

Prudential Life Assurance (Thailand) Public Company Limited

Interim financial statements
for the three-month and nine-month periods ended
30 September 2018

and

Independent auditor's report
on review of interim financial information



KPMG Phoomchai Audit Ltd.
Empire Tower, 50th-51st Floors
1 South Sathorn Road, Yannawa
Sathorn, Bangkok 10120, Thailand
Tel +66 2677 2000, Fax +66 2677 2222

บริษัท เคพีเอ็มจี ภูมิภาค ไทย สอบบัญชี จำกัด
ชั้น 50-51 เอ็มไพร์ทาวเวอร์
1 ถนนสาทรใต้ แขวงยานนาวา
เขตสาทร กรุงเทพฯ 10120
โทร +66 2677 2000 แฟกซ์ +66 2677 2222

Independent auditor's report on review of interim financial information

To the Board of Directors of Prudential Life Assurance (Thailand) Public Company Limited

I have reviewed the accompanying statement of financial position of Prudential Life Assurance (Thailand) Public Company Limited as at 30 September 2018; the statements of comprehensive income for the three-month and nine-month periods ended 30 September 2018, the statements of changes in equity and cash flows for the nine-month period ended 30 September 2018; 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 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".

Chanchai S.

(Chanchai Sakulkoedin)
Certified Public Accountant
Registration No. 6827

KPMG Phoomchai Audit Ltd.
Bangkok
7 November 2018

Prudential Life Assurance (Thailand) Public Company Limited
Statement of financial position

Assets	<i>Note</i>	30 September 2018 (Unaudited)	31 December 2017
		<i>(in thousand Baht)</i>	
Cash and cash equivalents	3	893,271	3,131,870
Premiums due and uncollected	4	552,098	482,435
Accrued investment income		1,001,149	668,099
Reinsurance receivables		99,640	55,819
Derivative assets		409,520	233,725
Investments assets			
Investments in securities	5, 13, 15	93,294,444	88,754,775
Loans	6	2,328,317	2,027,030
Investment in subsidiary		7,452	7,447
Investment assets where policyholders bear the investment risk	13	6,857,864	2,969,410
Assets held for sale		10,030	10,030
Premises and equipment		150,739	185,000
Intangible assets	7	11,680,300	11,934,240
Other assets	14	606,691	395,929
Total assets		<u>117,891,515</u>	<u>110,855,809</u>

The accompanying notes are an integral part of these financial statements.

Prudential Life Assurance (Thailand) Public Company Limited

Statement of financial position

		30 September 2018 (Unaudited)	31 December 2017
Liabilities and shareholders' equity	<i>Note</i>		
		<i>(in thousand Baht)</i>	
Liabilities			
Investment payable		-	993,723
Insurance contract liabilities	8	84,615,513	76,760,247
Investment contract liabilities	9	6,934,090	3,032,415
Due to reinsurers		212,911	131,087
Derivative liabilities		92,523	3,213
Income tax payable		179,851	133,887
Accrued commission		375,179	402,679
Accrued expenses	14	569,963	712,301
Employee benefit obligations		275,081	303,872
Deferred tax liabilities		260,833	965,215
Other liabilities	14	582,788	548,779
Total liabilities		94,098,732	83,987,418
Shareholders' equity			
Share capital			
Authorised share capital		20,209,935	20,209,935
Issued and paid share capital		20,209,935	20,209,935
Retained earnings			
Appropriated			
Legal reserve		251,361	251,361
Unappropriated		2,333,001	2,564,367
Other components of shareholders' equity			
Net fair value changes in available-for-sale securities	5	998,486	3,842,728
Total shareholders' equity		23,792,783	26,868,391
Total liabilities and shareholders' equity		117,891,515	110,855,809

The accompanying notes are an integral part of these financial statements.

Prudential Life Assurance (Thailand) Public Company Limited
Statement of comprehensive income (Unaudited)

