

Prudential Life Assurance (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



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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 June 2019; the statements of comprehensive income for the three-month and six-month periods ended 30 June 2019, 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".

Chanchai J.

(Chanchai Sakulkoedsin)
Certified Public Accountant
Registration No. 6827

KPMG Phoomchai Audit Ltd.
Bangkok
7 August 2019

Prudential Life Assurance (Thailand) Public Company Limited

Statement of financial position

Assets	Note	30 June	31 December
		2019	2018
		(Unaudited)	
		<i>(in thousand Baht)</i>	
Cash and cash equivalents	3	626,147	1,358,957
Premiums due and uncollected	4	545,547	509,490
Accrued investment income		1,044,056	836,677
Reinsurance receivables		90,204	95,357
Derivative assets		564,074	285,609
Investments assets			
Investments in securities	5, 13, 15	107,703,341	97,391,122
Loans	6	2,405,486	2,209,179
Investment in subsidiary		7,427	7,428
Investment assets where policyholders bear the investment risk	13	7,762,751	6,632,839
Assets held for sale		10,030	10,030
Premises and equipment		124,120	142,296
Intangible assets	7	11,331,889	11,580,293
Other assets	14	968,220	495,157
Total assets		133,183,292	121,554,434

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

Prudential Life Assurance (Thailand) Public Company Limited

Statement of financial position

		30 June 2019 (Unaudited)	31 December 2018
Liabilities and shareholders' equity	<i>Note</i>		
		<i>(in thousand Baht)</i>	
Liabilities			
Investment payable		540,000	20,637
Insurance contract liabilities	8	92,860,699	87,770,876
Investment contract liabilities	9	7,895,590	6,677,247
Due to reinsurers		203,966	203,248
Income tax payable		139,907	55,608
Accrued commission		305,021	595,617
Accrued expenses	14	604,043	658,880
Employee benefit obligations		281,884	334,380
Deferred tax liabilities		1,196,784	378,019
Other liabilities	14	1,115,724	774,868
Total liabilities		105,143,618	97,469,380
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		322,362	322,362
Unappropriated		3,062,422	2,094,435
Other components of shareholders' equity			
Net fair value changes in available-for-sale securities	5	4,444,955	1,458,322
Total shareholders' equity		28,039,674	24,085,054
Total liabilities and shareholders' equity		133,183,292	121,554,434

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

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

	Note	Three-month period ended	
		2019	2018
		30 June	
		(Unaudited)	
		(in thousand Baht)	
Revenues			
Gross premium written		4,955,309	4,631,509
Less premium ceded		<u>(34,837)</u>	<u>(43,553)</u>
Net premiums written		4,920,472	4,587,956
Add (less) unearned premium reserves (increased) decreased from previous period		<u>(3,367)</u>	<u>524</u>
Net premium earned		4,917,105	4,588,480
Commission and brokerage income		11,481	101,362
Net investments income	14	983,049	753,622
Gain on investments	14	101,738	36,887
Gain (loss) on fair value changes		417,599	(122,727)
Other income		<u>18,848</u>	<u>4,374</u>
Total revenues		<u>6,449,820</u>	<u>5,361,998</u>
Expenses			
Long-term technical reserve increase from prior period		2,126,573	2,177,502
Benefits payments and insurance claims expenses		1,696,860	1,377,662
Less benefits payments and insurance claims expenses recovered from reinsurers		<u>(13,809)</u>	<u>(16,397)</u>
Net benefits payments and insurance claims expenses		1,683,051	1,361,265
Commissions and brokerage expenses		693,543	695,002
Other underwriting expenses (reversal of)		455,490	(140,047)
Operating expenses	14	<u>609,509</u>	<u>553,720</u>
Total expenses		<u>5,568,166</u>	<u>4,647,442</u>
Profit before income tax		<u>881,654</u>	<u>714,556</u>
Income tax	10	<u>121,700</u>	<u>150,121</u>
Net profit		<u>759,954</u>	<u>564,435</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		2,764,300	(1,984,830)
Income tax relating to components of the comprehensive income that will be reclassified subsequently to profit or loss		<u>(552,860)</u>	<u>396,966</u>
Other comprehensive income for the period, net of income tax		<u>2,211,440</u>	<u>(1,587,864)</u>
Total comprehensive income for the period		<u>2,971,394</u>	<u>(1,023,429)</u>
Basic earnings per share (in Baht)	11	<u>0.34</u>	<u>0.26</u>

