

MSIG Insurance (Thailand) Public Company Limited

Condensed interim financial statements
for the three-month and six-month periods ended
30 June 2019
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 kpmg.com/th

บริษัท เคพีเอ็มจี ภูมิภาค ไทย สอบบัญชี จำกัด
ชั้น 50 เอ็มไพร์ทาวเวอร์
1 ถนนสาทรใต้ แขวงยานนาวา
เขตสาทร กรุงเทพฯ 10120
โทร +66 2677 2000
แฟกซ์ +66 2677 2222
เว็บไซต์ kpmg.com/th

Independent auditor's report on review of interim financial information

To the Board of Directors of MSIG Insurance (Thailand) Public Company Limited

I have reviewed the accompanying statement of financial position of MSIG Insurance (Thailand) Public Company Limited as at 30 June 2019; the statement of comprehensive income for the three-month and six-month periods ended 30 June 2019; the statements of changes in equity and cash flows for the six-month period ended 30 June 2019, 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
13 August 2019

MSIG Insurance (Thailand) Public Company Limited

Statement of financial position

Assets	Note	30 June	31 December
		2019	2018
		(Unaudited)	
		(in thousand Baht)	
Cash and cash equivalents	3, 13	143,519	311,329
Premiums due and uncollected	4	637,666	696,002
Accrued investment income		10,257	10,241
Reinsurance assets	6, 10	542,726	632,466
Reinsurance receivables		100,398	59,889
Investments assets			
Investments in securities	5, 12, 13	2,759,671	2,711,215
Premises and equipment		274,157	283,510
Intangible assets		39,019	29,790
Deferred acquisition costs		532,630	526,868
Deferred tax assets		249,033	241,643
Other assets	10	78,580	67,085
Total assets		5,367,656	5,570,038



บมจ. เอ็ม เอส ไอ จี ประกันภัย (ประเทศไทย)
MSIG Insurance (Thailand) Public Company Limited

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

MSIG Insurance (Thailand) Public Company Limited

Statement of financial position

Liabilities and equity	Note	30 June	31 December
		2019	2018
		(Unaudited)	
		(in thousand Baht)	
Liabilities			
Insurance contract liabilities	6	3,083,484	3,118,376
Reinsurance payables	10	291,854	325,165
Income tax payable		761	24,292
Employee benefit obligations		273,913	237,086
Other liabilities	10	301,374	404,515
Total liabilities		3,951,386	4,109,434
Equity			
Share capital			
Authorized share capital		142,666	142,666
Issued and paid-up share capital		142,666	142,666
Share premium on ordinary shares		146,069	146,069
Retained earnings			
Appropriated			
Legal reserve		14,266	14,266
Unappropriated		1,089,750	1,167,098
Other components of shareholders' equity	5	23,519	(9,495)
Total equity		1,416,270	1,460,604
Total liabilities and equity		5,367,656	5,570,038

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

MSIG Insurance (Thailand) Public Company Limited

Statement of comprehensive income (Unaudited)

		Three-month period ended 30 June	
	Note	2019	2018
		<i>(in thousand Baht)</i>	
Revenues			
Gross premiums written		932,136	918,391
Less premiums ceded	10	(141,058)	(144,500)
Net premiums written		791,078	773,891
Unearned premium reserve decreased from previous period		64,088	53,434
Less reinsurers' share of unearned premium reserve decreased from previous period		(6,995)	(7,514)
Net premium earned		848,171	819,811
Commission and brokerage income	10	50,933	36,220
Net investment income		13,738	11,202
Gain (loss) on investments		1,075	(895)
Other income	10	1,875	169
Total revenues		915,792	866,507
Expenses			
Insurance claim expenses		490,181	737,272
Less insurance claims expenses recovered from reinsurers		(25,811)	(327,604)
Net insurance claims expenses		464,370	409,668
Commission and brokerage expenses		157,968	151,954
Other underwriting expenses		158,835	135,326
Operating expenses	10	146,269	165,465
Total expenses		927,442	862,413
Profit (loss) before income tax		(11,650)	4,094
Income tax benefit	7	(8,833)	(254)
Net profit (loss)		(2,817)	4,348
Other comprehensive income (loss)			
<i>Components of other comprehensive income (loss) that will be reclassified subsequently to profit or loss</i>			
Net changes in fair value of available-for-sale securities		24,774	(30,116)
Income tax relating to components of other comprehensive income (loss) that will be reclassified subsequently to profit or loss		(4,955)	6,023
Total components of other comprehensive income (loss) that will be reclassified subsequently to profit or loss		19,819	(24,093)
<i>Components of other comprehensive income (loss) that will not be reclassified subsequently to profit or loss</i>			
Actuarial gains on defined employee benefit plans		4,287	-
Income tax relating to components of other comprehensive income (loss) that will not be reclassified subsequently to profit or loss		(857)	-
Total components of other comprehensive income (loss) that will not be reclassified subsequently to profit or loss		3,430	-
Other comprehensive income (loss) for the period, net of income tax		23,249	(24,093)
Total comprehensive income (loss) for the period		20,432	(19,745)
Basic earnings (loss) per share (in Baht)	8	(1.97)	3.05