	Three-month period ended	
	30 September	
Note	2018	2017
	(Unaudited)	
	<i>(in thousand Baht)</i>	
Revenues		
Gross premium written	5,110,535	4,816,103
Less premium ceded	<u>(57,087)</u>	<u>(33,694)</u>
Net premiums written	5,053,448	4,782,409
Add unearned premium reserve decreased (increased) from previous period	<u>(25,856)</u>	<u>15,907</u>
Net premium earned	5,027,592	4,798,316
Commission and brokerage income	18,489	1,998
Net investments income	14 748,663	715,943
Gain on investments	14 386,326	140,805
Gain on fair value changes	304,985	50,447
Other income	<u>8,131</u>	<u>1,081</u>
Total revenues	<u>6,494,186</u>	<u>5,708,590</u>
Expenses		
Long-term technical reserve increase from prior period	2,483,836	2,544,791
Benefits payments and insurance claims expenses	1,388,409	1,326,334
Less benefits payments and insurance claims expenses recovered from reinsurers	<u>(19,662)</u>	<u>(11,536)</u>
Net benefits payments and insurance claims expenses	1,368,747	1,314,798
Commissions and brokerage expenses	732,336	621,496
Other underwriting expenses	442,167	338,479
Operating expenses	14 526,539	439,868
Total expenses	<u>5,553,625</u>	<u>5,259,432</u>
Profit before income tax	940,561	449,158
Income tax	10 208,157	110,110
Net profit	<u>732,404</u>	<u>339,048</u>
Other comprehensive income		
<i>Components of other comprehensive income that will be reclassified subsequently to profit or loss</i>		
Net change in fair value on available-for-sale securities	(1,044,962)	1,535,443
Income tax relating to components of the comprehensive income that will be reclassified subsequently to profit or loss	<u>208,992</u>	<u>(307,089)</u>
Other comprehensive income for the period, net of income tax	<u>(835,970)</u>	<u>1,228,354</u>
Total comprehensive income for the period	<u><u>(103,566)</u></u>	<u><u>1,567,402</u></u>
Basic earnings per share (in Baht)	11 <u><u>0.33</u></u>	<u><u>0.15</u></u>

The accompanying notes are an integral part of these financial statements.

Prudential Life Assurance (Thailand) Public Company Limited
Statement of comprehensive income (Unaudited)

	Note	Nine-month period ended	
		2018	2017
		30 September	
		(Unaudited)	
		(in thousand Baht)	
Revenues			
Gross premium written		15,327,623	14,486,186
Less premium ceded		<u>(140,447)</u>	<u>(137,637)</u>
Net premiums written		15,187,176	14,348,549
Add unearned premium reserve decreased from previous period		<u>34,967</u>	<u>89,010</u>
Net premium earned		15,222,143	14,437,559
Commission and brokerage income		129,088	22,168
Net investments income	14	2,229,237	2,077,612
Gain on investments	14	431,411	227,698
Gain on fair value changes		275,737	159,072
Other income		<u>22,031</u>	<u>3,846</u>
Total revenues		<u>18,309,647</u>	<u>16,927,955</u>
Expenses			
Long-term technical reserve increase from prior period		7,760,016	7,386,512
Benefits payments and insurance claims expenses		4,158,924	3,775,939
Less benefits payments and insurance claims expenses recovered from reinsurers		<u>(54,649)</u>	<u>(62,360)</u>
Net benefits payments and insurance claims expenses		4,104,275	3,713,579
Commissions and brokerage expenses		2,127,208	1,792,395
Other underwriting expenses		703,772	1,054,728
Operating expenses	14	<u>1,579,666</u>	<u>1,287,679</u>
Total expenses		<u>16,274,937</u>	<u>15,234,893</u>
Profit before income tax		2,034,710	1,693,062
Income tax	10	<u>447,134</u>	<u>383,849</u>
Net profit		<u>1,587,576</u>	<u>1,309,213</u>
Other comprehensive income			
<i>Components of other comprehensive income that will not be reclassified subsequently to profit or loss</i>			
Defined benefit plan actuarial loss		(7,246)	(7,465)
Income tax relating to components of the comprehensive income that will not be reclassified subsequently to profit or loss		<u>1,449</u>	<u>1,493</u>
		<u>(5,797)</u>	<u>(5,972)</u>
<i>Components of other comprehensive income that will be reclassified subsequently to profit or loss</i>			
Net change in fair value on available-for-sale securities		(3,555,302)	2,542,307
Income tax relating to components the comprehensive income that will be reclassified subsequently to profit or loss		<u>711,060</u>	<u>(508,461)</u>
		<u>(2,844,242)</u>	<u>2,033,846</u>
Other comprehensive income for the period, net of income tax		<u>(2,850,039)</u>	<u>2,027,874</u>
Total comprehensive income for the period		<u>(1,262,463)</u>	<u>3,337,087</u>
Basic earnings per share (in Baht)	11	<u>0.72</u>	<u>0.59</u>

The accompanying notes are an integral part of these financial statements.

