

Prudential Life Assurance (Thailand) Public Company Limited

Condensed interim financial statements
for the three-month and six-month periods ended
30 June 2020
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 2020; the statements of comprehensive income for the three-month and six-month periods ended 30 June 2020, changes in equity and cash flows for the six-month period ended 30 June 2020; 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 S.

(Chanchai Sakulkoedsin)
Certified Public Accountant
Registration No. 6827

KPMG Phoomchai Audit Ltd.
Bangkok
13 August 2020

Prudential Life Assurance (Thailand) Public Company Limited

Statement of financial position (Unaudited)

Assets	<i>Note</i>	30 June 2020	31 December 2019
		<i>(in thousand Baht)</i>	
Cash and cash equivalents	4	2,206,691	1,916,846
Investment receivables		3,167,040	57,399
Premiums due and uncollected	5	976,622	566,407
Accrued investment income		555,903	700,306
Reinsurance receivables		126,036	124,972
Derivative assets	6	321,695	253,640
Investments assets			
Investments in securities	7, 16, 18	109,791,769	119,248,929
Loans and accrued interest	8	3,015,390	2,816,935
Investment assets where policyholders bear the investment risk	16	8,590,064	8,669,825
Assets held for sale		10,030	10,030
Premises and equipment		100,258	107,817
Right of use asset		27,293	-
Intangible assets	9	19,073,411	11,105,951
Other assets	17	458,026	599,239
Total assets		<u>148,420,228</u>	<u>146,178,296</u>

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

Prudential Life Assurance (Thailand) Public Company Limited

Statement of financial position (Unaudited)

		30 June 2020	31 December 2019
Liabilities and shareholders' equity	<i>Note</i>		
		<i>(in thousand Baht)</i>	
Liabilities			
Insurance contract liabilities	11	103,074,676	98,844,838
Investment contract liabilities	12	8,671,429	8,759,234
Investment payable		2,657,553	411,200
Due to reinsurers		277,831	283,184
Derivative liabilities	6	238,800	4,478
Accrued commission		209,136	418,752
Accrued expenses	17	866,435	848,150
Employee benefit obligations		215,242	269,532
Lease liabilities		27,426	-
Deferred tax liabilities	10	1,531,531	2,454,881
Income tax payable		111,035	-
Other liabilities	17	787,023	1,034,725
Total liabilities		118,668,117	113,328,974
Shareholders' equity			
Share capital			
Authorised share capital			
<i>(2,211,153 ordinary shares, par value at Baht 9.14 per share)</i>		20,209,935	20,209,935
Issued and paid share capital			
<i>(2,211,153 ordinary shares, par value at Baht 9.14 per share)</i>		20,209,935	20,209,935
Retained earnings			
Appropriated			
Legal reserve		454,974	454,974
Unappropriated		1,999,417	3,156,585
Other components of shareholders' equity	7	7,087,785	9,027,828
Total shareholders' equity		29,752,111	32,849,322
Total liabilities and shareholders' equity		148,420,228	146,178,296

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

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

		Three-month period ended	
		30 June	
	Note	2020	2019
		<i>(in thousand Baht)</i>	
Revenues			
Gross premium written		5,017,048	4,955,309
Less premium ceded		(13,204)	(34,837)
Net premiums written		5,003,844	4,920,472
Add (less) unearned premium reserves decreased (increased) from previous period		15,502	(3,367)
Net premium earned		5,019,346	4,917,105
Commission and brokerage income (reversal)		(600)	11,481
Net investments income	17	879,220	983,049
Gain on investments	17	235,761	101,738
Gain on fair value changes		160,118	420,893
Other income		7,182	6,751
Total revenues		6,301,027	6,441,017
Expenses			
Long-term technical reserve increase from prior period		1,867,918	2,126,573
Benefits payments and insurance claims expenses		2,239,530	1,696,860
Less benefits payments and insurance claims expenses recovered from reinsurers		(34,417)	(13,809)
Net benefits payments and insurance claims expenses		2,205,113	1,683,051
Commissions and brokerage expenses		409,829	693,543
Other underwriting expenses	17	630,150	455,490
Operating expenses	17	606,002	609,509
Expected credit loss	14	954,777	-
Other gain		(19,785)	(8,803)
Total expenses		6,654,004	5,559,363
Profit (loss) before income tax		(352,977)	881,654
Income tax	13	(69,358)	121,700
Profit (loss) for the period		(283,619)	759,954
Other comprehensive income			
<i>Components of other comprehensive income that will be reclassified subsequently to profit or loss</i>			
Expected credit loss on investments measured at fair value through other comprehensive income	14	955,361	-
Gain on remeasurement of investment - fair value through other comprehensive income		1,319,452	2,764,300
Income tax relating to components of the comprehensive income that will be reclassified subsequently to profit or loss		(454,963)	(552,860)
Other comprehensive income for the period, net of income tax		1,819,850	2,211,440
Total comprehensive income for the period		1,536,231	2,971,394
Basic earnings (loss) per share (in Baht)	15	(0.13)	0.34

