties were as follows:

	30 September 2023	31 December 2022
	<i>(in thousand Baht)</i>	
<i>Premiums due and uncollected</i>		
Other related parties	<u>22,815</u>	<u>26,814</u>
<i>Reinsurance assets</i>		
<i>Reinsurance's share of liabilities</i>		
Other related parties	<u>130,989</u>	<u>301,013</u>

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For the three-month and nine-month periods ended 30 September 2023 (Unaudited)

	30 September 2023	31 December 2022
	<i>(in thousand Baht)</i>	
<i>Reinsurance receivables</i>		
Due from reinsurers		
Other related parties	<u>33,095</u>	<u>44,702</u>
<i>Other assets</i>		
Other related parties	<u>9,220</u>	<u>9,936</u>
<i>Insurance contract liabilities</i>		
Loss reserves and outstanding claims		
Other related parties	<u>-</u>	<u>15</u>
Accrued loss adjustment expenses		
Other related parties	<u>1,799</u>	<u>602</u>
<i>Reinsurance payables</i>		
Due to reinsurers		
Other related parties	<u>33,732</u>	<u>28,996</u>
Amount withheld on reinsurance		
Other related parties	<u>3,397</u>	<u>3,305</u>
<i>Other liabilities</i>		
Commission payables		
Other related parties	<u>43,868</u>	<u>97,237</u>
Others		
Other related parties	<u>26,211</u>	<u>36,205</u>
Funds from Head Office	<u>13,593,146</u>	<u>13,593,146</u>
Head Office current account	<u>(121,206)</u>	<u>(130,777)</u>

11 Financial instruments

Carrying amounts and fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities measured at amortised cost if the carrying amount is a reasonable approximation of fair value.

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<i>At 30 September 2023</i>	<i>Note</i>	Fair value			Total
		Level 1	Level 2	Level 3	
			<i>(in thousand Baht)</i>		
Financial assets					
Investment in securities	6				
Government and state enterprise debt securities		-	14,767,475	-	14,767,475
Private debt securities		-	3,501,021	-	3,501,021
Unit trusts		-	404,581	-	404,581
Equity securities		4,997	-	22,453	27,450
Total		4,997	18,673,077	22,453	18,700,527

At 31 December 2022

Financial assets					
Investment in securities	6				
Government and state enterprise debt securities		-	13,202,247	-	13,202,247
Private debt securities		-	3,711,906	-	3,711,906
Unit trusts		-	373,966	-	373,966
Equity securities		5,497	-	22,453	27,950
Total		5,497	17,288,119	22,453	17,316,069

Measurement of fair values

When measuring the fair value of an asset or a liability, the Branch uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
- Level 3: inputs for the assets or liabilities that are based on unobservable inputs.

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Branch determines Level 1 fair values of investment in marketable equity using last bid price from SET at the reporting date.

The Branch determines Level 2 fair values of investment in debt securities by reference to the price provided by the Thai Bond Market Association at the reporting date, and for unit trusts using net assets value (NAV) published by asset management companies at the reporting date.

The Branch determines Level 3 for fair values for non-listed equity securities using the discounted cash flow method which is the last value published by General Insurance Association or net asset values of those non-listed companies.

The Branch recognises transfers between levels of the fair value hierarchy as of the end of reporting period during which the transfer has occurred.

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12 Securities and assets pledged with the Registrar

- 12.1 The Branch's investments in deposits at banks were pledged with the Registrar in accordance with the Non-Life Insurance Act No. 2 B.E. 2551 as follows:

	30 September 2023		31 December 2022	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
Time deposits at banks	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>

- 12.2 The Branch's investments in debt securities were reserved with the Registrar in accordance with the Notification of the Office of Insurance Commission regarding "Rates, Rules and Procedures for unearned premium reserve of Non-Life Insurance Company B.E.2557" as follows:

	30 September 2023		31 December 2022	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
Government bonds	<u>1,849,541</u>	<u>1,843,000</u>	<u>1,926,869</u>	<u>1,843,000</u>

13 Restricted and collateral assets

	30 September 2023	31 December 2022
	<i>(in thousand Baht)</i>	
<i>Deposits at banks - time deposits</i>		
To secure bank guarantee facilities issued by banks	<u>196</u>	<u>196</u>

14 Contingent liabilities

As at 30 September 2023, lawsuits have been brought against the Branch, in relation to insurance claims in the normal course of business totalling approximately Baht 221.6 million (*31 December 2022: Baht 1,489.2 million*). The Branch's management believes that the recorded amount of provision in the financial statements for potential losses in respect of those claims is adequate.

15 Thai Financial Reporting Standards (TFRS) not yet adopted

A number of new TFRS which are relevant to the Branch's operations are expected to have significant impact on the Branch's financial statements on the date of initial application are as follows:

TFRS	Topic
TFRS 7*	Financial Instruments: Disclosures
TFRS 9*	Financial Instruments
TFRS 17	Insurance contracts

* TFRS - Financial instruments standards

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(a) TFRS - Financial instruments standards

TFRS 9 and TFRS 7 became effective for the annual periods beginning on or after 1 January 2020. However, TFRS 4 Insurance Contracts has allowed insurance entities that meet the conditions as laid down by TFRS 4, to use the deferral approach in application of TFRS 9 and TFRS 7 for insurance entities and continue to apply Accounting Guidance: Financial Instruments and Disclosures for Insurance Business until TFRS 17 Insurance contract becomes effective in 2025.

These TFRSs establish requirements related to definition, classification, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting.

(b) TFRS 17 - Insurance contracts

TFRS 17 will replace TFRS 4 - Insurance Contracts for the annual periods beginning on or after 1 January 2025.

TFRS 17 introduces the new measurement model which consists of fulfilment cash flows and a contractual service margin. The fulfilment cash flows represent the risk adjusted present value of the insurer's rights and obligations to the policyholders, comprising estimates of expected cash flows, discounting, and an explicit risk adjustment for non-financial risk. The contractual service margin represents the unearned profit from in-force contracts that the Branch will recognise as it provides services over the coverage period. The contractual service margin is earned based on a pattern of coverage units, reflecting the quantity of benefits provided. The simplified approach may be chosen to adopt when certain criteria are met.

The Branch may elect to recognise the cumulative negative impact on insurance contract liabilities from the adoption of TFRS 17 to retained earnings by applying the straight-line method within the period not exceeding 3 years from transition date.

TFRS 17 also introduces substantial changes in both presentation of the statement of financial position and statement of comprehensive income, as well as more granular disclosure requirements.

The Branch is presently considering the potential impact of adopting and initially applying those TFRSs on the financial statements.

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16 Reclassification of accounts

Certain accounts in the statement of cash flows for the nine-month period ended 30 September 2022, which are included in the interim financial statements for comparative purposes, have been reclassified to conform to the presentation in the current period of the financial statements. Significant reclassifications were as follows:

For the nine-month period ended 30 September

	Before reclassification	2022 Reclassification (in thousand baht)	After reclassification
<i>Statement of cash flows</i>			
<i>Cash flows from operating activities</i>			
Cash paid to reinsurers	(45,320)	(114,697)	(160,017)
Operating expenses	(387,059)	<u>114,697</u>	<u>(272,362)</u>
		<u>-</u>	

The reclassifications have been made because, in the opinion of management, the new classification is more appropriate to the Branch's business.