Prudential Life Assurance (Thailand) Public Company Limited
Statement of changes in equity (Unaudited)

	Note	Retained earnings		Other components of shareholders' equity		Total shareholders' equity
		Issued and paid share capital	Legal reserve	Unappropriated (in thousand Baht)	Net fair value changes in available-for-sale securities	
Nine-month period ended 30 September 2017						
Balance at 1 January 2017		20,209,935	161,084	2,121,838	1,799,970	24,292,827
Transactions with shareholders, recorded directly in equity						
<i>Distribution to shareholders of the Company</i>						
Dividends to shareholders of the Company	12	-	-	(1,282,469)	-	(1,282,469)
Total transactions with shareholders, recorded directly in equity		-	-	(1,282,469)	-	(1,282,469)
Comprehensive income for the period						
Net profit		-	-	1,309,213	-	1,309,213
Other comprehensive income		-	-	-	2,033,846	2,033,846
Net change in fair value on available-for-sale securities, net of income tax		-	-	(5,972)	-	(5,972)
Defined benefit plan actuarial loss, net of income tax		-	-	1,303,241	2,033,846	3,337,087
Total comprehensive income for the period		20,209,935	161,084	2,142,610	3,833,816	26,347,445
Balance at 30 September 2017						

The accompanying notes are an integral part of these financial statements.

Prudential Life Assurance (Thailand) Public Company Limited

Statement of changes in equity (Unaudited)

	Note	Retained earnings		Other components of shareholders' equity		Total shareholders' equity
		Issued and paid share capital	Legal reserve	Unappropriated securities	Net fair value changes in available-for-sale securities	
Nine-month period ended 30 September 2018						
Balance at 1 January 2018		20,209,935	251,361	2,564,367	3,842,728	26,868,391
Transactions with shareholders, recorded directly in equity						
<i>Distribution to shareholders of the Company</i>						
Dividends to shareholders of the Company	12	-	-	(1,813,145)	-	(1,813,145)
Total transactions with shareholders, recorded directly in equity		-	-	(1,813,145)	-	(1,813,145)
Comprehensive income for the period						
Net profit		-	-	1,587,576	-	1,587,576
Other comprehensive income						
Net change in fair value on available-for-sale securities, net of income tax		-	-	-	(2,844,242)	(2,844,242)
Defined benefit plan actuarial loss, net of income tax		-	-	(5,797)	-	(5,797)
Total comprehensive income for the period		-	-	1,581,779	(2,844,242)	(1,262,463)
Balance at 30 September 2018		20,209,935	251,361	2,333,001	998,486	23,792,783

The accompanying notes are an integral part of these financial statements.

Prudential Life Assurance (Thailand) Public Company Limited
Statement of cash flows (Unaudited)

		Nine-month period ended	
		30 September	
	Note	2018	2017
		<i>(in thousand Baht)</i>	
<i>Cash flows from operating activities</i>			
Premiums received		14,942,665	14,065,295
Cash received from (paid to) reinsurers		81,293	(73,753)
Interest received		1,870,028	1,750,353
Dividend received		43,333	29,675
Other income		22,031	3,621
Benefit payments and insurance claims expenses		(4,028,707)	(3,097,431)
Commissions and brokerages		(2,154,708)	(1,821,923)
Other underwriting expenses		(652,365)	(851,504)
Operating expenses		(1,431,830)	(1,148,396)
Income tax paid		(393,043)	(615,771)
Investments in securities		(8,642,017)	(7,657,301)
Loans		14,773	30,655
Investment assets where policyholders bear the investment risk		(15,653)	(448,548)
Deposits at financial institutions		-	100
Net cash provided by (used in) operating activities		<u>(344,200)</u>	<u>165,072</u>
<i>Cash flows from investing activities</i>			
<i>Cash flows provided by</i>			
Premises and equipment		-	238
Cash flow provided by investing activities		<u>-</u>	<u>238</u>
<i>Cash flow used in</i>			
Premises and equipment		(4,722)	(28,766)
Intangible assets		(76,532)	(31,118)
Cash flow used in investing activities		<u>(81,254)</u>	<u>(59,884)</u>
Net cash flow used in investing activities		<u>(81,254)</u>	<u>(59,646)</u>
<i>Cash flow from financing activities</i>			
Dividends paid to owners of the Company	12	(1,813,145)	(1,282,469)
Net cash used in financing activities		<u>(1,813,145)</u>	<u>(1,282,469)</u>
Net decrease in cash and cash equivalents		(2,238,599)	(1,177,043)
Cash and cash equivalent at 1 January		3,131,870	2,541,571
Cash and cash equivalent at 30 September	3	<u>893,271</u>	<u>1,364,528</u>

The accompanying notes are an integral part of these financial statements.

Prudential Life Assurance (Thailand) Public Company Limited
Notes to the interim financial statements
For the three-month and nine-month periods ended 30 September 2018 (Unaudited)

Note	Contents
1	General information
2	Basis of preparation of the interim financial statements
3	Cash and cash equivalents
4	Premiums due and uncollected
5	Investments in securities
6	Loans
7	Intangible assets
8	Insurance contract liabilities
9	Investment contract liabilities
10	Income tax
11	Basic earnings per share
12	Dividends
13	Fair value of financial assets and liabilities
14	Related parties
15	Securities and assets pledged with the Registrar
16	Commitments with non-related parties

Prudential Life Assurance (Thailand) Public Company Limited
Notes to the interim financial statements
For the three-month and nine-month periods ended 30 September 2018 (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 interim financial statements have been prepared from the Thai language interim financial statements, and were approved and authorised for issue by the Director on 7 November 2018.

