

Mitsui Sumitomo Insurance Company Limited
Thailand Branch

Condensed interim financial statements
for the three-month and nine-month periods ended
30 September 2022
and
Independent auditor's review report



KPMG Phoomchai Audit Ltd.
50th Floor, Empire Tower
1 South Sathorn Road, Yannawa
Sathorn, Bangkok 10120, Thailand
Tel. +66 2677 2000
Fax +66 2677 2222
Website home.kpmg/th

บริษัท เคพีเอ็มจี ภูเก็ต สอบบัญชี จำกัด
ชั้น 50 เอ็มไพร์ ทาวเวอร์
1 ถนนสาทรใต้ แขวงยานนาวา
เขตสาทร กรุงเทพฯ 10120
โทร. +66 2677 2000
แฟกซ์ +66 2677 2222
เว็บไซต์ home.kpmg/th

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 2022; the statements of comprehensive income for the three-month and nine-month periods ended 30 September 2022; the statements of changes in Head Office Account and cash flows for the nine-month period ended 30 September 2022, 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
14 November 2022

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of financial position

		30 September	31 December
Assets	<i>Note</i>	2022	2021
		(Unaudited)	
		(in thousand Baht)	
Cash and cash equivalents	3	464,086	964,790
Premiums due and uncollected	4, 10	573,048	945,423
Accrued investment income		105,840	46,282
Reinsurance assets	7, 10	2,812,582	2,408,111
Reinsurance receivables	5, 10	325,232	219,920
Investments assets			
Investments in securities	6, 11, 12, 13	19,981,146	19,026,767
Leasehold building improvement and equipment		16,622	21,302
Right-of-use assets		53,973	66,947
Intangible assets		18,539	4,759
Deferred tax assets		638,505	469,228
Income tax refundable		-	54,731
Other assets	10	258,665	188,377
		<hr/>	<hr/>
Total assets		25,248,238	24,416,637
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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>	2022	2021
Liabilities and Head Office Account		(Unaudited)	
		<i>(in thousand Baht)</i>	
<i>Liabilities</i>			
Insurance contract liabilities	7, 10	7,316,594	6,604,578
Reinsurance payable	8, 10	388,801	344,447
Income tax payables		74,480	188,454
Employee benefit obligations		92,788	87,378
Lease liabilities		56,506	69,531
Other liabilities	10	354,514	593,693
Total liabilities		8,283,683	7,888,081
<i>Head Office Account</i>			
Funds from Head Office	10	13,593,146	13,593,146
Head Office current account	10	(137,992)	(88,619)
Retained earnings		3,895,579	2,911,128
Other components of Head Office Account		(386,178)	112,901
Total Head Office Account		16,964,555	16,528,556
Total liabilities and Head Office Account		25,248,238	24,416,637

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	
	2022	2021
	<i>(in thousand Baht)</i>	
Revenues		
Gross premiums written	1,154,769	1,209,907
<i>Less</i> premiums ceded	<u>(280,959)</u>	<u>(405,722)</u>
Net premiums written	873,810	804,185
Unearned premium reserve decreased from previous period	387,182	301,605
<i>Less</i> reinsurers' share of unearned premium reserve decreased from previous period	<u>(148,869)</u>	<u>(25,547)</u>
Net premiums earned	1,112,123	1,080,243
Commission and brokerage income	29,194	25,273
Net investment income	77,160	69,612
Gain on investments	4,540	10,391
Gain on foreign exchange rate	331	88
Other income	<u>538</u>	<u>-</u>
Total revenues	<u>1,223,886</u>	<u>1,185,607</u>
Expenses		
Insurance claims expenses (recovery)	1,597,873	(234,682)
<i>Add (less)</i> insurance claims expenses recovered from reinsurance	<u>(1,026,948)</u>	<u>231,480</u>
Net insurance claims expenses	570,925	(3,202)
Commission and brokerage expenses	136,449	124,619
Other underwriting expenses	60,720	56,840
Operating expenses	62,964	73,298
Expected credit loss (reversal)	<u>(12)</u>	<u>(155)</u>
Total expenses	<u>831,046</u>	<u>251,400</u>
Profit before income tax	<u>392,840</u>	<u>934,207</u>
Income tax expense	<u>78,684</u>	<u>187,050</u>
Net profit	<u>314,156</u>	<u>747,157</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	
	2022	2021
	<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)	(70,511)	(85,120)
Income tax relating to components of other comprehensive income (loss) that will be reclassified subsequently to profit or loss	14,102	17,024
Other comprehensive income (loss) for the period, net of income tax	(56,409)	(68,096)
Total comprehensive income for the period	257,747	679,061