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

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

	Six-month period ended 30 June	
<i>Note</i>	2020	2019
	<i>(in thousand Baht)</i>	
Revenues		
Gross premium written	10,683,534	10,723,402
Less premium ceded	<u>(65,668)</u>	<u>(84,679)</u>
Net premiums written	10,617,866	10,638,723
Add (less) unearned premium reserves decreased (increased) from previous period	<u>4,623</u>	<u>(25,666)</u>
Net premium earned	10,622,489	10,613,057
Commission and brokerage income	17,368	29,425
Net investments income	17 1,877,464	1,735,332
Gain on investments	17 160,821	38,055
Gain on fair value changes	65,717	651,419
Other income	<u>20,380</u>	<u>13,955</u>
Total revenues	<u>12,764,239</u>	<u>13,081,243</u>
Expenses		
Long-term technical reserve increase from prior period	4,156,453	4,899,888
Benefits payments and insurance claims expenses	4,548,388	3,549,045
Less benefits payments and insurance claims expenses recovered from reinsurers	<u>(46,619)</u>	<u>(31,847)</u>
Net benefits payments and insurance claims expenses	4,501,769	3,517,198
Commissions and brokerage expenses	1,104,923	1,444,597
Other underwriting expenses	17 1,197,476	937,882
Operating expenses	17 1,126,973	1,154,676
Expected credit loss	14 962,411	-
Other loss (gain)	<u>9,941</u>	<u>(12,097)</u>
Total expenses	<u>13,059,946</u>	<u>11,942,144</u>
Profit (loss) before income tax	<u>(295,707)</u>	<u>1,139,099</u>
Income tax	13 <u>(59,606)</u>	<u>171,112</u>
Profit (loss) for the period	<u>(236,101)</u>	<u>967,987</u>
Other comprehensive income		
<i>Components of other comprehensive income that will be reclassified subsequently to profit or loss</i>		
Expected credit loss on investments measured at fair value through other comprehensive income	14 964,025	-
Gain (loss) on remeasurement of investment - fair value through other comprehensive income	(4,542,032)	3,733,291
Income tax relating to components of the comprehensive income that will be reclassified subsequently to profit or loss	<u>715,601</u>	<u>(746,658)</u>
Other comprehensive income for the period, net of income tax	<u>(2,862,406)</u>	<u>2,986,633</u>
Total comprehensive income for the period	<u>(3,098,507)</u>	<u>3,954,620</u>
Basic earnings (loss) per share (in Baht)	15 <u>(0.11)</u>	<u>0.44</u>

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

Prudential Life Assurance (Thailand) Public Company Limited

Statement of changes in equity (Unaudited)

	Issued and paid share capital	Retained earnings		Other components of shareholders' equity		Total shareholders' equity
		Legal reserve	Unappropriated	Gain on remeasurement of investment - fair value through other comprehensive income		
	<i>Note</i>			<i>(in thousand Baht)</i>		
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						
Profit for the period	-	-	967,987	-		967,987
Other comprehensive income						
Gain on remeasurement of investment - fair value through other comprehensive income, 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 the interim financial statements.

Prudential Life Assurance (Thailand) Public Company Limited

Statement of changes in equity (Unaudited)

	Issued and paid share capital	Retained earnings		Other components of shareholders' equity		Total shareholders' equity
		Legal reserve	Unappropriated	Gain (loss) on remeasurement of investment - fair value through other comprehensive income		
				<i>(in thousand Baht)</i>		
Six-month period ended 30 June 2020						
Balance at 31 December 2019 - as reported	20,209,935	454,974	3,156,585	9,027,828		32,849,322
Impact of change in accounting policies	-	-	(921,067)	922,363		1,296
Balance at 1 January 2020 - as restated	20,209,935	454,974	2,235,518	9,950,191		32,850,618
Comprehensive income for the period						
Loss for the period	-	-	(236,101)	-		(236,101)
Other comprehensive income						
Expected credit loss on investments measured at fair value through other comprehensive income, net of income tax	-	-	-	771,220		771,220
Loss on remeasurement of investment - fair value through other comprehensive income, net of income tax	-	-	-	(3,633,626)		(3,633,626)
Total comprehensive income for the period	-	-	(236,101)	(2,862,406)		(3,098,507)
Balance at 30 June 2020	20,209,935	454,974	1,999,417	7,087,785		29,752,111

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

Prudential Life Assurance (Thailand) Public Company Limited

Statement of cash flows (Unaudited)