1 General information

Prudential Life Assurance (Thailand) Public Company Limited, (the “Company”), is incorporated in Thailand and has its registered office at @ Sathorn Building, 20th - 27th Floors, 9/9 South Sathorn Road, Yannawa, Sathorn, Bangkok. The Company has 1 branch (*31 December 2017: 1 branch*).

The immediate and ultimate parent companies during the financial period were Staple Limited (51.2% shareholding) which was incorporated in Thailand, and Prudential Plc. which was incorporated in the United Kingdom, respectively.

The principal activity of the Company is to operate life assurance. Details of the Company’s subsidiary as at 30 September 2018 and 31 December 2017 are given in note 14.

2 Basis of preparation of the interim financial statements

(a) Statement of compliance

The interim financial statements are prepared on a condensed basis in accordance with Thai Accounting Standard (“TAS”) No. 34 (revised 2017) *Interim Financial Reporting* and guidelines promulgated by the Federation of Accounting Professions (“FAP”). 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 and Reporting the Operations of 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 2017. 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 2017.

The accounting policies and methods of computation applied in these interim financial statements are consistent with those applied in the financial statements for the year ended 31 December 2017, except that the Company has adopted all the new and revised TFRSs that are relevant to the Company’s operations that are effective for annual periods after 1 January 2018. The adoption of these new and revised TFRSs did not have any material effect on the accounting policies, methods of computation, financial performance or position of the Company.

In addition to the above new and revised TFRSs, the FAP has issued a number of new TFRSs which are not yet effective for current period. The Company has not early adopted these standards in preparing these interim financial statements. Those new TFRSs that are relevant to the Company’s operations become effective for annual financial reporting periods beginning on or after 1 January of the following years.

TFRSs	Topic	Effective
TFRS 7*	Financial Instruments: Disclosures	2020
TFRS 9*	Financial Instruments	2020
TFRS 15	Revenue from Contracts with Customers	2019

Prudential Life Assurance (Thailand) Public Company Limited

Notes to the interim financial statements

For the three-month and nine-month periods ended 30 September 2018 (Unaudited)

TFRSs	Topic	Effective
TAS 32*	Financial Instruments: Presentation	2020
TFRIC 16*	Hedges of a Net Investment in a Foreign Operation	2020
TFRIC 19*	Extinguishing Financial Liabilities with Equity Instruments	2020

* TFRSs - Financial instruments standards

TFRS 15 Revenue from Contracts with Customers

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Revenue should be recognised when (or as) an entity transfers control over goods or services to a customer, measured at the amount to which the entity expects to be entitled. It replaces existing revenue recognition standards as follows:

- TAS 11 (revised 2017) *Construction Contracts*,
- TAS 18 (revised 2017) *Revenue*,
- TSIC 31 (revised 2017) *Revenue-Barter Transactions Involving Advertising Services*,
- TFRIC 13 (revised 2017) *Customer Loyalty Programmes*,
- TFRIC 15 (revised 2017) *Agreements for the Construction of Real Estate*, and
- TFRIC 18 (revised 2017) *Transfers of Assets from Customers*.

The Company has made a preliminary assessment of the potential impact of adopting and initially applying TFRS 15 on the financial statements and expects that there will be no material impact on the financial statements in the period of initial application.

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.

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

(b) Functional and presentation currency

The interim financial statements are prepared and presented in Thai Baht, which is the Company's functional currency. All financial information presented in Thai Baht has been rounded to the nearest thousand unless otherwise stated.

(c) Exemption from consolidation

The Company has not prepared consolidated financial statements since management believes it meets the exemption criteria in Thai Accounting Standard No.27 (revised 2017) Consolidated and Separate Financial Statements. The Company had informed all its common shareholders that management intends to present the Company's financial statements on a non-consolidated basis, and no objections were raised.

(d) Use of judgements and estimates

The preparation of interim financial statements in conformity with TFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Prudential Life Assurance (Thailand) Public Company Limited

Notes to the interim financial statements

For the three-month and nine-month periods ended 30 September 2018 (Unaudited)

In preparing these interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2017.