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

MSIG Insurance (Thailand) Public Company Limited

Statement of comprehensive income (Unaudited)

		Six-month period ended 30 June	
	Note	2019	2018
		<i>(in thousand Baht)</i>	
Revenues			
Gross premiums written		1,971,096	1,974,818
Less premiums ceded	10	<u>(319,337)</u>	<u>(343,683)</u>
Net premiums written		1,651,759	1,631,135
Unearned premium reserve increased from previous period		(26,436)	(70,356)
Less reinsurers' share of unearned premium reserve increased from previous period		<u>29,007</u>	<u>44,559</u>
Net premium earned		1,654,330	1,605,338
Commission and brokerage income	10	84,342	67,131
Net investment income		25,079	20,878
Gain (loss) on investments		(6,890)	641
Other income	10	<u>3,341</u>	<u>2,472</u>
Total revenues		<u>1,760,202</u>	<u>1,696,460</u>
Expenses			
Insurance claim expenses		1,034,807	1,211,828
Less insurance claims expenses recovered from reinsurers		<u>(110,223)</u>	<u>(354,226)</u>
Net insurance claims expenses		924,584	857,602
Commission and brokerage expenses		283,500	282,320
Other underwriting expenses		304,902	266,891
Operating expenses	10	<u>277,008</u>	<u>287,268</u>
Total expenses		<u>1,789,994</u>	<u>1,694,081</u>
Profit (loss) before income tax		<u>(29,792)</u>	<u>2,379</u>
Income tax benefit	7	<u>(13,214)</u>	<u>(1,587)</u>
Net profit (loss)		<u>(16,578)</u>	<u>3,966</u>
Other comprehensive income (loss)			
<i>Components of other comprehensive income (loss) that will be reclassified subsequently to profit or loss</i>			
Net changes in fair value of available-for-sale securities		41,268	(35,239)
Income tax relating to components of other comprehensive income (loss) that will be reclassified subsequently to profit or loss		<u>(8,254)</u>	<u>7,048</u>
Total components of other comprehensive income (loss) that will be reclassified subsequently to profit or loss		<u>33,014</u>	<u>(28,191)</u>
<i>Components of other comprehensive income (loss) that will not be reclassified subsequently to profit or loss</i>			
Actuarial gains on defined employee benefit plans		4,287	-
Income tax relating to components of other comprehensive income (loss) that will not be reclassified subsequently to profit or loss		<u>(857)</u>	<u>-</u>
Total components of other comprehensive income (loss) that will not be reclassified subsequently to profit or loss		<u>3,430</u>	<u>-</u>
Other comprehensive income (loss) for the period, net income tax		<u>36,444</u>	<u>(28,191)</u>
Total comprehensive income (loss) for the period		<u>19,866</u>	<u>(24,225)</u>
Basic earnings (loss) per share (in Baht)	8	<u>(11.62)</u>	<u>2.78</u>

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

MSIG Insurance (Thailand) Public Company Limited

Statement of changes in equity (Unaudited)