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

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

		Six-month period ended 30 June	
	Note	2019	2018
		(Unaudited)	
		<i>(in thousand Baht)</i>	
Revenues			
Gross premium written		10,723,402	10,217,088
Less premium ceded		<u>(84,679)</u>	<u>(83,360)</u>
Net premiums written		10,638,723	10,133,728
Add (less) unearned premium reserves (increased) decreased from previous period		<u>(25,666)</u>	<u>60,823</u>
Net premium earned		10,613,057	10,194,551
Commission and brokerage income		29,425	110,599
Net investments income	14	1,735,332	1,480,574
Gain on investments	14	38,055	45,085
Gain (loss) on fair value changes		651,419	(29,248)
Other income		<u>26,052</u>	<u>13,900</u>
Total revenues		<u>13,093,340</u>	<u>11,815,461</u>
Expenses			
Long-term technical reserve increase from prior period		4,899,888	5,276,180
Benefits payments and insurance claims expenses		3,549,045	2,770,515
Less benefits payments and insurance claims expenses recovered from reinsurers		<u>(31,847)</u>	<u>(34,987)</u>
Net benefits payments and insurance claims expenses		3,517,198	2,735,528
Commissions and brokerage expenses		1,444,597	1,394,872
Other underwriting expenses		937,882	261,605
Operating expenses	14	<u>1,154,676</u>	<u>1,053,127</u>
Total expenses		<u>11,954,241</u>	<u>10,721,312</u>
Profit before income tax		1,139,099	1,094,149
Income tax	10	<u>171,112</u>	<u>238,977</u>
Net profit		<u>967,987</u>	<u>855,172</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)
Income tax relating to components of the comprehensive income that will not be reclassified subsequently to profit or loss		<u>-</u>	<u>1,449</u>
		<u>-</u>	<u>(5,797)</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		3,733,291	(2,510,340)
Income tax relating to components of the comprehensive income that will be reclassified subsequently to profit or loss		<u>(746,658)</u>	<u>502,068</u>
		<u>2,986,633</u>	<u>(2,008,272)</u>
Other comprehensive income for the period, net of income tax		<u>2,986,633</u>	<u>(2,014,069)</u>
Total comprehensive income for the period		<u>3,954,620</u>	<u>(1,158,897)</u>
Basic earnings per share (in Baht)	11	<u>0.44</u>	<u>0.39</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	Issued and paid share capital	Retained earnings		Other components of shareholders' equity	Total shareholders' equity
			Legal reserve	Unappropriated <i>(in thousand Baht)</i>	Net fair value changes in available-for-sale securities	
Six-month period ended 30 June 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		-	-	855,172	-	855,172
Other comprehensive income						
Net change in fair value on available-for-sale securities, net of income tax		-	-	-	(2,008,272)	(2,008,272)
Defined benefit plan actuarial loss, net of income tax		-	-	(5,797)	-	(5,797)
Total comprehensive income for the period		-	-	849,375	(2,008,272)	(1,158,897)
Balance at 30 June 2018		20,209,935	251,361	1,600,597	1,834,456	23,896,349

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	Issued and paid share capital	Retained earnings		Other components of shareholders' equity	Total shareholders' equity
			Legal reserve	Unappropriated <i>(in thousand Baht)</i>	Net fair value changes in available-for-sale securities	
Six-month period ended 30 June 2019						
Balance at 1 January 2019		20,209,935	322,362	2,094,435	1,458,322	24,085,054
Comprehensive income for the period						
Net profit		-	-	967,987	-	967,987
Other comprehensive income						
Net change in fair value on available-for-sale securities, net of income tax		-	-	-	2,986,633	2,986,633
Total comprehensive income for the period		-	-	967,987	2,986,633	3,954,620
Balance at 30 June 2019		20,209,935	322,362	3,062,422	4,444,955	28,039,674