3 Cash and cash equivalents

	30 September 2018	31 December 2017
	<i>(in thousand Baht)</i>	
Cash on hand	1,221	1,755
Deposits at banks - call deposits	892,050	1,870,115
Deposits at banks - time deposits	-	1,260,000
Total	<u>893,271</u>	<u>3,131,870</u>

4 Premiums due and uncollected

As at 30 September 2018 and 31 December 2017, the balances of premiums due and uncollected are classified by aging as follows:

	30 September 2018	31 December 2017
	<i>(in thousand Baht)</i>	
Within due	488,802	409,378
Overdue		
Not over 30 days	63,156	72,092
31 - 60 days	82	380
61 - 90 days	19	332
91 days - 1 year	443	339
Over 1 year	50	1,132
Total	<u>552,552</u>	<u>483,653</u>
Less allowance for doubtful accounts	(454)	(1,218)
Net	<u>552,098</u>	<u>482,435</u>

The Company has established procedures for following up on the collection of premiums due and uncollected from agents and brokers to ensure it is made within the credit terms. Legal action is taken against agents and brokers on a case-by-case basis when premiums due and uncollected are overdue.

5 Investments in securities

5.1 Investments in securities types

	30 September 2018		31 December 2017	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
	<i>(in thousand Baht)</i>			
Trading securities				
Unit trusts	2,712	3,022	1,896	2,230
Add unrealised gain from fair value changes on securities	310	-	334	-
Total trading securities	<u>3,022</u>	<u>3,022</u>	<u>2,230</u>	<u>2,230</u>

Prudential Life Assurance (Thailand) Public Company Limited

Notes to the interim financial statements

For the three-month and nine-month periods ended 30 September 2018 (Unaudited)

	30 September 2018		31 December 2017	
	Cost/ Amortised cost	Fair value <i>(in thousand Baht)</i>	Cost/ Amortised cost	Fair value
<i>Available-for-sale securities</i>				
Government and state enterprise debt securities	45,210,291	45,947,814	50,425,068	53,528,026
Private debt securities	30,940,282	31,483,893	27,521,213	28,735,618
Foreign debt securities	149,246	151,238	2,138,765	2,152,858
Unit trusts	15,742,398	15,707,163	3,863,706	4,335,443
Total	92,042,217	93,290,108	83,948,752	88,751,945
Add unrealised gain from fair value changes on securities	1,248,108	-	4,803,410	-
Less allowance for impairment	(217)	-	(217)	-
Total available-for-sale securities	93,290,108	93,290,108	88,751,945	88,751,945
<i>General investments</i>				
Equity securities - ordinary shares	1,777		1,063	
Less allowance for impairment	(463)		(463)	
Total general investments	1,314		600	
Total investments in securities	93,294,444		88,754,775	

5.2 Net fair value changes on available-for-sale securities

	30 September 2018	31 December 2017
	<i>(in thousand Baht)</i>	
Net change in fair value on available-for-sale securities	1,248,108	4,803,410
Less deferred tax liability	(249,622)	(960,682)
Net	998,486	3,842,728

Prudential Life Assurance (Thailand) Public Company Limited
Notes to the interim financial statements
For the three-month and nine-month periods ended 30 September 2018 (Unaudited)

6 Loans

As at 30 September 2018 and 31 December 2017, loans and accrued interest receivables were classified by aging as follows:

	30 September 2018						
	Policy loans		Mortgage loans		Other loans		Total
	Principal	Accrued interest receivable	Principal	Accrued interest receivable	Principal	Accrued interest receivable*	
Outstanding period							
Current	2,328,229	238,805	-	-	88	238,805	2,567,122
Overdue over 12 months	-	-	1,104	-	-	-	1,104
Total	2,328,229	238,805	1,104	-	88	238,805	2,568,226
Less allowance for doubtful accounts	-	-	(1,104)	-	-	-	(1,104)
Net	2,328,229	238,805	-	-	88	238,805	2,567,122

	31 December 2017						
	Policy loans		Mortgage loans		Other loans		Total
	Principal	Accrued interest receivable	Principal	Accrued interest receivable	Principal	Accrued interest receivable*	
Outstanding period							
Current	2,026,942	198,550	-	-	88	198,550	2,225,580
Overdue over 12 months	-	-	1,104	-	-	-	1,104
Total	2,026,942	198,550	1,104	-	88	198,550	2,226,684
Less allowance for doubtful accounts	-	-	(1,104)	-	-	-	(1,104)
Net	2,026,942	198,550	-	-	88	198,550	2,225,580

*Presented in accrued investment income in the statement of financial position.

Other loans were personal guarantee loans to staff with interest rates of 5.18% - 5.25% per annum (31 December 2017: 5.18% - 5.25% per annum).