			Retained earnings		Other components of equity	
	Issued and paid-up share capital	Share premium on ordinary shares	Legal reserve	Unappropriated	Net changes in fair value of available-for-sale securities	Total equity
<i>Note</i>						
	<i>(in thousand Baht)</i>					
Six-month period ended 30 June 2018						
Balance at 1 January 2018	142,666	146,069	14,266	1,109,998	21,695	1,434,694
Transactions with shareholders, recorded directly in equity						
<i>Distributions to shareholders of the Company</i>						
Dividends	9	-	-	(57,066)	-	(57,066)
<i>Total distributions to shareholders of the Company</i>		-	-	(57,066)	-	(57,066)
Comprehensive income (loss) for the period						
Net profit		-	-	3,966	-	3,966
Other comprehensive income (loss)		-	-	-	(28,191)	(28,191)
Total comprehensive income (loss) for the period		-	-	3,966	(28,191)	(24,225)
Balance at 30 June 2018	142,666	146,069	14,266	1,056,898	(6,496)	1,353,403

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

MSIG Insurance (Thailand) Public Company Limited

Statement of changes in equity (Unaudited)

			<u>Retained earnings</u>		<u>Other components</u>		
					<u>of equity</u>		
	<i>Note</i>	Issued and paid-up share capital	Share premium on ordinary shares	Legal reserve	Unappropriated	Net changes in fair value of available-for-sale securities	Total equity
Six-month period ended 30 June 2019							
Balance at 1 January 2019		142,666	146,069	14,266	1,167,098	(9,495)	1,460,604
Transactions with shareholders, recorded directly in equity							
<i>Distributions to shareholders of the Company</i>							
Dividends	9	-	-	-	(64,200)	-	(64,200)
<i>Total distributions to shareholders of the Company</i>		-	-	-	(64,200)	-	(64,200)
Comprehensive income (loss) for the period							
Net loss		-	-	-	(16,578)	-	(16,578)
Other comprehensive income (loss)		-	-	-	3,430	33,014	36,444
Total comprehensive income (loss) for the period		-	-	-	(13,148)	33,014	19,866
Balance at 30 June 2019		142,666	146,069	14,266	1,089,750	23,519	1,416,270

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

MSIG Insurance (Thailand) Public Company Limited

Statement of cash flows (Unaudited)

	Note	Six-month period ended	
		30 June	
		2019	2018
		<i>(in thousand Baht)</i>	
<i>Cash flows from operating activities</i>			
Premium received		2,028,980	1,963,785
Cash paid to reinsurers		(71,285)	(71,142)
Interest received		21,322	18,091
Dividend received		2,532	2,903
Other income		3,360	2,491
Insurance claims expenses		(1,097,436)	(1,042,884)
Commission and brokerage expenses		(313,796)	(250,677)
Other underwriting expenses		(319,379)	(284,750)
Operating expenses		(310,489)	(259,463)
Income tax paid		(26,818)	(14,406)
Investments in securities		(32,869)	(20,782)
Deposits at financial institutions		20,000	(6,000)
Net cash flows provided by (used in) operating activities		<u>(95,878)</u>	<u>37,166</u>
<i>Cash flows from investing activities</i>			
Cash flows provided by			
Proceeds from sale of equipment		4	25
Cash flows provided by investing activities		<u>4</u>	<u>25</u>
Cash flows used in			
Purchase of building improvement and equipment		(7,736)	(1,387)
Cash used in investing activities		<u>(7,736)</u>	<u>(1,387)</u>
Net cash flows used in investing activities		<u>(7,732)</u>	<u>(1,362)</u>
<i>Cash flows from financing activities</i>			
Dividend paid		(64,200)	(57,066)
Net cash flows used in financing activities		<u>(64,200)</u>	<u>(57,066)</u>
Net decrease in cash and cash equivalents		(167,810)	(21,262)
Cash and cash equivalents at beginning of period		311,329	179,912
Cash and cash equivalents at ending of period	3	<u>143,519</u>	<u>158,650</u>

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

MSIG Insurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
For the three-month and six-month periods ended 30 June 2019 (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 Company's Board of Directors on 13 August 2019.

1 General information

The principal business of the Company is the operation of non-life insurance.

2 Basis of preparation of the interim financial statements

(a) Statement of compliance

The condensed interim primary 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 statements") in accordance with Thai Accounting Standard ("TAS") No. 34 (revised 2018) *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. 2559 dated 4 March 2016.