	Six-month period ended 30 June	
<i>Note</i>	2020	2019
	<i>(in thousand Baht)</i>	
<i>Cash flows from operating activities</i>		
Premiums received	10,036,481	10,468,346
Cash paid to reinsurers	(32,412)	(39,656)
Interest received	1,708,403	1,501,923
Dividend received	328,939	60,368
Other income	34,988	35,666
Benefit payments and insurance claims expenses	(4,470,380)	(3,384,776)
Commissions and brokerages	(1,314,539)	(1,735,193)
Other underwriting expenses	(1,114,821)	(790,716)
Operating expenses	(1,030,512)	(1,167,418)
Income tax paid	(37,315)	(14,706)
Loans	38,326	22,871
Investment assets where policyholders bear the investment risk	(80,457)	(45,676)
Cash receipts from investment in securities	22,793,993	20,462,384
Cash payments for investment in securities	(18,357,992)	(26,089,404)
Net cash generated from (used in) operating activities	<u>8,502,702</u>	<u>(715,987)</u>
<i>Cash flows from investing activities</i>		
<i>Cash flow used in</i>		
Premises and equipment	(17,297)	(6,626)
Intangible assets	(8,182,962)	(10,197)
Net cash flow used in investing activities	<u>(8,200,259)</u>	<u>(16,823)</u>
<i>Cash flows from financing activities</i>		
<i>Cash flows used in</i>		
Payment of lease liabilities	(11,297)	-
Net cash used in financing activities	<u>(11,297)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	291,146	(732,810)
Cash and cash equivalent at 31 December 2019/2018	<u>1,916,846</u>	<u>1,358,957</u>
Total cash and cash equivalent at 30 June	2,207,992	626,147
<i>Less</i> loss allowance of expected credit loss	(1,301)	-
Cash and cash equivalent at 30 June - Net	<u>4</u> <u>2,206,691</u>	<u>626,147</u>

The accompanying notes are an integral part of the interim 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 2020 (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 Board of Directors on 13 August 2020.

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 2019: 1 branch).

The immediate and ultimate parent companies during the financial period were Staple Limited (51.21% 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.

2 Basis of preparation of the interim financial statements

(a) Statement of compliance

The condensed interim financial statements are presented in the same format as the annual financial statements and prepared its notes to the interim financial statements on a condensed basis (“interim financial statements”) in accordance with Thai Accounting Standard (TAS) No.34 *Interim Financial Reporting*; guidelines promulgated by the Federation of Accounting Professions (TFAC). 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 of the Operations of Life Insurance Companies” B.E. 2562 (No. 2), dated 4 April 2019, which are effective for annual periods beginning on or after 1 January 2020.

The interim financial statements are prepared to provide an update on the financial statements for the year ended 31 December 2019. 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 2019.

The Company has initially applied Accounting Guideline: Financial Instruments and disclosure for insurance entities and TFRS 16 Leases and disclosed impact from changes to significant accounting policies in note 3.

Prudential Life Assurance (Thailand) Public Company Limited
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(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 described in the financial statements for the year ended 31 December 2019, except for the new significant judgements and key sources of estimation uncertainty related to the application of new TFRS as described in note 3.

3 Change in accounting policies

From 1 January 2020, the Company has initially applied Accounting Guideline: Financial Instruments and disclosure for insurance entities "Accounting Guideline for insurance entities", TAS 32 Financial Instruments: Presentation, and TFRS 16 Leases. Impact of changes in accounting policies on shareholders' equity were as follows:

	Retained earnings (in thousand Baht)	Other components of equity
At 31 December 2019 - as reported	3,611,559	9,027,828
<i>Increase (decrease) due to:</i>		
Adoption of Accounting Guideline for insurance entities and TAS 32		
Classification of financial instruments		
Foreign exchange unrealised (loss) gain on unit trust classified as debt	(1,123,127)	1,123,127
General investment	463	3,955
Impairment losses on financial assets	(28,786)	25,871
Related income tax	230,383	(230,590)
At 1 January 2020 - restated	<u>2,690,492</u>	<u>9,950,191</u>

In addition, the Company has changed the presentation of the interim financial statements and note to the interim financial statements to comply 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 of the Operations of Life Insurance Companies" B.E. 2562 (No. 2), dated 4 April 2019.

(a) Accounting Guideline for insurance entities and TAS 32

TFRS 4 Insurance Contracts (revised 2019), has allowed insurance entities that meet the conditions as laid down by TFRS 4, to use the deferral approach to TFRS 9 and TFRS 7 for insurance entities and continue to apply Accounting Guideline: Financial Instruments and Disclosure for insurance entities until TFRS 17 Insurance contract becomes effective.

The Company has met the above condition as mentioned in TFRS 4 Insurance Contracts (revised 2019) and selected to apply Accounting Guideline for Financial Instruments and Disclosure for insurance company.

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The Company has adopted Accounting Guideline for insurance entities by adjusting the cumulative effects to retained earnings and other components of equity on 1 January 2020. Therefore, the Company did not adjust the information presented for 2019.

The impact from the adoption Accounting Guideline for insurance entities and TAS 32 as follows:

(1) *Classification and measurement of financial assets and financial liabilities*

Accounting Guideline for insurance entities requires to classify equity instrument as trading securities or available-for-sale securities and eliminates the existing classification of general investment as specified by TAS 105 and requires bifurcating embedded derivatives in a hybrid instrument in all the conditions are met.

