

Mitsui Sumitomo Insurance Company Limited
Thailand Branch

Condensed interim financial statements
for the three-month and six-month periods ended
30 June 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 June 2023; the statements of comprehensive income for the three-month and six-month periods ended 30 June 2023; the statements of changes in Head Office Account and cash flows for the six-month period ended 30 June 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
11 August 2023

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of financial position

		30 June	31 December
Assets	<i>Note</i>	2023	2022
		(Unaudited)	
		<i>(in thousand Baht)</i>	
Cash and cash equivalents	3	757,283	1,142,020
Premiums due and uncollected	4, 10	927,493	960,598
Accrued investment income		50,246	48,148
Reinsurance assets	7, 10	1,898,909	2,649,236
Reinsurance receivables	5, 10	170,206	171,190
Investments assets			
Investments in securities	6, 12, 13	21,342,081	19,860,334
Leasehold building improvement and equipment		13,455	15,126
Right-of-use assets		54,947	46,559
Intangible assets		16,437	18,981
Deferred tax assets		489,999	541,673
Other assets	10	<u>204,529</u>	<u>204,181</u>
Total assets		<u>25,925,585</u>	<u>25,658,046</u>

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

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of financial position

		30 June	31 December
Liabilities and Head Office Account	<i>Note</i>	2023	2022
		(Unaudited)	
		(in thousand Baht)	
<i>Liabilities</i>			
Insurance contract liabilities	7, 10	5,688,793	6,925,189
Reinsurance payables	8, 10	686,120	247,934
Corporate income tax payable		185,607	158,203
Employee benefit obligations		93,361	89,024
Lease liabilities		56,914	49,036
Other liabilities	10	389,820	433,602
Total liabilities		7,100,615	7,902,988
<i>Head Office Account</i>			
Funds from Head Office	10	13,593,146	13,593,146
Head Office current account	10	(111,724)	(130,777)
Retained earnings		5,567,162	4,384,860
Other components of Head Office Account		(223,614)	(92,171)
Total Head Office Account		18,824,970	17,755,058
Total liabilities and Head Office Account		25,925,585	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 June	
	2023	2022
	<i>(in thousand Baht)</i>	
<i>Revenues</i>		
Gross premiums written	1,717,174	2,100,310
<i>Less</i> premiums ceded	<u>(482,571)</u>	<u>(774,835)</u>
Net premiums written	1,234,603	1,325,475
Unearned premium reserve increased from previous period	(264,584)	(642,122)
<i>Add</i> reinsurers' share of unearned premium reserve increased from previous period	<u>102,763</u>	<u>407,660</u>
Net premiums earned	1,072,782	1,091,013
Commission and brokerage income	29,511	28,715
Net investment income	89,251	66,486
Loss on investments	(6,570)	(705)
Gain on foreign exchange rate	113	999
Other income	<u>-</u>	<u>(2)</u>
Total revenues	<u>1,185,087</u>	<u>1,186,506</u>
<i>Expenses</i>		
Insurance claims expenses	(359,788)	584,008
<i>Add (less)</i> insurance claims expenses recovered from reinsurers	<u>223,072</u>	<u>(147,841)</u>
Net insurance claims expenses	(136,716)	436,167
Commission and brokerage expenses	204,516	220,522
Other underwriting expenses	62,087	62,616
Operating expenses	71,149	60,092
Expected credit loss (reversal)	<u>102</u>	<u>(1,102)</u>
Total expenses	<u>201,138</u>	<u>778,295</u>
Profit before income tax	983,949	408,211
Income tax expense	<u>196,768</u>	<u>81,730</u>
Net profit	<u>787,181</u>	<u>326,481</u>

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Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of comprehensive income (Unaudited)

	Three-month period ended	
	30 June	
	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 loss	(144,405)	(355,992)
Income tax relating to components of other comprehensive income that will be reclassified subsequently to profit or loss	28,881	71,199
Other comprehensive income (loss) for the period, net of income tax	(115,524)	(284,793)
Total comprehensive income for the period	671,657	41,688

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

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of comprehensive income (Unaudited)