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

Prudential Life Assurance (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>			
Premiums received		10,468,346	9,911,698
Cash received from (paid to) reinsurers		(39,656)	76,561
Interest received		1,501,923	1,443,807
Dividend received		60,368	23,327
Other income		35,666	25,253
Benefit payments and insurance claims expenses		(3,384,776)	(2,650,023)
Commissions and brokerages		(1,735,193)	(1,452,010)
Other underwriting expenses		(790,716)	(414,278)
Operating expenses		(1,167,418)	(1,017,158)
Income tax paid		(14,706)	(206,046)
Investments in securities		(5,627,020)	(5,731,353)
Loans		22,871	(7,587)
Investment assets where policyholders bear the investment risk		(45,676)	40,791
Net cash provided by (used in) operating activities		(715,987)	42,982
<i>Cash flow used in</i>			
Premises and equipment		(6,626)	(4,070)
Intangible assets		(10,197)	(25,902)
Cash flow used in investing activities		(16,823)	(29,972)
Net cash flow used in investing activities		(16,823)	(29,972)
<i>Cash flow from financing activities</i>			
Dividends paid to owners of the Company	12	-	(1,813,145)
Net cash used in financing activities		-	(1,813,145)
Net decrease in cash and cash equivalents		(732,810)	(1,800,135)
Cash and cash equivalent at 1 January		1,358,957	3,131,870
Cash and cash equivalent at 30 June	3	626,147	1,331,735

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

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

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Prudential Life Assurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
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These notes form an integral part of the interim financial statements.

The interim financial statements issued for Thai regulatory reporting purposes are prepared in the Thai language. These English language interim financial statements have been prepared from the Thai language interim financial statements. In the event of a conflict or a difference in interpretation between the two languages, the Thai language interim financial statements shall prevail.

These interim financial statements were approved and authorised for issue by the Director on 7 August 2019.

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 2018: 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 June 2019 and 31 December 2018 are given in note 14.

2 Basis of preparation of the interim financial statements

(a) Statement of compliance

The condensed interim primary financial statements are prepared 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 *Interim Financial Reporting* and 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 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 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.

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 2018, 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 2019. 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.

For a number of new and revised TFRSs 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 TFRSs that are relevant to the Company’s operations are disclosed in note 17.

Prudential Life Assurance (Thailand) Public Company Limited
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(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 2018) 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, 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.

3 Cash and cash equivalents

	30 June 2019	31 December 2018
	<i>(in thousand Baht)</i>	
Cash on hand	1,118	1,370
Deposits at banks - call deposits	225,029	1,357,587
Deposits at banks - time deposits	400,000	-
Total	<u>626,147</u>	<u>1,358,957</u>

4 Premiums due and uncollected

As at 30 June 2019 and 31 December 2018, the balances of premiums due and uncollected are classified by aging as follows:

	30 June 2019	31 December 2018
	<i>(in thousand Baht)</i>	
Within due	496,798	448,835
Overdue		
less than 30 days	48,636	60,329
31 - 60 days	82	206
61 - 90 days	24	59
91 days - 1 year	208	409
over 1 year	7	39
Total	<u>545,755</u>	<u>509,877</u>
Less allowance for doubtful accounts	(208)	(387)
Net	<u>545,547</u>	<u>509,490</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.

Prudential Life Assurance (Thailand) Public Company Limited
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5 Investments in securities

5.1 Investments in securities types

	30 June 2019		31 December 2018	
	Cost/ Amortised cost	Fair value <i>(in thousand Baht)</i>	Cost/ Amortised cost	Fair value
Trading securities				
Unit trusts	2,794	3,081	2,784	2,816
Add net unrealised gain from fair value changes on securities	287	-	32	-
Total trading securities	3,081	3,081	2,816	2,816
Available-for-sale securities				
Government and state enterprise debt securities	50,978,242	54,947,755	48,653,333	50,084,679
Private debt securities	34,246,448	35,560,904	30,938,155	31,710,083
Foreign debt securities	265,784	271,016	150,091	152,051
Unit trusts	16,652,496	16,919,271	15,822,728	15,440,179
Total	102,142,970	107,698,946	95,564,307	97,386,992
Add net unrealised gain from fair value changes on securities	5,556,193	-	1,822,902	-
Less allowance for impairment	(217)	-	(217)	-
Total available-for-sale securities	107,698,946	107,698,946	97,386,992	97,386,992
General investments				
Equity securities - ordinary shares	1,777		1,777	
Less allowance for impairment	(463)		(463)	
Total general investments	1,314		1,314	
Total investments in securities	107,703,341		97,391,122	

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

	30 June 2019	31 December 2018
	<i>(in thousand Baht)</i>	
Net change in fair value on available-for-sale securities	5,556,193	1,822,902
Less deferred tax liability	(1,111,238)	(364,580)
Net	4,444,955	1,458,322

Prudential Life Assurance (Thailand) Public Company Limited
Notes to the condensed interim financial statements
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6 Loans

As at 30 June 2019 and 31 December 2018, loans and accrued interest receivables were classified by aging as follows:

30 June 2019									
Outstanding period	Policy loans		Mortgage loans		Other loans		Total		Total
	Principal	Accrued interest receivable*	Principal	Accrued interest receivable*	Principal	Accrued interest receivable*	Principal	Accrued interest receivable*	
<i>(in thousand Baht)</i>									
Current	2,405,373	264,490	-	-	113	-	2,405,486	264,490	2,669,976
Overdue over 12 months	-	-	1,104	-	-	-	1,104	-	1,104
Total	2,405,373	264,490	1,104	-	113	-	2,406,590	264,490	2,671,080
Less allowance for doubtful accounts	-	-	(1,104)	-	-	-	(1,104)	-	(1,104)
Net	2,405,373	264,490	-	-	113	-	2,405,486	264,490	2,669,976
31 December 2018									
Outstanding period	Policy loans		Mortgage loans		Other loans		Total		Total
	Principal	Accrued interest receivable*	Principal	Accrued interest receivable*	Principal	Accrued interest receivable*	Principal	Accrued interest receivable*	
<i>(in thousand Baht)</i>									
Current	2,209,155	241,829	-	-	24	-	2,209,179	241,829	2,451,008
Overdue over 12 months	-	-	1,104	-	-	-	1,104	-	1,104
Total	2,209,155	241,829	1,104	-	24	-	2,210,283	241,829	2,452,112
Less allowance for doubtful accounts	-	-	(1,104)	-	-	-	(1,104)	-	(1,104)
Net	2,209,155	241,829	-	-	24	-	2,209,179	241,829	2,451,008

*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%-6.18% per annum (31 December 2018: 5.18% per annum).

Prudential Life Assurance (Thailand) Public Company Limited
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7 Intangible assets

	Software licenses	Software under construction <i>(in thousand Baht)</i>	Bancassurance agreement	Total
Net book value at 1 January 2019	174,953	68,704	11,336,636	11,580,293
Additions during the period - cost	1,547	12,788	-	14,335
Net transfers in/(out)	53,977	(53,977)	-	-
Net disposals and write off	(400)	-	-	(400)
Amortisation charge for the period	(62,214)	-	(200,125)	(262,339)
Net book value at 30 June 2019	167,863	27,515	11,136,511	11,331,889

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8 Insurance contract liabilities

	30 June 2019			31 December 2018		
	Liabilities under insurance contracts	Reinsurers' share liabilities	Net <i>(in thousand Baht)</i>	Liabilities under insurance contracts	Reinsurers' share liabilities	Net
Long-term technical reserves	91,771,711	-	91,771,711	86,871,823	-	86,871,823
Short-term technical reserves						
Loss reserves and outstanding claims						
- Case reserves	46,199	-	46,199	37,158	-	37,158
- Incurred but not reported	39,502	-	39,502	33,740	-	33,740
Total loss reserves and outstanding claims	85,701	-	85,701	70,898	-	70,898
Unearned premium reserves	248,319	-	248,319	222,653	-	222,653
Total short-term technical reserves	334,020	-	334,020	293,551	-	293,551
Unpaid policy benefits	350,513	-	350,513	284,577	-	284,577
Due to insured	404,455	-	404,455	320,925	-	320,925
Total	92,860,699	-	92,860,699	87,770,876	-	87,770,876

Prudential Life Assurance (Thailand) Public Company Limited
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8.1 Long-term technical reserves

	30 June 2019	31 December 2018
	<i>(in thousand Baht)</i>	
At 1 January	86,871,823	76,027,733
Reserves increase from new and inforce policies in the period / year	7,726,686	15,513,378
Reserves released for benefits payment, lapse and cancel policies in the period / year	<u>(2,826,798)</u>	<u>(4,669,288)</u>
At 30 June 2019 / 31 December 2018	<u>91,771,711</u>	<u>86,871,823</u>

8.2 Short-term technical reserves

8.2.1 Loss reserves and outstanding claims

	30 June 2019	31 December 2018
	<i>(in thousand Baht)</i>	
At 1 January	70,898	47,888
Insurance claim expense incurred during the period / year	213,072	423,542
Insurance claim expense paid during the period / year	<u>(198,269)</u>	<u>(400,532)</u>
At 30 June 2019 / 31 December 2018	<u>85,701</u>	<u>70,898</u>