Under TAS 32, the gains or losses on foreign exchange rate of unit trust which is classified as debt instruments are recognised in profit or loss.

The following table shows measurement categories under previous standards and Accounting Guideline. Financial Instruments and disclosure for insurance entities, including reconciliation of the carrying amounts of each class of the Company's financial assets and financial liabilities as at 1 January 2020.

	Measurement	Measurement under Accounting	
	at 31 December 2019	Guideline: Financial Instruments and disclosure for insurance entities at 1 January 2020	
	Carrying amounts	Fair value through profit or loss (in thousand Baht)	Fair value through other comprehensive income
General investments	2,867	-	7,285
Derivative assets	253,640	253,640	-
Total	256,507	253,640	7,285
Derivative liabilities	4,478	4,478	-
Total	4,478	4,478	-

(2) *Impairment - Financial assets*

Accounting Guideline for insurance entities introduces forward-looking "expected credit loss" (ECL) model whereas previously the Company estimates allowance for impairment loss by analysing payment histories and future expectation of payment. Accounting Guideline for insurance entities requires considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model applies to financial assets measured at amortised cost, debt investments measured at FVOCI and loans. For investments in equity instruments or unit trusts measured at FVOCI, impairment is considered from objective evidence of impairment, including information about significant change in negative technology, marketing, economy and law environment, which securities issuers has operated, indicate that cost of investment in this equity will not be recovered. Significant or prolonged of investments's fair value which is lower than their cost, as objective evidence impairment.

Impairment and gain or loss from derecognition for available-for-sale measured at FVOCI are recognized in profit and loss.

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The Company has determined that the application of Accounting Guideline for insurance entities at 1 January 2020 results in allowance for impairment loss as follows:

	<i>(in thousand Baht)</i>
Allowance for impairment losses at 31 December 2019	
Allowance for impairment losses on investments and loans	1,784
Allowance for impairment losses recognised at 1 January 2020 on:	
- Debt instruments measured at FVOCI	25,871
- Cash and cash equivalent	2,915
Allowance for impairment losses (ECL) at 1 January 2020	28,786

The Company has opted to recognise the impairment loss as an adjustment to retained earnings as at 1 January 2020.

(3) Hedge accounting

Accounting Guideline introduces guidance on hedge accounting. 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 this Accounting Guideline, 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 assess hedge effectiveness.

Currently, the Company had derivative for currency exchange rate risk and interest rate risk which were recognised when the derivative was exercised. However, as at 30 June 2020 the Company does not apply hedge accounting.

(b) TFRS 16 Leases

From 1 January 2020, the Company has initially adopted TFRS 16 on contracts previously identified as leases according to TAS 17 *Leases* and TFRIC 4 *Determining whether an arrangement contains a lease* using the modified retrospective approach.

Previously, the Company, as a lessee, recognised payments made under operating leases and relevant lease incentives in profit or loss on a straight-line basis over the term of the lease. Under TFRS 16, the Company assesses whether a contract is, or contains, a lease. If a contract contains lease and non-lease components, the Company allocates the consideration in the contract based on stand-alone selling price (transaction price). As at 1 January 2020, the Company recognised right-of-use assets and lease liabilities, as a result, the nature of expenses related to those leases was changed because the Company recognised depreciation of right-of-use assets and interest expense on lease liabilities.

On transition, the Company also elected to use the following practical expedients:

- do not recognise right-of-use assets and lease liabilities for leases with less than 12 months of lease term;
- use hindsight when determining the lease term;
- apply a single discount rate to a portfolio of leases with similar characteristics;
- rely on previous assessments whether leases are onerous as an alternative to performing an impairment review; and
- exclude initial direct costs from measuring the right-of-use asset.

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Impact from the adoption of TFRS 16 *(in thousand Baht)*

At 1 January 2020

Increase in right of use asset	38,392
Increase in lease liabilities	38,392

Measurement of lease liability *(in thousand Baht)*

Operating lease commitment as disclosed at 31 December 2019	39,095
Discounted using the incremental borrowing rate at 1 January 2020	(703)
Finance lease liabilities recognised as at 31 December 2019	38,392
Lease liabilities recognised at 1 January 2020	38,392
Weighted-average incremental borrowing rate (<i>% per annum</i>)	1.96

4 Cash and cash equivalents

	30 June 2020	31 December 2019
	<i>(in thousand Baht)</i>	
Cash on hand	2,310	1,266
Deposits at banks - call deposits	2,205,682	1,915,580
Less allowance for expected credit loss	(1,301)	-
Total	2,206,691	1,916,846

5 Premiums due and uncollected

As at 30 June 2020 and 31 December 2019, the balances of premiums due and uncollected are classified by aging as follows:

	30 June 2020	31 December 2019
	<i>(in thousand Baht)</i>	
Within due	972,164	488,528
Overdue		
less than 30 days	4,351	67,505
31 - 60 days	46	10,244
61 - 90 days	21	110
91 days - 1 year	239	172
over 1 year	17	7
Total	976,838	566,566
Less allowance for doubtful accounts	(216)	(159)
Net	976,622	566,407

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.