		Six-month period ended	
		30 June	
	<i>Note</i>	2023	2022
		<i>(in thousand Baht)</i>	
Revenues			
Gross premiums written	10	2,881,165	3,408,609
Less premiums ceded	10	<u>(693,283)</u>	<u>(1,067,197)</u>
Net premiums written		2,187,882	2,341,412
Unearned premium reserve (increased) decreased from previous period		34,130	(519,424)
Add (less) reinsurers' share of unearned premium reserve increased (decreased) from previous period		<u>(87,579)</u>	<u>337,796</u>
Net premiums earned		2,134,433	2,159,784
Commission and brokerage income	10	56,512	57,894
Net investment income		171,154	132,570
Gain (loss) on investments		(11,572)	50,739
Gain (loss) on foreign exchange rate		(604)	1,979
Other income		<u>502</u>	<u>454</u>
Total revenues		<u>2,350,425</u>	<u>2,403,420</u>
Expenses			
Insurance claims expenses	10	(92,332)	1,228,617
Add (less) insurance claims expenses recovered from reinsurers	10	<u>341,809</u>	<u>(305,041)</u>
Net insurance claims expenses		249,477	923,576
Commission and brokerage expenses	10	360,640	394,233
Other underwriting expenses		124,390	122,647
Operating expenses	10	137,988	126,122
Expected credit loss (reversal)		<u>81</u>	<u>(1,225)</u>
Total expenses		<u>872,576</u>	<u>1,565,353</u>
Profit before income tax		1,477,849	838,067
Income tax expense	9	<u>295,547</u>	<u>167,772</u>
Net profit		1,182,302	670,295

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

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of comprehensive income (Unaudited)

		Six-month period ended	
		30 June	
	<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)		(164,304)	(553,338)
Income tax relating to components of other comprehensive income that will be reclassified subsequently to profit or loss	9	<u>32,861</u>	<u>110,668</u>
Other comprehensive income (loss) for the period, net of income tax		<u>(131,443)</u>	<u>(442,670)</u>
Total comprehensive income for the period		1,050,859	227,625

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</u> investments measured at fair value through other comprehensive income (loss)	Total Head Office Account
			<i>(in thousand Baht)</i>		
Six-month period ended 30 June 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	-	-	670,295	-	670,295
Other comprehensive income (loss)	-	-	-	(442,670)	(442,670)
Total comprehensive income (loss) for the period	-	-	670,295	(442,670)	227,625
Head Office current account	-	(18,060)	-	-	(18,060)
Balance at 30 June 2022	13,593,146	(106,679)	3,581,423	(329,769)	16,738,121

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</u> investments measured at fair value through other comprehensive income (loss)	Total Head Office Account
			<i>(in thousand Baht)</i>		
Six-month period ended 30 June 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	-	-	1,182,302	-	1,182,302
Other comprehensive income (loss)	-	-	-	(131,443)	(131,443)
Total comprehensive income (loss) for the period	-	-	1,182,302	(131,443)	1,050,859
Head Office current account	-	19,053	-	-	19,053
Balance at 30 June 2023	13,593,146	(111,724)	5,567,162	(223,614)	18,824,970

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

Mitsui Sumitomo Insurance Company Limited Thailand Branch

Statement of cash flows (Unaudited)

		Six-month period ended 30 June	
	Note	2023	2022
		(in thousand Baht)	
Cash flows from operating activities			
Premium received		2,822,873	2,811,906
Cash received from reinsurers	16	74,724	353,590
Interest received		169,056	135,034
Other income		502	454
Insurance claims expenses		(1,085,819)	(1,473,187)
Commissions and brokerage expenses		(379,312)	(373,538)
Other underwriting expenses		(124,390)	(122,648)
Operating expenses	16	(119,317)	(36,030)
Income tax paid		(183,609)	(212,519)
Cash received - financial assets		7,675,904	6,710,955
Cash payment - financial assets		(9,233,607)	(7,690,157)
Net cash flows provided by (used in) operating activities		(382,995)	103,860
Cash flows from investing activities			
Cash flows provided by			
Proceeds from sale of leasehold building improvement and equipment		5	1
Cash provided by investing activities		5	1
Cash flows used in			
Purchase of leasehold building improvement and equipment		(1,230)	(156)
Purchase of intangible assets		-	(15,782)
Cash used in investing activities		(1,230)	(15,938)
Net cash flows used in investing activities		(1,225)	(15,937)
Cash flows from financing activities			
Payment of lease liabilities		(18,966)	(20,269)
Head Office current account	10	19,053	(18,060)
Net cash flows provided by (used in) financing activities		87	(38,329)
Net increase (decrease) in cash and cash equivalents		(384,133)	49,594
Cash and cash equivalents at beginning of period		1,142,020	964,790
Effect of exchange rate changes on balances held in foreign currencies		(604)	1,979
Cash and cash equivalents at ending of period	3	757,283	1,016,363