8.2.2 Unearned premium reserves

	30 June 2019	31 December 2018
	<i>(in thousand Baht)</i>	
At 1 January	222,653	238,610
Premium written during the period / year	60,158	129,785
Earned premium in the period / year	<u>(34,492)</u>	<u>(145,742)</u>
At 30 June 2019 / 31 December 2018	<u>248,319</u>	<u>222,653</u>

8.3 Unpaid policy benefits

	30 June 2019	31 December 2018
	<i>(in thousand Baht)</i>	
Death	130,444	92,817
Unpresented cheques for benefits and claims payment	199,823	181,695
Others	<u>20,246</u>	<u>10,065</u>
Total	<u>350,513</u>	<u>284,577</u>

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8.4 Due to insured

	30 June 2019	31 December 2018
	<i>(in thousand Baht)</i>	
Policyholder deposits	394,980	318,829
Advance premium	46	84
Others	9,429	2,012
Total	<u>404,455</u>	<u>320,925</u>

9 Investment contract liabilities

The movement of investment contract liabilities are as follows;

	30 June 2019	31 December 2018
	<i>(in thousand Baht)</i>	
At 1 January	6,677,247	3,032,415
Deposit during the period / year	628,603	4,619,606
Withdrawal during the period / year	(122,800)	(294,173)
Valuation adjustment during the period / year	712,540	(680,601)
At 30 June 2019 / 31 December 2018	<u>7,895,590</u>	<u>6,677,247</u>

10 Income tax

The Company's effective income tax rate for the three-month and six-month periods ended 30 June 2019 was 14% and 15%, respectively. (30 June 2018: 21% and 22%, respectively). This change in effective tax rate was caused mainly by the following factors:

- The difference between accounting and tax recognition regarding foreign currency translation of the remaining marketable securities on the last day of the accounting period.
- No deferred tax provision on timing differences for a certain expense.
- Others

11 Basic earnings per share

The calculations of basic earnings per share for the three-month and six-month periods ended 30 June 2019 and 2018 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 June		Six-month period ended 30 June	
	2019	2018	2019	2018
	<i>(in thousand Baht / thousand shares)</i>			
Profit for the period attributable to ordinary shareholders of the Company (basic)	<u>759,954</u>	<u>564,435</u>	<u>967,987</u>	<u>855,172</u>
Number of ordinary shares outstanding	<u>2,211,153</u>	<u>2,211,153</u>	<u>2,211,153</u>	<u>2,211,153</u>
Basic earnings per share (in Baht)	<u>0.34</u>	<u>0.26</u>	<u>0.44</u>	<u>0.39</u>

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12 Dividends

(a) At the Company's Annual General Meeting of the shareholders held on 26 April 2019, the shareholders unanimously resolved the appropriation of dividend not exceeding Baht 1,425 million or Baht 0.64 per share. The dividend shall be paid out from the Company's net profit for the year 2018 and unappropriated retain earnings, provided that the Company must be granted prior approval by the Office of Insurance Commission (OIC).

However, on 9 May 2019, the Company received a letter from the OIC informing the Company that the OIC has not approved the calculation of the profit for the operation in the year 2018 in order for dividend payment due to the Company having not met one of the requirements set out in the OIC's notification on seeking approval for paying the dividend. Without the OIC's permission, the Company cannot pay the dividend for the year 2018 to the shareholders in accordance with the approval of the Annual General Shareholders' Meeting.

(b) 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.

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 June 2019				
Financial assets				
<i>Trading securities</i>				
<i>Private securities</i>				
Unit trusts	3,081	-	-	3,081
Total trading securities	3,081	-	-	3,081
<i>Available-for-sale securities</i>				
Government and state enterprise debt securities	-	54,947,755	-	54,947,755
Private debt securities	-	35,560,904	-	35,560,904
Foreign debt securities	-	271,016	-	271,016
Unit trusts	16,858,864	60,407	-	16,919,271
Total available-for-sale securities	16,858,864	90,840,082	-	107,698,946
Investment assets where policyholders bear the investment risk	7,762,751	-	-	7,762,751

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	Fair value			Total
	Level 1	Level 2	Level 3	
	<i>(in thousand Baht)</i>			
31 December 2018				
Financial assets				
<i>Trading securities</i>				
<i>Private securities</i>				
Unit trusts	2,816	-	-	2,816
Total trading securities	2,816	-	-	2,816
<i>Available-for-sale securities</i>				
Government and state enterprise debt securities	-	50,084,679	-	50,084,679
Private debt securities	-	31,710,083	-	31,710,083
Foreign debt securities	-	152,051	-	152,051
Unit trusts	15,379,908	60,271	-	15,440,179
Total available-for-sale securities	15,379,908	82,007,084	-	97,386,992
Investment assets where policyholders bear the investment risk	6,632,839	-	-	6,632,839

Fair value hierarchy

When measuring the fair value of an asset or a liability, the Company uses observable market data 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 (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 six-month periods ended 30 June 2019 and for the year ended 31 December 2018.