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6 Derivatives

Derivatives for which hedge accounting has not been elected

	30 June 2020		No. of contracts	Notional value	Fair value		Three-month period ended 30 June 2020	Six-month period ended 30 June 2020
	Assets	Liabilities			Assets	Liabilities		
Foreign exchange forward	279,023	230,160	16	16,158,576		1,831,359	(147,373)	
Cross currency swap	42,672	-	1	349,272		20,019	(12,812)	
Bond forward	-	8,640	1	191,052		(8,052)	(6,082)	
Total	321,695	238,800	18	16,698,900		1,843,326	(166,267)	

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Derivatives for which hedge accounting has not been elected

Type of contract	Objectives	No. of contracts	Notional value	31 December 2019		Gain (loss) on remeasurement of derivatives at fair value for the year ended 31 December 2019
				Book value/Fair value Assets (in thousand Baht)	Liabilities	
Foreign exchange forward	To protect against foreign exchange risk arising from investment activities	18	25,035,673	198,156	1,920	(56,655)
Cross currency swap	To protect against foreign exchange and interest rate risks arising from investment activities	1	349,272	55,484	-	22,767
Bond forward	To protect against interest rate risk arising from investment activities	1	191,052	-	2,558	(2,558)
Total		20	25,575,997	253,640	4,478	(36,446)

As at 30 June 2020, the Company has hedged the foreign exchange and interest rate risks arising from investment activities by entering into foreign exchange forward and cross currency swap contracts with the banks. The notional amount of these hedges is USD 531.3 million or Baht 16,507.8 million (31 December 2019: USD 838.7 million or Baht 25,384.9 million).

In addition, as at 30 June 2020, the Company has hedged the interest rate risk on certain investments with a notional amount of Baht 191 million (31 December 2019: Baht 191 million).

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7 Investments in securities

7.1 Investment in securities by measurement of accounting guidelines are as follows:

	30 June 2020		31 December 2019	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
<i>(in thousand Baht)</i>				
Fair value through profit or loss				
Unit trusts	2,887	2,870	2,809	3,068
Total	2,887	2,870	2,809	3,068
Add (Less): unrealised gains (losses)	(17)	-	259	-
Total	2,870	2,870	3,068	3,068
Fair value through other comprehensive income				
Government and state enterprises securities	46,932,135	55,910,806	40,734,997	50,945,223
Corporate securities	40,760,452	41,442,143	40,931,008	43,288,832
Foreign securities	180,089	188,391	263,166	270,969
Equity securities	7,302,377	5,673,395	7,557,485	6,889,444
Unit trusts	6,903,036	6,574,164	18,471,771	17,848,526
Total	102,078,089	109,788,899	107,958,427	119,242,994
Add unrealised gains	7,710,810	-	11,284,784	-
Less allowance for impairment loss	-	-	(217)	-
Total	109,788,899	109,788,899	119,242,994	119,242,994
Allowance for expected credit loss	989,896	-	-	-

General investments comprise of:

	30 June 2020		31 December 2019	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
<i>(in thousand Baht)</i>				
General investments				
Equity securities	-	-	3,330	7,285
Less allowance for impairment loss	-	-	(463)	-
Total general investments	-	-	2,867	7,285

7.2 Fair value through other comprehensive income

	30 June 2020		31 December 2019	
	Fair value	Loss allowance for ECL	Fair value	Loss allowance for ECL
<i>(in thousand Baht)</i>				
Debt securities - no significant increase in credit risk / performing (stage 1)	96,701,765	53,911	94,505,024	-
Debt securities - default / non-performing (stage 3)	839,575	935,985	-	-
Total	97,541,340	989,896	94,505,024	-

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At 30 June 2020, debt securities measured at fair value through other comprehensive income having amortised cost of Baht 1,775.56 million had a significant increase in credit risk and was transferred from stage 1 to stage 3.

8 Loans and accrued interest

As at 30 June 2020 and 31 December 2019, the detail of loans and accrued interest were as follows:

Stage	30 June 2020		Total
	Mortgage loans	Loans and accrued interest, net Other <i>(in thousand Baht)</i>	
Loans - no significant increase in credit risk (stage 1)	-	23	23
Loans - default / non-performing (stage 3)	1,104	-	1,104
Less allowance for expected credit loss	(1,104)	-	(1,104)
Total	-	23	23
Policy loans	-	2,702,843	2,702,843
Accrued interest receivable	-	312,524	312,524
Loans and accrued interest, net	-	3,015,390	3,015,390

	31 December 2019		Total
	Mortgage loans	Loans and accrued interest, net Other <i>(in thousand Baht)</i>	
Loan and accrued interest	1,104	119	1,223
Less allowance for doubtful accounts	(1,104)	-	(1,104)
Total	-	119	119
Policy loans	-	2,530,260	2,530,260
Accrued interest receivable	-	286,556	286,556
Loans and accrued interest, net	-	2,816,935	2,816,935

Policy loans represent loans granted to the policyholders at an amount not exceeding the cash value of the policy, an interest not exceeding the premium written calculation and plus 2% per annum.

