

Prudential Life Assurance (Thailand) Public Company Limited

Interim financial statements
for the three-month period ended
31 March 2018

and

Independent auditor's report
on review of interim financial information



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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 31 March 2018; the statements of comprehensive income changes in equity and cash flows for the three-month period ended 31 March 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 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
8 May 2018

Prudential Life Assurance (Thailand) Public Company Limited

Statement of financial position

Assets	Note	31 March	31 December
		2018	2017
		(Unaudited)	
		(in thousand Baht)	
Cash and cash equivalents	3	1,244,769	3,131,870
Premiums due and uncollected	4	753,894	482,435
Accrued investment income		973,036	668,099
Reinsurance receivables		70,154	55,819
Derivative assets		422,328	233,725
Investments assets			
Investments in securities	5, 12, 14	92,411,169	88,754,775
Loans	6	2,142,152	2,027,030
Investment in subsidiary		7,468	7,447
Investment assets where policyholders bear the investment risk	12	4,315,385	2,969,410
Assets held for sale		10,030	10,030
Premises and equipment		174,617	185,000
Intangible assets	7	11,837,352	11,934,240
Other assets	13	629,832	395,929
Total assets		114,992,186	110,855,809

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

Prudential Life Assurance (Thailand) Public Company Limited

Statement of financial position

Liabilities and shareholders' equity	Note	31 March 2018 (Unaudited)	31 December 2017
		<i>(in thousand Baht)</i>	
Liabilities			
Investment payable		400,000	993,723
Insurance contract liabilities	8	79,873,557	76,760,247
Investment contract liabilities	9	4,572,553	3,032,415
Due to reinsurers		162,492	131,087
Derivative liabilities		10,048	3,213
Income tax payable		202,332	133,887
Accrued commission		362,753	402,679
Accrued expenses	13	860,461	712,301
Employee benefit obligations		181,091	303,872
Deferred tax liabilities		874,990	965,215
Other liabilities	13	758,986	548,779
Total liabilities		<u>88,259,263</u>	<u>83,987,418</u>
Shareholders' equity			
Share capital			
Authorised share capital		<u>20,209,935</u>	<u>20,209,935</u>
Issued and paid share capital		20,209,935	20,209,935
Retained earnings			
Appropriated			
Legal reserve		251,361	251,361
Unappropriated		2,849,307	2,564,367
Other components of shareholders' equity			
Net fair value changes in available-for-sale securities	5	<u>3,422,320</u>	<u>3,842,728</u>
Total shareholders' equity		<u>26,732,923</u>	<u>26,868,391</u>
Total liabilities and shareholders' equity		<u>114,992,186</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 comprehensive income (Unaudited)

	Note	Three-month period ended	
		31 March	
		2018	2017
		(Unaudited)	
		<i>(in thousand Baht)</i>	
Revenues			
Gross premium written		5,585,579	5,268,700
Less premium ceded		<u>(39,807)</u>	<u>(57,664)</u>
Net premiums written		5,545,772	5,211,036
Add unearned premium reserves decreased from previous period		<u>60,299</u>	<u>38,124</u>
Net premium earned		5,606,071	5,249,160
Commission and brokerage income		9,237	11,299
Net investments income	13	726,952	663,750
Gain on investments	13	8,198	13,075
Gain on fair value changes		93,479	70,753
Other income		<u>9,526</u>	<u>1,856</u>
Total revenues		<u>6,453,463</u>	<u>6,009,893</u>
Expenses			
Long-term technical reserve increase from prior period		3,098,678	2,716,422
Benefits payments and insurance claims expenses		1,392,853	1,307,082
Less benefits payments and insurance claims expenses recovered from reinsurers		<u>(18,590)</u>	<u>(20,283)</u>
Net benefits payments and insurance claims expenses		1,374,263	1,286,799
Commissions and brokerage expenses		699,870	569,775
Other underwriting expenses		401,652	401,773
Operating expenses	13	<u>499,407</u>	<u>402,676</u>
Total expenses		<u>6,073,870</u>	<u>5,377,445</u>
Profit before income tax		<u>379,593</u>	<u>632,448</u>
Income tax	10	<u>88,856</u>	<u>147,092</u>
Net profit		<u>290,737</u>	<u>485,356</u>
Other comprehensive income			
Components of other comprehensive income that will never be reclassified subsequently to profit or loss			
Defined benefits plan actuarial loss		(7,246)	(7,465)
Income tax relating to components of the comprehensive income that will never be reclassified subsequently to profit or loss		<u>1,449</u>	<u>1,493</u>
		<u>(5,797)</u>	<u>(5,972)</u>
Components of other comprehensive income that will be reclassified subsequently to profit or loss			
Net change in fair value on available-for-sale securities		(525,510)	259,409
Income tax relating to components of the comprehensive income that will be reclassified subsequently to profit or loss		<u>105,102</u>	<u>(51,881)</u>
		<u>(420,408)</u>	<u>207,528</u>
Other comprehensive income for the period, net of income tax		<u>(426,205)</u>	<u>201,556</u>
Total comprehensive income for the period		<u>(135,468)</u>	<u>686,912</u>
Basic earnings per share (in Baht)	11	<u>0.13</u>	<u>0.22</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)