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	
	Note	2022	2021
		(in thousand Baht)	
Revenues			
Gross premiums written	10	4,563,378	4,403,793
Less premiums ceded	10	(1,348,156)	(1,210,894)
Net premiums written		3,215,222	3,192,899
Unearned premium reserve increased from previous period		(132,242)	(165,536)
Add reinsurers' share of unearned premium reserve increased from previous period		188,927	152,242
Net premiums earned		3,271,907	3,179,605
Commission and brokerage income	10	87,088	77,695
Net investment income		209,730	207,089
Gain on investments		55,279	29,034
Gain on foreign exchange rate		2,310	295
Other income		992	586
Total revenues		3,627,306	3,494,304
Expenses			
Insurance claims expenses	10	2,826,490	2,038,360
Less insurance claims expenses recovered from reinsurance	10	(1,331,989)	(1,318,513)
Net insurance claims expenses		1,494,501	719,847
Commission and brokerage expenses	10	530,682	522,951
Other underwriting expenses		183,367	184,334
Operating expenses	10	189,086	211,606
Expected credit loss (reversal)	6	(1,237)	385
Total expenses		2,396,399	1,639,123
Profit before income tax		1,230,907	1,855,181
Income tax expense	9	246,456	371,888
Net profit		984,451	1,483,293

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>	2022	2021
		<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)		(623,849)	(125,932)
Income tax relating to components of other comprehensive income			
(loss) that will be reclassified subsequently to profit or loss	9	124,770	25,186
Other comprehensive income (loss) for the period, net of income tax		(499,079)	(100,746)
Total comprehensive income for the period		485,372	1,382,547

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	Other components of Head Office Account <u>Gain (loss) on investments measured at fair value through other comprehensive income (loss)</u>	Total Head Office Account
			<i>(in thousand Baht)</i>		
Nine-month period ended 30 September 2021					
Balance at 1 January 2021	13,593,146	(93,183)	1,028,443	257,087	14,785,493
Comprehensive income (loss) for the period					
Net profit	-	-	1,483,293	-	1,483,293
Other comprehensive income (loss)	-	-	-	(100,746)	(100,746)
Total comprehensive income (loss) for the period	-	-	1,483,293	(100,746)	1,382,547
Head Office current account	-	65	-	-	65
Balance at 30 September 2021	13,593,146	(93,118)	2,511,736	156,341	16,168,105

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

Statement of changes in Head Office Account (Unaudited)

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	2022	2021
		(in thousand Baht)	
Cash flows from operating activities			
Premium received		4,690,878	4,530,474
Cash paid to reinsurers		(45,320)	(373,864)
Interest received		150,172	163,751
Dividend received		-	222
Other income		992	1,491
Insurance claims expenses		(2,210,972)	(1,551,702)
Commission and brokerage expenses		(549,908)	(548,123)
Other underwriting expenses		(183,368)	(184,334)
Operating expenses		(387,059)	(308,403)
Income tax paid		(350,205)	(295,237)
Cash received - financial assets		11,397,400	9,285,790
Cash payment - financial assets		(12,919,113)	(10,672,895)
Net cash flows provided by (used in) operating activities		(406,503)	47,170
Cash flows from investing activities			
Cash flows provided by			
Proceeds from sale of leasehold building improvement and equipment		2	468
Cash provided by investing activities		2	468
Cash flows used in			
Purchase of leasehold building improvement and equipment		(162)	(9,333)
Purchase of Intangible asset		(17,189)	-
Cash used in investing activities		(17,351)	(9,333)
Net cash flows used in investing activities		(17,349)	(8,865)
Cash flows from financing activities			
Payment of lease liabilities		(29,789)	(34,581)
Head Office current account	10	(49,373)	65
Net cash flows used in financing activities		(79,162)	(34,516)
Net increase (decrease) in cash and cash equivalents		(503,014)	3,789
Cash and cash equivalents at beginning of period		964,790	1,140,788
Effect of exchange rate changes on balances held in foreign currencies		2,310	295
Cash and cash equivalents at ending of period	3	464,086	1,144,872