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 six-month periods ended 30 June 2023 (Unaudited)

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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 11 August 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 June 2023	31 December 2022
	<i>(in thousand Baht)</i>	
Cheque on hand	14,669	3,296
Deposits at banks - call deposits	373,221	558,752
Deposits at banks - time deposits	-	500,000
Highly liquid short - term investments	369,393	79,972
Total	757,283	1,142,020

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

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

	30 June 2023	31 December 2022
	<i>(in thousand Baht)</i>	
Within credit terms	628,257	797,489
Overdue:		
Not over 30 days	77,287	132,183
31 - 60 days	118,557	21,243
61 - 90 days	3,862	2,854
91 days - 1 year	99,483	6,830
Over 1 year	47	(1)
Total	927,493	960,598

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 June 2023	31 December 2022
	<i>(in thousand Baht)</i>	
Due from reinsurers	170,206	171,190
Total	170,206	171,190

Mitsui Sumitomo Insurance Company Limited Thailand Branch
Notes to the condensed interim financial statements
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6 Investments in securities

6.1 Investment in securities by measurement are as follows:

	30 June 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	14,674,050	14,421,851	13,341,749	13,202,247
Private debt securities	3,579,271	3,526,911	3,745,471	3,711,906
Unit trusts	410,528	411,437	340,528	373,966
Equity securities	7,492	27,617	7,492	27,950
Total	18,671,341	18,387,816	17,435,240	17,316,069
Less unrealised loss	(280,093)	-	(115,739)	-
Less allowance for impairment loss	(3,432)	-	(3,432)	-
Total investment measured at fair value through other comprehensive income (loss)	18,387,816	18,387,816	17,316,069	17,316,069
Allowance for expected credit loss	612	-	531	-
Investment measured at amortised cost				
Deposits at banks with original maturities over 3 months	2,954,265	2,954,265	2,544,265	2,544,265
Total investment measured at amortised cost	2,954,265	2,954,265	2,544,265	2,544,265
Total investment in securities	21,342,081	21,342,081	19,860,334	19,860,334

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

	30 June 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)	17,948,762	612	16,914,153	531
Debt securities - unit trusts	411,437	-	373,966	-
Equity securities	27,617	3,432	27,950	3,432
Total	18,387,816	4,044	17,316,069	3,963

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6.3 Investment measured at amortised cost

	Book value	30 June 2023 Allowance for expected credit loss <i>(in thousand Baht)</i>	Net book value
Debt securities - no significant increase in credit risk (stage 1)	2,954,265	-	2,954,265
Total	2,954,265	-	2,954,265

	Book value	31 December 2022 Allowance for expected credit loss <i>(in thousand Baht)</i>	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

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7 Insurance contract liabilities

	30 June 2023			31 December 2022		
	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	1,461,628	(795,285)	666,343	2,502,600	(1,377,723)	1,124,877
- Incurred but not reported	809,827	(414,044)	395,783	971,121	(494,354)	476,767
Total loss reserves and outstanding claims	2,271,455	(1,209,329)	1,062,126	3,473,721	(1,872,077)	1,601,644
Unearned premium reserves	3,417,338	(689,580)	2,727,758	3,451,468	(777,159)	2,674,309
Total	5,688,793	(1,898,909)	3,789,884	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	22,559	261,499	284,058	2,944,163	(1,328,065)	1,616,098
Insurance claim expenses paid during the period / year	(1,063,531)	320,939	(742,592)	(2,831,885)	1,238,369	(1,593,516)
Change in estimation and assumption	(161,294)	80,310	(80,984)	116,658	(84,379)	32,279
At 30 June 2023 / 31 December 2022	2,271,455	(1,209,329)	1,062,126	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	2,881,165	(693,283)	2,187,882	6,167,563	(1,764,334)	4,403,229
Earned premium in the period / year	(2,915,295)	780,862	(2,134,433)	(6,075,888)	1,697,284	(4,378,604)
At 30 June 2023 / 31 December 2022	3,417,338	(689,580)	2,727,758	3,451,468	(777,159)	2,674,309

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8 Reinsurance payables

	30 June 2023	31 December 2022
	<i>(in thousand Baht)</i>	
Amount withheld on reinsurance	100,043	99,812
Due to reinsurers	586,077	148,122
Total	686,120	247,934