The interim financial statements are prepared to provide an update on the financial statements for the year ended 31 December 2018. They do not include all of the financial information required for full annual financial statements but focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these interim financial statements should be read in conjunction with the financial statements of the Company for the year ended 31 December 2018.

(b) Use of judgements, estimates and accounting policies

In preparing these interim financial statements, judgements and estimates are made by management in applying the Company'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 applied to the financial statements for the year ended 31 December 2018, except for revenue recognition which requires additional judgement in determining the timing of the transfer of control - at a point in time or over time - according to the requirements of TFRS 15 *Revenue from Contracts with Customers* ("TFRS 15") which the Company has initially adopted to replace TAS 18 *Revenue* ("TAS 18"), related interpretations, and TFRS 4 (revised 2018) *Insurance Contract*.

MSIG Insurance (Thailand) Public Company Limited
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TFRS 15 Revenue from Contracts with Customers

Under TFRS 15, the Company recognises revenue when a customer obtains control of the goods or services in an amount that reflects the consideration to which the Company expects to be entitled to. In addition, judgement is required in determining the timing of the transfer of control for revenue recognition - at a point in time or over time. Whereas, under TAS 18, the Company recognises revenue from sale of goods when the significant risks and rewards of ownership of the goods have been transferred to the buyer, and recognises revenue from rendering of services by reference to the stage of completion of the transaction at the end of the reporting period. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due. Such changes in accounting policies have no material impacts on the financial statements.

TFRS 4 (revised 2018) Insurance Contracts

Since the adoption of TFRS 9 and other relevant Financial Instruments Standards will become effective on or after 1 January 2020 while TFRS 17 Insurance Contracts is currently not yet effective and expected to become effective on or after 1 January 2022, may cause accounting mismatch concerns.

TFRS 4 (revised 2018), therefore, permits the insurers that meet the specified criteria of TFRS 4 to choose to temporarily apply TFAC Accounting Guidelines: Financial Instruments and Disclosure for Insurance Business instead of adopting TFRS 9 and other relevant Financial Instruments standards until TFRS 17 becomes effective in Thailand.

For a number of new and revised TFRS which are not yet effective for current period, the Company has not early adopted these standards in preparing these interim financial statements before the effective date. Those new and revised TFRS that are relevant to the Company's operations are disclosed in note 16.

3 Cash and cash equivalents

	30 June 2019	31 December 2018
	<i>(in thousand Baht)</i>	
Cash on hand	472	472
Deposits at banks - call deposits	113,049	106,037
Highly liquid short-term investments	29,998	204,820
Total	143,519	311,329

MSIG Insurance (Thailand) Public Company Limited
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4 Premiums due and uncollected

As at 30 June 2019 and 31 December 2018, the aging analyses for premiums due and uncollected were as follows:

	30 June 2019	31 December 2018
	<i>(in thousand Baht)</i>	
Within credit terms	529,723	584,837
Overdue:		
Not over than 30 days	60,914	47,982
31 - 60 days	20,644	42,181
61 - 90 days	12,126	9,039
91 days - 1 year	15,501	12,760
Over 1 year	673	1,396
Total	<u>639,581</u>	<u>698,195</u>
Less allowance for doubtful accounts	<u>(1,915)</u>	<u>(2,193)</u>
Net	<u>637,666</u>	<u>696,002</u>

	30 June 2019	30 June 2018
	<i>(in thousand Baht)</i>	
Doubtful accounts (reversal) for the period ended	<u>(278)</u>	<u>677</u>

The normal credit term of insured and agents and brokers granted by the Company is not over 60 days.

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

5 Investments in securities

5.1 Types of investments in securities

	30 June 2019		31 December 2018	
	Cost / Amortised cost	Fair value	Cost / Amortised cost	Fair value
	<i>(in thousand Baht)</i>			
<i>Available-for-sale securities</i>				
Government and state				
enterprise debt securities	1,802,219	1,816,805	1,936,116	1,939,861
Private debt securities	645,876	654,094	474,995	475,553
Equity securities	151,319	160,154	163,119	149,406
Unit trusts	6,000	3,758	4,000	1,535
Total	<u>2,605,414</u>	<u>2,634,811</u>	<u>2,578,230</u>	<u>2,566,355</u>
Add unrealised gains (losses) on fair value changes of available-for-sale securities	29,397	-	(11,875)	-
Total available-for-sale securities	<u>2,634,811</u>	<u>2,634,811</u>	<u>2,566,355</u>	<u>2,566,355</u>