Other loans were personal guarantee loans to staff with interest rates of 0% - 5.18% per annum (31 December 2019: 0% - 6.18% per annum).

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9 Intangible assets

	Software licenses	Software under installation <i>(in thousand Baht)</i>	Bancassurance agreement	Total
Net book value at 1 January 2020	168,934	103,961	10,833,056	11,105,951
Additions during the period - cost	-	19,117	8,167,150	8,186,267
Net transfers in/(out)	83,545	(83,545)	-	-
Amortisation charge for the period	<u>(35,934)</u>	<u>-</u>	<u>(182,873)</u>	<u>(218,807)</u>
Net book value at 30 June 2020	<u>216,545</u>	<u>39,533</u>	<u>18,817,333</u>	<u>19,073,411</u>

During the period ended 30 June 2020, the Company paid Baht 8.2 billion for a strategic bancassurance partnership with an initial term of 15 years.

10 Deferred tax

Deferred tax assets and liabilities as at 30 June 2020 and 31 December 2019 were as follows:

	30 June 2020	31 December 2019
	<i>(in thousand Baht)</i>	
Deferred tax assets	294,455	70,496
Deferred tax liabilities	<u>(1,825,986)</u>	<u>(2,525,377)</u>
Net deferred tax liabilities	<u>(1,531,531)</u>	<u>(2,454,881)</u>

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Movements in total deferred tax assets and liabilities for the six-month period ended 30 June 2020 and 2019 were as follows:

	At 1 January 2020	Impact of changes in accounting policies (Note 3)	(Charged) / Credited to:		At 30 June 2020
			Profit or loss	Other comprehensive income	
			(in thousand Baht)		
Deferred tax assets					
Premises and equipment	17,971	-	1,463	-	19,434
Intangible assets	9,205	-	(1,821)	-	7,384
Employee benefit obligations	27,328	-	677	-	28,005
Unpaid policy benefits	10,905	-	2,555	-	13,460
Premium reserve	5,087	-	22,773	-	27,860
Expected credit loss	-	5,757	192,482	-	198,239
Others	-	-	73	-	73
Total	70,496	5,757	218,202	-	294,455
Deferred tax liabilities					
Gain (loss) on remeasurement of investment - fair value through other comprehensive income	(2,256,956)	(225,416)	-	908,406	(1,573,966)
Expected credit loss	-	(5,174)	-	(192,805)	(197,979)
Unrealised gain (loss) on exchange rate adjustment from foreign currency investment	(201,961)	224,625	(43,553)	-	(20,889)
Gain (loss) on remeasurement of investment - fair value through profit or loss	(52)	-	55	-	3
Actuarial gain on defined benefit plan	(16,576)	-	-	-	(16,576)
Unrealised gain (loss) on derivative instruments	(49,832)	-	33,253	-	(16,579)
Total	(2,525,377)	(5,965)	(10,245)	715,601	(1,825,986)
Net	(2,454,881)	(208)	207,957	715,601	(1,531,531)

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	At 1 January 2019	(Charged) / Credited to:		At 30 June 2019
		Profit or loss <i>(in thousand Baht)</i>	Other comprehensive income	
<i>Deferred tax assets</i>				
Premises and equipment	15,732	1,116	-	16,848
Intangible assets	5,424	5,644	-	11,068
Provisions	1,465	(545)	-	920
Employee benefit obligations	17,124	6,454	-	23,578
Unpaid policy benefits	8,301	1,201	-	9,502
Actuarial loss on defined benefit plan	480	-	-	480
Premium reserve	2,966	20,996	-	23,962
Total	51,492	34,866	-	86,358
<i>Deferred tax liabilities</i>				
Net fair value changes on available- for-sale securities	(364,580)	-	(746,658)	(1,111,238)
Unrealised gain on exchange rate adjustment from foreign currency investment	(7,803)	(51,229)	-	(59,032)
Provision for revaluation of trading securities	(6)	(51)	-	(57)
Unrealised gain on derivative instruments	(57,122)	(55,693)	-	(112,815)
Total	(429,511)	(106,973)	(746,658)	(1,283,142)
Net	(378,019)	(72,107)	(746,658)	(1,196,784)

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11 Insurance contract liabilities