Prudential Life Assurance (Thailand) Public Company Limited
Notes to the interim financial statements
For the three-month and nine-month periods ended 30 September 2018 (Unaudited)

7 Intangible assets

	Software licenses	Software under construction <i>(in thousand Baht)</i>	Bancassurance agreement	Total
Net book value at 1 January 2018	127,625	50,679	11,755,936	11,934,240
Additions during the period - cost	27,165	49,366	-	76,531
Disposals and transfers out - net book value	76,070	(76,070)	-	-
Amortisation charge during the period	(45,211)	-	(285,260)	(330,471)
Net book value at 30 September 2018	185,649	23,975	11,470,676	11,680,300

Prudential Life Assurance (Thailand) Public Company Limited
Notes to the interim financial statements
For the three-month and nine-month periods ended 30 September 2018 (Unaudited)

8 Insurance contract liabilities

	30 September 2018		31 December 2017	
	Liabilities under insurance contracts	Reinsurers' share liabilities	Liabilities under insurance contracts	Reinsurers' share liabilities
	Net (in thousand Baht)		Net	
Long-term technical reserves	83,787,749	-	76,027,733	-
Short-term technical reserves				
Loss reserves and outstanding claims				
- Case reserves	44,028	-	26,878	-
- Incurred but not reported	22,106	-	21,010	-
Total loss reserves and outstanding claims	66,134	-	47,888	-
Unearned premium reserves	203,643	-	238,610	-
Total short-term technical reserves	269,777	-	286,498	-
Unpaid policy benefits	263,443	-	224,672	-
Due to insured	294,544	-	221,344	-
Total	84,615,513	-	76,760,247	-

Prudential Life Assurance (Thailand) Public Company Limited

Notes to the interim financial statements

For the three-month and nine-month periods ended 30 September 2018 (Unaudited)

8.1 Long-term technical reserves

	30 September 2018	31 December 2017
	<i>(in thousand Baht)</i>	
At 1 January	76,027,733	65,633,184
Reserve increase from new and inforce policies in the period / year	10,947,152	13,585,957
Reserves released for benefits payment, lapse and cancel policies in the period / year	<u>(3,187,136)</u>	<u>(3,191,408)</u>
At 30 September 2018 / 31 December 2017	<u>83,787,749</u>	<u>76,027,733</u>

8.2 Short-term technical reserve

8.2.1 Loss reserves and outstanding claims

	30 September 2018	31 December 2017
	<i>(in thousand Baht)</i>	
At 1 January	47,888	41,549
Insurance claim expense incurred during the period / year	316,396	450,664
Insurance claim expense paid during the period / year	<u>(298,150)</u>	<u>(444,325)</u>
At 30 September 2018 / 31 December 2017	<u>66,134</u>	<u>47,888</u>

8.2.2 Unearned premium reserves

	30 September 2018	31 December 2017
	<i>(in thousand Baht)</i>	
At 1 January	238,610	321,136
Premium written during the period / year	89,736	75,955
Earned premium in the period / year	<u>(124,703)</u>	<u>(158,481)</u>
At 30 September 2018 / 31 December 2017	<u>203,643</u>	<u>238,610</u>

8.3 Unpaid policy benefits

	30 September 2018	31 December 2017
	<i>(in thousand Baht)</i>	
Death	68,580	67,278
Unpresented cheques for benefits and claims payment	174,886	145,573
Others	<u>19,977</u>	<u>11,821</u>
Total	<u>263,443</u>	<u>224,672</u>

Prudential Life Assurance (Thailand) Public Company Limited

Notes to the interim financial statements

For the three-month and nine-month periods ended 30 September 2018 (Unaudited)

8.4 Due to insured

	30 September 2018	31 December 2017
	<i>(in thousand Baht)</i>	
Policyholder deposits	289,631	213,770
Advance premium	100	146
Others	4,813	7,428
Total	294,544	221,344

9 Investment contract liabilities

The movement of investment contract liabilities are as follows;

	30 September 2018	31 December 2017
	<i>(in thousand Baht)</i>	
At 1 January	3,032,415	1,670,612
Deposit during the period / year	4,086,209	1,772,999
Withdrawal during the period / year	(257,507)	(613,124)
Valuation adjustment during the period / year	72,973	201,928
At 30 September 2018 / 31 December 2017	6,934,090	3,032,415

10 Income tax

The Company's effective income tax rate for the three-month and nine-month periods ended 30 September 2018 was 22% and 22%, respectively (30 September 2017: 25% and 23%, respectively).

11 Basic earnings per share

The calculations of basic earnings per share for the three-month and nine-month periods ended 30 September 2018 and 2017 were based on the profit for the periods attributable to ordinary shareholders of the Company and the ordinary shares outstanding during the periods as follows:

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2018	2017	2018	2017
	<i>(in thousand Baht / thousand shares)</i>			
Profit for the period attributable to ordinary shareholders of the Company (basic)	732,404	339,048	1,587,576	1,309,213
Number of ordinary shares outstanding	2,211,153	2,211,153	2,211,153	2,211,153
Basic earnings per share (in Baht)	0.33	0.15	0.72	0.59

Prudential Life Assurance (Thailand) Public Company Limited
Notes to the interim financial statements
For the three-month and nine-month periods ended 30 September 2018 (Unaudited)

12 Dividends

- (a) On 18 April 2018, the Company received the approval from the Office of Insurance Commission to pay the dividend to shareholders at the amount not exceeding Baht 1,827 million.