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 2022 (Unaudited)

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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 2022 (Unaudited)

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 14 November 2022.

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 Period for Preparation and Submission of the Financial Statements and Reporting the Operation of Non-Life insurance Companies” B.E. 2562 (No.2) , dated 4 April 2019. 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 2021.

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 2021.

The Company 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 Company’s operations are disclosed in note 15.

3 Cash and cash equivalents

	30 September 2022	31 December 2021
	<i>(in thousand Baht)</i>	
Cheque on hand	23,785	4,958
Deposits at banks - call deposits	391,315	507,970
Highly liquid short - term investments	48,986	451,862
Total	464,086	964,790

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 2022 (Unaudited)

4 Premiums due and uncollected

As at 30 September 2022 and 31 December 2021, the aging analyses for premiums due and uncollected were as follows:

	30 September 2022	31 December 2021
	<i>(in thousand Baht)</i>	
Within credit terms	389,175	768,712
Overdue:		
Not over 30 days	74,626	152,447
31 - 60 days	85,989	13,788
61 - 90 days	3,610	3,366
91 days - 1 year	19,342	7,177
Over 1 year	306	(67)
Total	573,048	945,423

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 2022	31 December 2021
	<i>(in thousand Baht)</i>	
Due from reinsurers	325,232	219,920
Total	325,232	219,920

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 2022 (Unaudited)

6 Investments in securities

6.1 Investment in securities by measurement are as follows:

	30 September 2022		31 December 2021	
	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	13,529,753	13,096,822	11,510,731	11,510,853
Private debt securities	3,852,727	3,749,370	4,071,187	4,119,829
Unit trust	603,542	636,035	717,112	793,989
Equity securities	7,492	24,655	7,492	17,831
Total	17,993,514	17,506,882	16,306,522	16,442,502
Add (Less) Unrealised gain (loss)	(483,200)	-	139,412	-
Less Allowance for impairment loss	(3,432)	-	(3,432)	-
Total investment measured at fair value through other comprehensive income (loss)	17,506,882	17,506,882	16,442,502	16,442,502
Allowance for expected credit loss	484	-	1,721	-
Investment measured at amortised cost				
Deposits at banks with original maturities over 3 months	2,474,264	2,474,264	2,584,265	2,584,265
Total investment measured at amortised cost	2,474,264	2,474,264	2,584,265	2,584,265
Total investment in securities	19,981,146	19,981,146	19,026,767	19,026,767

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

	30 September 2022		31 December 2021	
	Fair value	Allowance for expected credit loss / Allowance for impairment loss	Fair value	Allowance for expected credit loss / Allowance for impairment loss
		(in thousand Baht)		
Debt securities - no significant increase in credit risk (stage 1)	16,846,192	484	15,630,682	1,721
Debt securities - unit trust	636,035	-	793,989	-
Equity securities	24,655	3,432	17,831	3,432
Total	17,506,882	3,916	16,442,502	5,153

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 2022 (Unaudited)