MSIG Insurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
For the three-month and six-month periods ended 30 June 2019 (Unaudited)

	30 June 2019		31 December 2018	
	Cost / Amortised cost	Fair value <i>(in thousand Baht)</i>	Cost / Amortised cost	Fair value
<i>Held-to-maturity securities</i>				
Deposits at banks with original maturities over 3 months	<u>122,793</u>	<u>122,793</u>	<u>142,793</u>	<u>142,793</u>
Total held-to-maturity securities	<u>122,793</u>	<u>122,793</u>	<u>142,793</u>	<u>142,793</u>
<i>General investments</i>				
Equity securities	2,237		2,237	
Less allowance for impairment	<u>(170)</u>		<u>(170)</u>	
Total general investments, net	<u>2,067</u>		<u>2,067</u>	
Total investments in securities	<u>2,759,671</u>		<u>2,711,215</u>	

5.2 Net changes in fair value of available-for-sale securities

	30 June 2019	31 December 2018
	<i>(in thousand Baht)</i>	
Net changes in fair value of available-for-sale securities	29,399	(11,869)
Add (Less) deferred tax assets (liabilities)	<u>(5,880)</u>	<u>2,374</u>
Net	<u>23,519</u>	<u>(9,495)</u>

MSIG Insurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
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6 Insurance contract liabilities

	30 June 2019			31 December 2018		
	Liabilities under insurance contracts	Reinsurers' share liabilities	Net (in thousand Baht)	Liabilities under insurance contracts	Reinsurers' share liabilities	Net
Short-term technical reserves						
Loss reserves and outstanding claims						
- Case reserves	1,068,718	(308,016)	760,702	1,149,987	(438,031)	711,956
- Incurred but not reported	131,270	(41,306)	89,964	111,329	(30,038)	81,291
Total loss reserves and outstanding claims	1,199,988	(349,322)	850,666	1,261,316	(468,069)	793,247
Unearned premium reserves	1,883,496	(193,404)	1,690,092	1,857,060	(164,397)	1,692,663
Total	3,083,484	(542,726)	2,540,758	3,118,376	(632,466)	2,485,910
6.1 Loss reserves and outstanding claims						
At 1 January	1,261,316	(468,069)	793,247	1,194,042	(377,310)	816,732
Insurance claim expenses incurred during the period/year	949,776	(98,955)	850,821	1,837,469	(371,123)	1,466,346
Insurance claim expenses paid during the period/year	(1,031,045)	228,970	(802,075)	(1,819,793)	283,537	(1,536,256)
Change in estimation and assumption	19,941	(11,268)	8,673	49,598	(3,173)	46,425
At 30 June 2019 / 31 December 2018	1,199,988	(349,322)	850,666	1,261,316	(468,069)	793,247
6.2 Unearned premium reserves						
At 1 January	1,857,060	(164,397)	1,692,663	1,748,631	(150,072)	1,598,559
Premium written during the period/year	1,971,096	(319,337)	1,651,759	3,974,436	(622,663)	3,351,773
Earned premium in the period/year	(1,944,660)	290,330	(1,654,330)	(3,866,007)	608,338	(3,257,669)
At 30 June 2019 / 31 December 2018	1,883,496	(193,404)	1,690,092	1,857,060	(164,397)	1,692,663

MSIG Insurance (Thailand) Public Company Limited
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7 Income tax benefit

Income tax recognised in profit or loss

	Three-month period ended 30 June		Six-month period ended 30 June	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Current tax expense				
Current period	(5,374)	(1,994)	8,202	12,243
Over provided in prior year	(4,915)	-	(4,915)	-
Deferred tax expenses				
Movements in temporary differences	1,456	1,740	(16,501)	(13,830)
Total	(8,833)	(254)	(13,214)	(1,587)
Income tax recognised in other comprehensive income				
Net changes in fair value of available-for-sale securities	(4,955)	6,023	(8,254)	7,048
Actuarial gains on defined employee benefit plan	(857)	-	(857)	-
Total	(5,812)	6,023	(9,111)	7,048