	Issued and paid share capital	Retained earnings		Other components of shareholders' equity	Total shareholders' equity
		Legal reserve	Unappropriated	Net fair value changes in available-for-sale securities	
<i>(in thousand Baht)</i>					
Three-month period ended 31 March 2017					
Balance at 1 January 2017	20,209,935	161,084	2,121,838	1,799,970	24,292,827
Comprehensive income for the period					
Net profit	-	-	485,356	-	485,356
Other comprehensive income					
Net change in fair value on available-for-sale securities, net of income tax	-	-	-	207,528	207,528
Defined benefit plan actuarial loss, net of income tax	-	-	(5,972)	-	(5,972)
Total comprehensive income for the period	-	-	479,384	207,528	686,912
Balance at 31 March 2017	20,209,935	161,084	2,601,222	2,007,498	24,979,739

The accompanying notes are an integral part of these 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	Net fair value changes in available-for-sale securities	
<i>(in thousand Baht)</i>					
Three-month period ended 31 March 2018					
Balance at 1 January 2018	20,209,935	251,361	2,564,367	3,842,728	26,868,391
Comprehensive income for the period					
Net profit	-	-	290,737	-	290,737
Other comprehensive income					
Net change in fair value on available-for-sale securities, net of income tax	-	-	-	(420,408)	(420,408)
Defined benefit plan actuarial loss, net of income tax	-	-	(5,797)	-	(5,797)
Total comprehensive income for the period	-	-	284,940	(420,408)	(135,468)
Balance at 31 March 2018	20,209,935	251,361	2,849,307	3,422,320	26,732,923

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

Prudential Life Assurance (Thailand) Public Company Limited

Statement of cash flows (Unaudited)

	Note	Three-month period ended	
		2018	2017
		31 March	
		(in thousand Baht)	
<i>Cash flows from operating activities</i>			
Premiums received		5,203,847	4,934,464
Cash received from (paid to) reinsurers		5,090	(4,459)
Interest received		410,305	398,470
Dividend received		12,887	5,152
Other income		9,526	1,744
Benefit payments and insurance claims expenses		(1,317,922)	(1,315,740)
Commissions and brokerages		(739,796)	(606,534)
Other underwriting expenses		(202,065)	(488,101)
Operating expenses		(494,283)	(409,551)
Income tax paid		(4,086)	(3,646)
Investments in securities		(4,920,003)	(1,426,185)
Loans		(4,800)	(22,067)
Investment assets where policyholders bear the investment risk		164,702	112,538
Net cash provided by (used in) operating activities		(1,876,598)	1,176,085
<i>Cash flows from investing activities</i>			
<i>Cash flows provided by</i>			
Premises and equipment		-	125
Cash flow provided by investing activities		-	125
<i>Cash flow used in</i>			
Premises and equipment		(2,170)	(1,322)
Intangible assets		(8,333)	(8,232)
Cash flow used in investing activities		(10,503)	(9,554)
Net cash flow used in investing activities		(10,503)	(9,429)
Net increase (decrease) in cash and cash equivalents		(1,887,101)	1,166,656
Cash and cash equivalent at 1 January		3,131,870	2,541,571
Cash and cash equivalent at 31 March	3	1,244,769	3,708,227
Supplement cash flow information			
Non-cash items			
Investment receivable		3,693	1,678
Investment payable		400,000	194,261
Net fair value changes on available-for-sale securities		(525,510)	259,409

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 period ended 31 March 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	Fair value of financial assets and liabilities
13	Related parties
14	Securities and assets pledged with the Registrar
15	Commitments with non-related parties
16	Events after the reporting period

Prudential Life Assurance (Thailand) Public Company Limited

Notes to the interim financial statements

For the three-month period ended 31 March 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 8 May 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 31 March 2018 and 31 December 2017 are given in note 13.