6.3 Investment measured at amortised cost

30 September 2022			
	Book value	Allowance for expected credit loss <i>(in thousand Baht)</i>	Net book value
Debt securities - no significant increase in credit risk (stage 1)	2,474,264	-	2,474,264
Total	2,474,264	-	2,474,264
31 December 2021			
	Book value	Allowance for expected credit loss <i>(in thousand Baht)</i>	Net book value
Debt securities - no significant increase in credit risk (stage 1)	2,584,265	-	2,584,265
Total	2,584,265	-	2,584,265

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 2022 (Unaudited)

7 Insurance contract liabilities

	30 September 2022			31 December 2021		
	Liabilities under insurance contracts	Reinsurers' share of liabilities	Net	Liabilities under insurance contracts	Reinsurers' share of liabilities	Net
	<i>(in thousand Baht)</i>					
Short-term technical reserves						
Loss reserves and outstanding claims						
- Case reserves	2,813,821	(1,379,574)	1,434,247	2,390,323	(1,288,027)	1,102,296
- Incurred but not reported	1,010,738	(533,971)	476,767	854,462	(409,975)	444,487
Total loss reserves and outstanding claims	3,824,559	(1,913,545)	1,911,014	3,244,785	(1,698,002)	1,546,783
Unearned premium reserves	3,492,035	(899,037)	2,592,998	3,359,793	(710,109)	2,649,684
Total	7,316,594	(2,812,582)	4,504,012	6,604,578	(2,408,111)	4,196,467

7.1 Loss reserves and outstanding claims

At 1 January	3,244,785	(1,698,002)	1,546,783	4,981,541	(3,010,563)	1,970,978
Insurance claim expenses incurred during the period / year	2,678,075	(1,207,993)	1,470,082	1,767,815	(730,895)	1,036,920
Insurance claim expenses paid during the period / year	(2,254,576)	1,116,445	(1,138,131)	(3,571,991)	2,126,373	(1,445,618)
Change in estimation and assumption	156,275	(123,995)	32,280	67,420	(82,917)	(15,497)
At 30 September 2022 / 31 December 2021	3,824,559	(1,913,545)	1,911,014	3,244,785	(1,698,002)	1,546,783

7.2 Unearned premium reserves

At 1 January	3,359,793	(710,109)	2,649,684	3,225,186	(654,248)	2,570,938
Premiums written during the period / year	4,563,378	(1,348,156)	3,215,222	5,874,441	(1,503,101)	4,371,340
Earned premium in the period / year	(4,431,136)	1,159,228	(3,271,908)	(5,739,834)	1,447,240	(4,292,594)
At 30 September 2022 / 31 December 2021	3,492,035	(899,037)	2,592,998	3,359,793	(710,109)	2,649,684

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 2022 (Unaudited)

8 Reinsurance payables

	30 September 2022	31 December 2021
	<i>(in thousand Baht)</i>	
Amount withheld on reinsurance	207,336	132,726
Due to reinsurers	181,465	211,721
Total	388,801	344,447

9 Income tax expense

Income tax recognised in profit or loss

For the nine-month period ended 30 September

Current tax expense

	2022	2021
	<i>(in thousand Baht)</i>	
Current period	290,963	288,700
Over provided in prior year	-	(48)

Deferred tax expense

Movements in temporary differences	(44,507)	83,236
Total	246,456	371,888

Income tax recognised in other comprehensive income (loss)

Deferred tax expense

Loss on remeasurement of investments - fair value through other comprehensive income (loss)	124,770	25,186
Total	124,770	25,186

Reconciliation of effective tax rate

For the nine-month period ended 30 September

	2022	2021
	<i>(in thousand Baht)</i>	<i>(in thousand Baht)</i>
Profit before income tax	1,230,907	1,855,181
Income tax using the Thai corporation tax rate	20.0	20.0
Over provided in prior year	-	(48)
Expenses not deductible for tax purposes	-	668
Change in unrecognised temporary differences	-	232
Total	20.0	371,888

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Notes to the condensed interim financial statements
For the three-month and nine-month periods ended 30 September 2022 (Unaudited)

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 2022 and 2021 with key management and related parties were summarised as follows:

<i>For the nine-month period ended 30 September</i>	2022	2021
	<i>(in thousand Baht)</i>	
Revenues		
Other related parties		
Gross premiums written	146,363	151,305
Commission and brokerage income	11,540	12,423
Insurance claims expenses recovered from reinsurers	225,891	56,746
Expenses		
Other related parties		
Premiums ceded	215,265	189,504
Insurance claims expenses	39,706	90,152
Commission and brokerage expenses	280,961	294,354
Other operating expenses	82,421	93,588
Key management compensation		
Short-term and long-term benefits	9,762	11,121

Significant balances as at 30 September 2022 and 31 December 2021 with related parties were as follows:

	30 September 2022	31 December 2021
	<i>(in thousand Baht)</i>	
Premiums due and uncollected		
Other related parties	<u>24,169</u>	<u>31,505</u>
Reinsurance assets		
Reinsurance's share of liabilities		
Other related parties	<u>296,229</u>	<u>284,300</u>

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	30 September 2022 (in thousand Baht)	31 December 2021
<i>Reinsurance receivables</i>		
Due from reinsurers		
Other related parties	<u>89,162</u>	<u>49,227</u>
<i>Other assets</i>		
Other related parties	<u>10,444</u>	<u>10,645</u>
<i>Insurance contract liabilities</i>		
Loss reserves and outstanding claims		
Other related parties	<u>-</u>	<u>761</u>
Accrued loss adjustment expenses		
Other related parties	<u>967</u>	<u>1,486</u>
<i>Reinsurance payables</i>		
Due to reinsurers		
Other related parties	<u>18,719</u>	<u>70,407</u>
Amount withheld on reinsurance		
Other related parties	<u>4,801</u>	<u>1,958</u>
<i>Other liabilities</i>		
Commission payables		
Other related parties	<u>66,314</u>	<u>99,116</u>
Others		
Other related parties	<u>61,219</u>	<u>39,706</u>
Funds from Head Office	<u>13,593,146</u>	<u>13,593,146</u>
Head Office current account	<u>(137,992)</u>	<u>(88,619)</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.

Mitsui Sumitomo Insurance Company Limited Thailand Branch
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<i>At 30 September 2022</i>	<i>Note</i>	Fair value			Total
		Level 1	Level 2	Level 3	
			<i>(in thousand Baht)</i>		
<i>Financial assets</i>					
Investment in securities	6				
Government and state enterprise debt securities		-	13,096,822	-	13,096,822
Private debt securities		-	3,749,370	-	3,749,370
Unit trusts		-	636,035	-	636,035
Equity securities		6,386	-	18,269	24,655
Total		6,386	17,482,227	18,269	17,506,882

At 31 December 2021

<i>Financial assets</i>					
Investment in securities	6				
Government and state enterprise debt securities		-	11,510,853	-	11,510,853
Private debt securities		-	4,119,829	-	4,119,829
Unit trusts		-	793,989	-	793,989
Equity securities		6,330	-	11,501	17,831
Total		6,330	16,424,671	11,501	16,442,502

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 2022		31 December 2021	
	Book value	Face value	Book value	Face value
		(in thousand Baht)		
Time deposits at banks	14,000	14,000	14,000	14,000

- 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 2022		31 December 2021	
	Book value	Face value	Book value	Face value
		(in thousand Baht)		
Government bonds	1,847,575	1,843,000	1,437,558	1,420,000

13 Restricted and collateral assets

	30 September 2022	31 December 2021
	(in thousand Baht)	
<i>Deposits at banks - time deposits</i>		
To secure bank guarantee facilities issued by banks	196	196

14 Contingent liabilities

As at 30 September 2022, lawsuits have been brought against the Branch, in relation to insurance claims in the normal course of business totalling approximately Baht 1,383.2 million (*31 December 2021: Baht 1,374.0 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 Company's operations are expected to have significant impact on the Company'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. 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 Company 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 Company 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.

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