At the Company's Annual General Meeting of the shareholders held on 27 April 2018, the shareholders unanimously resolved the appropriation of dividend amounting to Baht 1,813 million or Baht 0.82 per share. The dividend was paid out from the Company's net profit for the year 2017 and unappropriated retain earnings to shareholders in May 2018.

- (b) At the Company's Annual General Meeting of the shareholders held on 24 April 2017, the shareholders unanimously resolve the appropriation of dividend not exceeding Baht 1,908 million.

On 26 April 2017, the Company received the approval from the office of Insurance Commission to pay the dividend to shareholders at the amount not exceeding Baht 1,296 million or Baht 0.58 per share. The dividend amounting to Baht 1,282 million or Baht 0.58 per share was paid to shareholders in May 2017.

13 Fair value of financial assets and liabilities

13.1 Financial assets and liabilities measured at fair value

	Fair value			Total
	Level 1	Level 2	Level 3	
	<i>(in thousand Baht)</i>			
30 September 2018				
Financial assets				
<i>Trading securities</i>				
<i>Private securities</i>				
Unit trusts	3,022	-	-	3,022
Total trading securities	3,022	-	-	3,022
<i>Available-for-sale securities</i>				
Government and state enterprise debt securities	-	45,947,814	-	45,947,814
Private debt securities	-	31,483,893	-	31,483,893
Foreign debt securities	-	151,238	-	151,238
Unit trusts	15,646,893	60,270	-	15,707,163
Total available-for-sale securities	15,646,893	77,643,215	-	93,290,108
Investment assets where policyholders bear the investment risk	6,857,864	-	-	6,857,864

Prudential Life Assurance (Thailand) Public Company Limited

Notes to the interim financial statements

For the three-month and nine-month periods ended 30 September 2018 (Unaudited)

	Fair value			Total
	Level 1	Level 2	Level 3	
		<i>(in thousand Baht)</i>		
31 December 2017				
Financial assets				
<i>Trading securities</i>				
<i>Private securities</i>				
Unit trusts	2,230	-	-	2,230
Total trading securities	2,230	-	-	2,230
<i>Available-for-sale securities</i>				
Government and state enterprise debt securities	-	53,528,026	-	53,528,026
Private debt securities	-	28,735,618	-	28,735,618
Foreign debt securities	-	2,152,858	-	2,152,858
Unit trusts	4,274,857	60,586	-	4,335,443
Total available-for-sale securities	4,274,857	84,477,088	-	88,751,945
Investment assets where policyholders bear the investment risk	2,969,410	-	-	2,969,410

Fair value hierarchy

The table above analyses recurring fair value measurements for financial assets. 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 assets or liabilities, either directly (i.e. at prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The Company determines Level 2 fair values for debt securities using the clean price on last day of the period provided by the Thai Bond Market Association and debt securities in foreign currency are based on investment company value.

The Company determines level 2 fair values for unit trusts using the net asset value (NAV) on the last business day of the period provided by assets management companies.

The Company determines level 2 fair values for promissory notes using discounted cash flow technique, which uses contractual cash flows and a market-related discount rate.

Level 2 fair values for simple over-the-counter derivative financial instruments are based on broker quotes.

The Company recognises transfers between levels of the fair value hierarchy as of the end of reporting period during which the transfer has occurred. There were no transfers between levels of the fair value hierarchy during the three-month and nine-month periods ended 30 September 2018 and for the year ended 31 December 2017.

Prudential Life Assurance (Thailand) Public Company Limited
Notes to the interim financial statements
For the three-month and nine-month periods ended 30 September 2018 (Unaudited)

13.2 Fair value of financial assets and liabilities not measured at fair value

The fair value of significant financial assets and liabilities did not have significant difference with carrying value as shown in statement of financial position as at 30 September 2018 and 31 December 2017.