Reconciliation of effective tax rate

	Three-month period ended 30 June				Six-month period ended 30 June			
	2019		2018		2019		2018	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Profit (loss) before income tax		(11,650)		4,094		(29,792)		2,379
Income tax using the Thai corporation tax rate	20.0	(2,330)	20.0	819	20.0	(5,958)	20.0	476
Over provided in prior year	42.2	(4,915)	-	-	16.5	(4,915)	-	-
Income not subject to tax	1.4	(166)	(3.6)	(150)	0.8	(228)	(7.2)	(171)
Additional deductible expenses for tax purpose	6.8	(787)	(25.1)	(1,027)	5.3	(1,575)	(88.1)	(2,096)
Expenses not deductible for tax purposes	5.4	(635)	2.5	104	1.8	(538)	8.6	204
Total	75.8	(8,833)	(6.2)	(254)	44.4	(13,214)	(66.7)	(1,587)

MSIG Insurance (Thailand) Public Company Limited
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8 Basic earnings (loss) per share

The calculations of basic earnings (loss) per share for the three-month and six-month periods ended 30 June 2019 and 2018 were based on the profit (loss) for the periods attributable to ordinary shareholders of the Company and the number of ordinary shares outstanding during the periods as follows:

	Three-month period ended 30 June		Six-month period ended 30 June	
	2019	2018	2019	2018
	<i>(in thousand Baht / share)</i>			
Profit (loss) attributable to ordinary shareholders of the Company (basic)	<u>(2,817)</u>	<u>4,348</u>	<u>(16,578)</u>	<u>3,966</u>
Number of ordinary shares outstanding	<u>1,426,662</u>	<u>1,426,662</u>	<u>1,426,662</u>	<u>1,426,662</u>
Earnings (loss) per share (basic) (in Baht)	<u>(1.97)</u>	<u>3.05</u>	<u>(11.62)</u>	<u>2.78</u>

9 Dividends

The dividends paid by the Company to the shareholders are as follows:

	Approval date	Payment schedule	Dividends rate per share (Baht)	Amount (in million Baht)
2019				
Annual dividend	23 April 2019	May 2019	<u>45</u>	<u>64</u>
2018				
Annual dividend	24 April 2018	May 2018	<u>40</u>	<u>57</u>

10 Related parties

The Company do not have material changing 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
Premiums ceded	Normal commercial terms for reinsurance depending on type of insurance and reinsurance contract
Commission and brokerage income	As stated in the agreement upon normal commercial terms for business operations
Service income	As stated in the agreement upon normal commercial terms for business operations
Insurance claims expenses recovered from reinsurers	Actual indemnity but not exceed as stated in the agreement upon normal commercial terms for business operations
Marketing and management support services agreement fee	Actual cost

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Significant transactions for the three-month and six-month periods ended 30 June 2019 and 2018 with key management and related parties were summarised as follows:

	Three-month period ended 30 June		Six-month period ended 30 June	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Revenue				
Other related parties				
Commission and brokerage income	5,447	5,191	13,127	12,868
Service income	67	-	67	-
Expenses				
Other related parties				
Premiums ceded	24,795	25,884	59,684	62,148
Insurance claims expenses recovered from (transferred to) reinsurers	(4,499)	205,971	(5,303)	210,254
Marketing and management support services agreement fee	9,997	9,047	19,933	17,966
Key management and director compensation				
Directors' remuneration	856	834	1,807	1,791
Short-term benefits	23,396	17,202	40,242	31,900
Post-employment benefit	2,986	1,726	4,679	3,949
Total	<u>27,238</u>	<u>19,762</u>	<u>46,728</u>	<u>37,640</u>
Dividends				
Major shareholders				
Dividend paid	55,481	49,317	55,481	49,317

Significant balances as at 30 June 2019 and 31 December 2018 with related parties were as follows:

	30 June 2019	31 December 2018
	<i>(in thousand Baht)</i>	
Reinsurance assets		
Insurance claims expenses recovered from reinsurers		
Other related parties	<u>73,867</u>	<u>193,941</u>
Other assets		
Other receivables		
Other related parties	<u>67</u>	<u>5,250</u>
Reinsurance payable		
Due to reinsurers		
Other related parties	<u>71,592</u>	<u>111,770</u>
Other liabilities		
Payables to related parties		
Other related parties	<u>2,240</u>	<u>2,996</u>