9 Income tax expense

<i>For the six-month period ended 30 June</i>	2023	2022
	<i>(in thousand Baht)</i>	
Current tax expense		
Current period	211,013	238,154
Deferred tax expense		
Movements in temporary differences	84,534	(70,382)
Total	295,547	167,772

Income tax recognised in other comprehensive income (loss)

<i>For the six-month period ended 30 June</i>	2023	2022
	<i>(in thousand Baht)</i>	
Deferred tax expense		
Loss on remeasurement of investments - fair value through other comprehensive income (loss)	32,861	110,668
Total	32,861	110,668

Reconciliation of effective tax rate

<i>For the six-month period ended 30 June</i>	2023		2022	
		<i>(in thousand Baht)</i>		<i>(in thousand Baht)</i>
Profit before income tax	Rate (%)	1,477,849	Rate (%)	838,067
Income tax using the Thai corporation tax rate	20.0	295,570	20.0	167,613
Expenses not deductible for tax purposes	-	(23)	-	159
Total	20.0	295,547	20.0	167,772

Mitsui Sumitomo Insurance Company Limited Thailand Branch
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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 six-month period ended 30 June 2023 and 2022 with key management and related parties were summarised as follows:

<i>For the six-month period ended 30 June</i>	2023	2022
	<i>(in thousand Baht)</i>	
<i>Revenues</i>		
Other related parties		
Gross premiums written	59,713	107,974
Commission and brokerage income	8,690	8,975
Insurance claims expenses recovered from reinsurers (reversal)	(49,428)	45,859
<i>Expenses</i>		
Other related parties		
Premiums ceded	108,923	182,445
Insurance claims expenses	32,188	23,889
Commission and brokerage expenses	188,048	214,363
Other operating expenses	65,857	54,786
<i>Key management compensation</i>		
Short-term and long-term benefits	5,354	8,368

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

	30 June 2023	31 December 2022
	<i>(in thousand Baht)</i>	
<i>Premiums due and uncollected</i>		
Other related parties	<u>37,424</u>	<u>26,814</u>
<i>Reinsurance assets</i>		
Reinsurance's share of liabilities		
Other related parties	<u>189,637</u>	<u>301,013</u>

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	30 June 2023	31 December 2022
	<i>(in thousand Baht)</i>	
<i>Reinsurance receivables</i>		
Due from reinsurers		
Other related parties	<u>11,577</u>	<u>44,702</u>
<i>Other assets</i>		
Other related parties	<u>8,645</u>	<u>9,936</u>
<i>Insurance contract liabilities</i>		
Loss reserves and outstanding claims		
Other related parties	<u>13</u>	<u>15</u>
Accrued loss adjustment expenses		
Other related parties	<u>447</u>	<u>602</u>
<i>Reinsurance payables</i>		
Due to reinsurers		
Other related parties	<u>97,567</u>	<u>28,996</u>
Amount withheld on reinsurance		
Other related parties	<u>3,313</u>	<u>3,305</u>
<i>Other liabilities</i>		
Commission payables		
Other related parties	<u>81,678</u>	<u>97,237</u>
Others		
Other related parties	<u>40,728</u>	<u>36,205</u>
Funds from Head Office	<u>13,593,146</u>	<u>13,593,146</u>
Head Office current account	<u>(111,724)</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 June 2023</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		-	14,421,851	-	14,421,851
Private debt securities		-	3,526,911	-	3,526,911
Unit trusts		-	411,437	-	411,437
Equity securities		5,164	-	22,453	27,617
Total		5,164	18,360,199	22,453	18,387,816

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 June 2023		31 December 2022	
	Book value	Face value (in thousand Baht)	Book value	Face value
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 June 2023		31 December 2022	
	Book value	Face value (in thousand Baht)	Book value	Face value
Government bonds	<u>1,890,345</u>	<u>1,843,000</u>	<u>1,926,869</u>	<u>1,843,000</u>

13 Restricted and collateral assets

	30 June 2023	31 December 2022
	(in thousand Baht)	
<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 June 2023, lawsuits have been brought against the Branch, in relation to insurance claims in the normal course of business totalling approximately Baht 206.8 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 six-month period ended 30 June 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 six-month period ended 30 June

	Before reclassification	2022 Reclassification (in thousand baht)	After reclassification
<i>Statement of cash flows</i>			
<i>Cash flows from operating activities</i>			
Cash received from reinsurers	377,174	(23,584)	353,590
Operating expenses	(59,614)	23,584	(36,030)
		<u>-</u>	

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