14 Related parties

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with key management personnel and related parties were as follows:

Name of entities/Personnel	Country of Incorporation/ Nationality	Nature of relationships
Key management personnel	Thailand/ Foreigners	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any directors (whether executive or otherwise) of the Company
Prudential Plc.	United Kingdom	Ultimate parent of Prudential group
Staple Limited	Thailand	Parent company, holds 51.2% of the Company's shares
Prudential Corporation Holdings Limited	United Kingdom	Major shareholder, holds 48.7% of the Company's shares
Thanachart Life Assurance Public Company Limited	Thailand	Subsidiary, the Company holds 100% of the shares
Eastspring Investment (Singapore) Limited	Singapore	An affiliate of the Company's major shareholder
Affiliate of Prudential Group	Foreign	Related party of Prudential Group
Affiliate of Prudential Group	Thailand	Related party of Prudential Group

The pricing policies for particular types of transactions are explained further below:

Transactions	Pricing policies
Investment management fee expenses	Contractually agreed price
Operating expenses	Contractually agreed price
Interest expense on promissory note	Contractually agreed rate

Prudential Life Assurance (Thailand) Public Company Limited
Notes to the interim financial statements
For the three-month and nine-month periods ended 30 September 2018 (Unaudited)

Significant transactions for the three-month and nine-month periods ended 30 September 2018 and 2017 with key management personnel and related parties were as follows:

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2018	2017	2018	2017
	<i>(in thousand Baht)</i>			
<i>Expenses</i>				
Subsidiary				
Impairment loss in investment in subsidiary (reversal)	(7)	(4)	(5)	(5)
Interest expense on promissory note	28	28	83	83
<i>Expenses</i>				
Affiliate of Prudential Group				
Investment management fee expenses	31,525	26,176	90,475	78,419
Operating expenses	13,148	14,945	29,198	46,882
<i>Directors and key management personnel compensation</i>				
Short-term employee benefits	112,017	96,416	338,379	285,397
Post-employment benefit	8,122	8,837	24,758	26,211
Other long-term benefits	10,430	5,394	50,718	32,900
Total	130,569	110,647	413,855	344,508

Significant balances as at 30 September 2018 and 31 December 2017 with related parties were as follows:

	30 September 2018	31 December 2017
	<i>(in thousand Baht)</i>	
<i>Other assets</i>		
Affiliate of Prudential Group	<u>31,634</u>	<u>-</u>
<i>Promissory note (included in other liabilities)</i>		
Promissory note payable to the subsidiary	<u>7,624</u>	<u>7,543</u>
<i>Accrued investment management fee</i>		
Affiliate of Prudential Group	<u>20,586</u>	<u>26,015</u>
<i>Other liabilities</i>		
Affiliate of Prudential Group	<u>11,383</u>	<u>3,485</u>

Significant agreements with related parties

Investment Management Agreement

The Company has entered into an Investment Management Agreement with Eastspring Investment (Singapore) Limited ("Eastspring") which is an affiliate of the Prudential Group. Eastspring agreed to act as the Company's investment manager and provide dealing services. The Company is committed to pay a management fee at the rate in agreements. These agreements can be terminated upon 3 months written notice.

Prudential Life Assurance (Thailand) Public Company Limited

Notes to the interim financial statements

For the three-month and nine-month periods ended 30 September 2018 (Unaudited)

15 Securities and assets pledged with the Registrar

15.1 The Company's investment in debt securities have been pledged with the Registrar in accordance with Section 20 of the Life Assurance Act B.E. 2535, as amended by the Life Assurance Act (No. 2) B.E. 2551:

	30 September 2018		31 December 2017	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
Government bonds	<u>36,390</u>	<u>30,000</u>	<u>38,407</u>	<u>30,000</u>

15.2 The Company's investment in debt securities have been pledged as life assurance policy reserve with the Registrar in accordance with Section 24 of the Life Assurance Act B.E. 2535, as amended by the Life Assurance Act (No. 2) B.E. 2551:

	30 September 2018		31 December 2017	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
Government and state enterprise bonds	20,716,035	18,535,700	16,885,992	13,969,700
Promissory notes	<u>1,120,080</u>	<u>1,000,000</u>	<u>1,182,990</u>	<u>1,000,000</u>
Total	<u>21,836,115</u>	<u>19,535,700</u>	<u>18,068,982</u>	<u>14,969,700</u>

16 Commitments with non-related parties

	30 September 2018	31 December 2017
	<i>(in thousand Baht)</i>	
(a) Capital commitments		
<i>Contracted but not provided for:</i>		
Software licenses	<u>25,287</u>	<u>15,108</u>
Total	<u>25,287</u>	<u>15,108</u>
	30 September 2018	31 December 2017
	<i>(in thousand Baht)</i>	
(b) Non-cancellable operating lease commitments		
Within one year	46,792	44,387
After one year but within five years	<u>93,390</u>	<u>128,290</u>
Total	<u>140,182</u>	<u>172,677</u>
	30 September 2018	31 December 2017
	<i>(in thousand USD)</i>	
(c) Commitments from foreign exchange forward contracts		
<i>Within one year - US dollar</i>	<u>488,433</u>	<u>115,827</u>
<i>After one year but within five years - US dollar</i>	<u>-</u>	<u>50,033</u>
Commitments from cross currency swap contracts		
<i>Within five years - US dollar</i>	<u>9,900</u>	<u>9,900</u>