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11 Fair value of financial assets and liabilities

11.1 Financial assets measured at fair value

	Fair value			Total
	Level 1	Level 2	Level 3	
	<i>(in thousand Baht)</i>			
30 June 2019				
Financial assets				
<i>Available-for-sale securities</i>				
Government and state enterprise debt securities	-	1,816,805	-	1,816,805
Private debt securities	-	654,094	-	654,094
Equity securities	158,569	1,585	-	160,154
Unit trusts	-	3,758	-	3,758
Total	158,569	2,476,242	-	2,634,811

	Fair value			Total
	Level 1	Level 2	Level 3	
	<i>(in thousand Baht)</i>			
31 December 2018				
Financial assets				
<i>Available-for-sale securities</i>				
Government and state enterprise debt securities	-	1,939,861	-	1,939,861
Private debt securities	-	475,553	-	475,553
Equity securities	146,445	2,961	-	149,406
Unit trusts	-	1,535	-	1,535
Total	146,445	2,419,910	-	2,566,355

Fair value hierarchy

The table above analyses recurring fair value measurements for financial assets and liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable movement date (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability are 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 Company determines Level 1 fair values of investment in market equity which are in SET 100 by using the last bidding at the reporting date.

The Company determines Level 2 fair values for debt securities classified as held-to-maturity and available for sale by reference price provided by the Thai Bond Market Association, unit trusts using net asset value (NAV) provided by asset management companies at the reporting date. For market equity which are not in SET 100, the fair value is based on last bidding price from SET at the reporting date.

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The Company recognises transfers between levels of the fair value hierarchy as of the end of reporting period.

Transfer between Level 1 and 2

At 30 June 2019, the Company did not have available-for-sale equity securities (31 December 2018: Baht 2.0 million) that were transferred from Level 1 to Level 2. Available-for-sale equity securities with a carrying amount of Baht 1.5 million (31 December 2018: nil) that were transferred from Level 2 to Level 1 by reference to the fair value from intermediate.

11.2 Financial assets and liabilities not measured at fair value

The fair value of significant financial assets not measured at fair value: cash and cash equivalents, accrued investment income, premiums receivable, reinsurance assets, reinsurance receivables, other receivables, reinsurance payable, outstanding claim and other payable did not have significant difference with carrying value as shown in the statement of financial position as at 30 June 2019 and 31 December 2018.

12 Securities and assets pledged with the Registrar

12.1 As at 30 June 2019 and 31 December 2018, the Company's investments in deposit at bank and government bonds were pledged with the Registrar in accordance with the Non-Life Insurance Act No. 2 B.E. 2551 as follows:

	30 June 2019		31 December 2018	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
Government and Bank of Thailand bonds	<u>14,978</u>	<u>15,000</u>	<u>14,958</u>	<u>15,000</u>

12.2 As at 30 June 2019 and 31 December 2018, the Company's investments in debt securities and deposit at banks 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 2019		31 December 2018	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
Government and Bank of Thailand bonds	287,401	286,000	255,668	256,000
Deposit at bank - time deposit	<u>80,946</u>	<u>80,946</u>	<u>140,946</u>	<u>140,946</u>
Total	<u>368,347</u>	<u>366,946</u>	<u>396,614</u>	<u>396,946</u>

13 Restricted and collateral assets

	30 June 2019	31 December 2018
	<i>(in thousand Baht)</i>	
(a) Deposit at bank - call deposit		
To secure group personal accident insurance	<u>850</u>	<u>850</u>
(b) Deposit at bank - time deposit		
To secure bank guarantee - facilities issued by banks	<u>700</u>	<u>700</u>

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14 Commitments with non-related parties

(a) *Commitments under office rental and service agreements*

	30 June 2019	31 December 2018
	<i>(in thousand Baht)</i>	
<i>Operating lease commitments</i>		
Within one year	14,278	16,012
After one year but within five years	4,496	2,394
Total	<u>18,774</u>	<u>18,406</u>

(b) *Commitments under car rental agreements*

	30 June 2019	31 December 2018
	<i>(in thousand Baht)</i>	
<i>Operating lease commitments</i>		
Within one year	2,522	2,451
After one year but within five years	3,293	2,868
Total	<u>5,815</u>	<u>5,319</u>

15 Contingent liabilities

As at 30 June 2019, lawsuits have been brought against the Company, in relation to insurance claims totaling approximately Baht 263 million (*31 December 2018: Baht 221 million*). The Company's management believes that the recorded amount of provision in the financial statements for potential losses in respect of those claims is adequate.