	30 June 2020		31 December 2019	
	Liabilities under insurance contracts	Reinsurers' share liabilities	Liabilities under insurance contracts	Reinsurers' share liabilities
	<i>(in thousand Baht)</i>			
		Net		Net
Long-term technical reserves	101,835,139	101,835,139	97,678,686	97,678,686
Short-term technical reserves				
Loss reserves and outstanding claims				
- Case reserves	24,415	24,415	50,947	50,947
- Incurred but not reported	51,521	51,521	45,377	45,377
Total loss reserves and outstanding claims	75,936	75,936	96,324	96,324
Unearned premium reserves	277,340	277,340	281,963	281,963
Total short-term technical reserves	353,276	353,276	378,287	378,287
Unpaid policy benefits	300,742	300,742	301,988	301,988
Due to insured	585,519	585,519	485,877	485,877
Total	103,074,676	103,074,676	98,844,838	98,844,838

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11.1 Long-term technical reserves

	30 June 2020	31 December 2019
	<i>(in thousand Baht)</i>	
At 1 January	97,678,686	86,871,823
Reserves increase from new and inforce policies in the period / year	8,098,773	16,701,818
Reserves released for benefits payment, lapse and cancel policies in the period / year	<u>(3,942,320)</u>	<u>(5,894,955)</u>
At 30 June 2020 / 31 December 2019	<u>101,835,139</u>	<u>97,678,686</u>

11.2 Short-term technical reserves

11.2.1 Loss reserves and outstanding claims

	30 June 2020	31 December 2019
	<i>(in thousand Baht)</i>	
At 1 January	96,324	70,898
Insurance claim expense incurred during the period / year	202,625	527,455
Insurance claim expense paid during the period / year	<u>(223,013)</u>	<u>(502,029)</u>
At 30 June 2020 / 31 December 2019	<u>75,936</u>	<u>96,324</u>

11.2.2 Unearned premium reserves

	30 June 2020	31 December 2019
	<i>(in thousand Baht)</i>	
At 1 January	281,963	222,653
Premium written during the period / year	39,453	133,072
Earned premium in the period / year	<u>(44,076)</u>	<u>(73,762)</u>
At 30 June 2020 / 31 December 2019	<u>277,340</u>	<u>281,963</u>

11.3 Unpaid policy benefits

	30 June 2020	31 December 2019
	<i>(in thousand Baht)</i>	
Death	53,931	71,202
Unpresented cheques for benefits and claims payment	236,331	214,513
Others	<u>10,480</u>	<u>16,273</u>
Total	<u>300,742</u>	<u>301,988</u>

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11.4 Due to insured

	30 June 2020	31 December 2019
	<i>(in thousand Baht)</i>	
Policyholder deposits	576,617	476,065
Advance premium	3	42
Others	8,899	9,770
Total	<u>585,519</u>	<u>485,877</u>

12 Investment contract liabilities

The movement of investment contract liabilities are as follows;

	30 June 2020	31 December 2019
	<i>(in thousand Baht)</i>	
At 1 January	8,759,234	6,677,247
Deposit during the period / year	787,258	1,740,660
Withdrawal during the period / year	(423,548)	(533,447)
Valuation adjustment during the period / year	(451,515)	874,774
At 30 June 2020 / 31 December 2019	<u>8,671,429</u>	<u>8,759,234</u>

13 Income tax

Income tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Company's effective tax rate in respect of continuing operations for the three-month and six-month periods ended 30 June 2020 was 20%. (30 June 2019: 14% and 15%, 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

14 Expected credit loss

	Three-month period ended 30 June		Six-month period ended 30 June	
	2020	2019	2020	2019
	<i>(in thousand Baht)</i>			
Cash and cash equivalent	(584)	-	(1,614)	-
Investment in securities	955,361	-	964,025	-
Total	<u>954,777</u>	<u>-</u>	<u>962,411</u>	<u>-</u>

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15 Basic earnings (loss) per share

The calculations of basic earnings (loss) per share for the three-month and six-month periods ended 30 June 2020 and 2019 were based on the profit (loss) 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	
	2020	2019	2020	2019
	<i>(in thousand Baht / thousand shares)</i>			
Profit (loss) for the period attributable to ordinary shareholders of the Company (basic)	(283,619)	759,954	(236,101)	967,987
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 (loss) per share (in Baht)	<u>(0.13)</u>	<u>0.34</u>	<u>(0.11)</u>	<u>0.44</u>

16 Fair value of financial assets and liabilities

16.1 Carrying amounts and fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amounts and Fair value			
	Level 1	Level 2	Level 3	Total
	<i>(in thousand Baht)</i>			
At 30 June 2020				
Financial assets				
Investment in securities				
Investment measured at fair value through profit or loss	2,870	-	-	2,870
Investment measured at fair value through other comprehensive income	<u>12,240,045</u>	<u>96,701,765</u>	<u>847,089</u>	<u>109,788,899</u>
Total investment in securities	<u>12,242,915</u>	<u>96,701,765</u>	<u>847,089</u>	<u>109,791,769</u>
Derivative assets	<u>-</u>	<u>321,695</u>	<u>-</u>	<u>321,695</u>
Investment assets where policyholders bear the investment risk	<u>8,590,064</u>	<u>-</u>	<u>-</u>	<u>8,590,064</u>
Financial liabilities				
Derivative liabilities	<u>-</u>	<u>238,800</u>	<u>-</u>	<u>238,800</u>