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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 June 2019 and 31 December 2018.

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
Prudential Holdings Limited	United Kingdom	Intermediate parent company
Thanachart Life Assurance Public Company Limited	Thailand	Subsidiary, the Company holds 100% of the shares
Affiliate of Prudential Group	Thailand/ Foreign	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

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

	Three-month period ended 30 June		Six-month period ended 30 June	
	2019	2018	2019	2018
<i>(in thousand Baht)</i>				
Revenue				
Affiliate of Prudential Group				
Trailing fee	2,272	-	4,241	-
Expenses				
Subsidiary				
Impairment loss in investment in subsidiary	28	23	2	2
Interest expense on promissory note	28	28	55	55
Expenses				
Affiliate of Prudential Group				
Investment management fee expenses	28,612	29,027	56,603	58,950
Operating expenses	84,923	58,833	132,495	110,670
Directors and key management personnel compensation				
Short-term employee benefits	42,247	44,000	83,925	80,704
Post-employment benefit	5,888	3,222	10,977	8,248
Other long-term benefits	10,553	22,109	21,150	30,846
Total	58,688	69,331	116,052	119,798

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>		
Other assets		
Affiliate of Prudential Group	<u>775</u>	<u>17,239</u>
Promissory note (included in other liabilities)		
Promissory note payable to the subsidiary	<u>7,578</u>	<u>7,617</u>
Accrued investment management fee		
Affiliate of Prudential Group	<u>26,550</u>	<u>16,552</u>
Other liabilities		
Affiliate of Prudential Group	<u>272,624</u>	<u>161,893</u>

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Significant agreements with related parties

Investment Management Agreement

The Company has entered into an Investment Management Agreement with an affiliate of the Prudential Group. The affiliate 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.

Service agreements

During the financial year, the Company has entered into Service Agreements with Prudential Holdings Limited ("PHL"), an intermediate parent company, which is Prudential Regional Head Office in Asia, for the provision of services and support for both IT and non-IT services to the Company, for a period of five years. In consideration of the provision of services provided by PHL, the Company shall pay to PHL a service fee as set out in the agreements. The agreements can be terminated upon one month written notice and can be extended upon not less than one month written notice prior to the expiry of the term of these agreements by either party.

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 June 2019		31 December 2018	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
Government bonds	<u>39,511</u>	<u>30,000</u>	<u>37,321</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 June 2019		31 December 2018	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
Government and state enterprise bonds	24,489,062	19,175,700	20,983,772	18,535,700
Promissory notes	<u>1,215,959</u>	<u>1,000,000</u>	<u>1,152,594</u>	<u>1,000,000</u>
Total	<u>25,705,021</u>	<u>20,175,700</u>	<u>22,136,366</u>	<u>19,535,700</u>

16 Commitments with non-related parties

	30 June	31 December
	2019	2018
	<i>(in thousand Baht)</i>	
(a) <i>Capital commitments</i>		
Contracted but not provided for:		
Software licenses	<u>4,450</u>	<u>7,587</u>
Total	<u>4,450</u>	<u>7,587</u>

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	30 June 2019	31 December 2018
	<i>(in thousand Baht)</i>	
(b) Non-cancellable operating lease commitments		
Within one year	43,341	47,109
After one year but within five years	50,565	81,181
Total	<u>93,906</u>	<u>128,290</u>
	30 June 2019	31 December 2018
	<i>(in thousand USD)</i>	
(c) Commitments from foreign exchange forward contracts		
Within one year - US dollar	<u>533,600</u>	<u>488,433</u>
After one year but within five years - US dollar	<u>34,700</u>	<u>-</u>
Commitments from cross currency swap contracts		
Within five years - US dollar	<u>9,900</u>	<u>9,900</u>

17 Thai Financial Reporting Standards (TFRSs) not yet adopted

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

TFRSs	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

* TFRS - Financial instruments standards

(a) TFRS - Financial Instruments standards

These TFRS 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 TFRS - 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 and a lease liability. 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.

Management is presently considering the potential impact of adopting and initially applying TFRS 16 on the Company's financial statements.