16 Thai Financial Reporting Standards (TFRS) not yet adopted

A number of new and revised 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. Those TFRS which become effective for annual financial reporting periods beginning on or after 1 January 2020 are as follows.

TFRS	Topic
TFRS 7*	Financial Instruments: Disclosures
TFRS 9*	Financial Instruments
TFRS 16	Leases
TAS 32*	Financial Instruments: Presentation
TFRIC 16*	Hedges of a Net Investment in a Foreign Operation
TFRIC 19*	Extinguishing Financial Liabilities with Equity Instruments
Accounting Guideline for Financial Instruments and Disclosure for insurance company	

* *TFRS - Financial instruments standards*

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(a) TFRSs - Financial instruments standards

These TFRSs establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting. These TFRS replaced the following standards:

accounting. These TFRS replaced the following standards:

- TAS 101 *Doubtful accounts and bad debts*
- TAS 104 *Troubled Debt Restructuring*
- TAS 105 *Accounting for investments in Debt and Equity Securities*
- TAS 106 *Accounting for Investment Companies*
- TAS 107 *Financial Instruments: Disclosure and Presentation*

(i) Classification – Financial assets

TFRS 9 classifies financial assets into three categories: measured at amortised cost, fair value to other comprehensive income (FVOCI) and fair value to profit or loss (FVTPL). The standard eliminates the existing TAS 105 categories of held to maturity debt securities, available for sale, trading and general investment. The classification is based on the cash flow characteristics of the financial asset and the business model in which they are managed.

Under TFRS 9, derivatives will be measured at FVTPL. It shall replace current Company's accounting policy on recognition whenever derivative was exercised.

(ii) Measurement at amortised cost

Under TFRS 9, interest income and interest expenses recognised from all financial assets and financial liabilities measured at amortised cost shall be calculated using effective interest rate method. TFRS 9 shall replace current Company's accounting policy on recognising both finance cost and finance income by contract rate.

(iii) Impairment – Financial assets and contract assets

TFRS 9 introduces forward-looking 'expected credit loss' (ECL) model whereas currently the Company estimates allowance for doubtful account by analysis payment histories and future expectation of customer payment. TFRS 9 will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

(iv) Classification – Financial liabilities

TFRS 9 contains a new classification and measurement approach for financial liabilities consisting of with two principal classification categories: amortised cost and FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Under TFRS 9, fair value changes for financial liabilities classified as FVTPL are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

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(v) Hedge accounting

TFRS 9 provides guidance on hedge accounting while current TFRSs are silent. There are three hedge accounting models and the type of model applied depends on the hedged exposures consisting of a fair value exposure, a cash flow exposure or a foreign currency exposure on a net investment in a foreign operation. Under TFRS 9, the Company is required to ensure that hedge accounting relationships are aligned with the Company's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

TFRS 9 had option to apply the hedge accounting for any transaction that meet the specific requirement of hedge accounting under TFRS 9 at date of initial application.

Management is presently considering the potential impact of adopting and initially applying TFRSs - Financial instruments standards on the Company's financial statements.

(b) *TFRS 16 Leases*

TFRS 16 introduces a single lessee accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard, i.e. lessors continue to classify leases as finance or operating leases. This standard replaced existing lease standards as follows:

TAS 17	<i>Leases</i>
TFRIC 4	<i>Determining whether an Arrangement contains a Lease</i>
TSIC 15	<i>Operating Leases-Incentives</i>
TSIC 27	<i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>

Currently, the Company recognises payments made under operating leases in profit or loss on straight line basis over the term of lease.

The Company has made a preliminary assessment of the potential impact of adopting and initially applying TFRS 16 on the Company's financial statements and expects that there will be no material impact on the Company's financial statements in the period of initial application.