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	Carrying amounts and Fair value			
	Level 1	Level 2	Level 3	Total
<i>(in thousand Baht)</i>				
At 31 December 2019				
Financial assets				
Investment in securities				
Trading securities	3,068	-	-	3,068
Available-for-sale securities	24,677,614	94,565,380	-	119,242,994
Total investment in securities	24,680,682	94,565,380	-	119,246,062
Derivative assets	-	253,640	-	253,640
Investment assets where policyholders bear the investment risk	8,669,825	-	-	8,669,825
Financial liabilities				
Derivative liabilities	-	4,478	-	4,478

Fair value hierarchy

The table above analyses recurring fair value measurements for financial assets and financial 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 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 foreign issued debt securities using quotes from brokers and dealers.

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 counterparty quotes.

The Company determines level 3 fair value based on multiple of price per book value approach for equity securities which are not marketable.

The Company determines level 3 fair value for debt securities based on recovery rate estimated and announced on ThaiBMA.

The Company recognises transfers between levels of the fair value hierarchy as of the end of reporting period during which the transfer has occurred. During the three-month and six-month periods ended 30 June 2020, debt security having fair value of 839.6 million was transferred from level 2 to level 3 (31 December 2019: Nil).

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16.2 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 2020 and 31 December 2019.

17 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 51.21% of the Company's shares
Prudential Corporation Holdings Limited	United Kingdom	Major shareholder, holds 48.72% of the Company's shares
Prudential Holdings Limited	United Kingdom	Intermediate parent company
Prudential Corporation Asia Limited Affiliate of Prudential Group	Hong Kong Thailand/ Foreign	Intermediate parent company 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 2020 and 2019 with key management personnel and related parties were as follows:

	Three-month period ended 30 June		Six-month period ended 30 June	
	2020	2019	2020	2019
	<i>(in thousand Baht)</i>			
Revenue				
Affiliate of Prudential Group				
Trailing fee	3,767	2,272	7,578	4,241
Expenses				
Subsidiary				
Impairment loss in investment in subsidiary	-	28	-	2
Interest expense on promissory note	-	28	-	55
Expenses				
Affiliate of Prudential Group				
Investment management fee expenses	34,606	28,612	71,387	56,603
Investment related expenses and operating expenses	50,195	84,923	99,247	132,495
Other underwriting expenses	125,332	-	125,332	-
Directors and key management personnel compensation				
Short-term employee benefits	64,497	42,247	136,530	83,925
Post-employment benefit	2,663	5,888	5,151	10,977
Other long-term benefits	5,378	10,553	14,496	21,150
Total	72,538	58,688	156,177	116,052

Significant balances as at 30 June 2020 and 31 December 2019 with related parties were as follows:

	30 June 2020	31 December 2019
	<i>(in thousand Baht)</i>	
Other assets		
Affiliate of Prudential Group	<u>1,372</u>	<u>3,990</u>
Accrued investment management fee		
Affiliate of Prudential Group	<u>32,964</u>	<u>22,305</u>
Other liabilities		
Affiliate of Prudential Group	<u>362,074</u>	<u>330,894</u>

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.

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Service agreements

In 2018, the Company 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.

In 2020, the Service Agreements mentioned earlier were novated from PHL to Prudential Corporation Holdings Limited (“PCHL”), major shareholder, which becomes Prudential Regional Head Office in Asia.

18 Securities and assets pledged with the Registrar

- 18.1 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 2020		31 December 2019	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
Government bonds	<u>45,233</u>	<u>30,000</u>	<u>45,478</u>	<u>30,000</u>

- 18.2 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 2020		31 December 2019	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
Government and state enterprise bonds	24,969,152	18,545,500	28,170,924	19,175,700
Promissory notes	1,433,907	1,000,000	1,442,516	1,000,000
Total	<u>26,403,059</u>	<u>19,545,500</u>	<u>29,613,440</u>	<u>20,175,700</u>

19 Commitments with non-related parties

	30 June	31 December
	2020	2019
	<i>(in thousand Baht)</i>	
(a) <i>Capital commitments</i>		
<i>Contracted but not provided for:</i>		
Building improvements	9,139	10,232
Software licenses	13,400	3,733
Total	<u>22,539</u>	<u>13,965</u>

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	30 June 2020	31 December 2019
	<i>(in thousand Baht)</i>	
(b) Non-cancellable operating service agreement		
Within 1 year	21,620	21,620
1 - 5 years	3,603	14,426
Total	<u>25,223</u>	<u>36,046</u>
	30 June 2020	31 December 2019
	<i>(in thousand Baht)</i>	
(c) Non-cancellable operating lease commitments		
Within 1 year	-	22,594
1 - 5 years	-	16,501
Total	<u>-</u>	<u>39,095</u>