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 TFRSs 15 *Revenue from Contracts with Customers* which is effective for annual periods beginning on or after 1 January 2019. The Company has not early adopted this standard in preparing these interim financial statements.

TFRSs 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 TFRSs 15 on the financial statements and expects that there will be no material impact on the financial statements in the period of initial application.

Prudential Life Assurance (Thailand) Public Company Limited

Notes to the interim financial statements

For the three-month period ended 31 March 2018 (Unaudited)

(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.

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

	31 March 2018	31 December 2017
	<i>(in thousand Baht)</i>	
Cash on hand	1,752	1,755
Deposits at banks - call deposits	1,243,017	1,870,115
Deposits at banks - time deposits	-	1,260,000
Total	1,244,769	3,131,870

4 Premiums due and uncollected

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

	31 March 2018	31 December 2017
	<i>(in thousand Baht)</i>	
Within due	686,721	410,042
Overdue		
less than 30 days	67,148	72,092
31 - 60 days	422	380
61 - 90 days	49	332
91 days - 1 year	266	339
over 1 year	458	468
Total	755,064	483,653
Less allowance for doubtful accounts	(1,170)	(1,218)
Net	753,894	482,435

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
Notes to the interim financial statements
For the three-month period ended 31 March 2018 (Unaudited)

5 Investments in securities

5.1 Investments in securities types

	31 March 2018		31 December 2017	
	Cost/ Amortised cost	Fair value <i>(in thousand Baht)</i>	Cost/ Amortised cost	Fair value
Trading securities				
Unit trusts	2,725	3,033	1,896	2,230
Add unrealised gain from fair value changes on securities	308	-	334	-
Total trading securities	3,033	3,033	2,230	2,230
Available-for-sale securities				
Government and state enterprise debt securities	54,090,193	56,678,344	50,425,068	53,528,026
Private debt securities	28,260,895	29,482,495	27,521,213	28,735,618
Foreign debt securities	1,914,345	1,894,676	2,138,765	2,152,858
Unit trusts	2,121,298	2,822,511	2,121,298	2,722,786
Exchange Traded Fund	1,742,408	1,528,796	1,742,408	1,612,657
Total	88,129,139	92,406,822	83,948,752	88,751,945
Add unrealised gain from fair value changes on securities	4,277,900	-	4,803,410	-
Less allowance for impairment	(217)	-	(217)	-
Total available-for-sale securities	92,406,822	92,406,822	88,751,945	88,751,945
General investments				
Equity securities - ordinary shares	1,777		1,063	
Less allowance for impairment	(463)		(463)	
Total general investments	1,314		600	
Total investments in securities	92,411,169		88,754,775	

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

	31 March 2018	31 December 2017
	<i>(in thousand Baht)</i>	
Net change in fair value on available-for-sale securities	4,277,900	4,803,410
Less deferred tax liability	(855,580)	(960,682)
Net	3,422,320	3,842,728

Prudential Life Assurance (Thailand) Public Company Limited
Notes to the interim financial statements
For the three-month period ended 31 March 2018 (Unaudited)

6 Loans

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

31 March 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	2,142,081	212,239	-	-	71	-	2,142,152	212,239	2,354,391
Overdue over 12 months	-	-	1,104	-	-	-	1,104	-	1,104
Total	2,142,081	212,239	1,104	-	71	-	2,143,256	212,239	2,355,495
Less allowance for doubtful accounts	-	-	(1,104)	-	-	-	(1,104)	-	(1,104)
Net	2,142,081	212,239	-	-	71	-	2,142,152	212,239	2,354,391
31 December 2017									
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	2,026,942	198,550	-	-	88	-	2,027,030	198,550	2,225,580
Overdue over 12 months	-	-	1,104	-	-	-	1,104	-	1,104
Total	2,026,942	198,550	1,104	-	88	-	2,028,134	198,550	2,226,684
Less allowance for doubtful accounts	-	-	(1,104)	-	-	-	(1,104)	-	(1,104)
Net	2,026,942	198,550	-	-	88	-	2,027,030	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 period ended 31 March 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	-	8,333	-	8,333
Disposals and transfers out - net book value	45,336	(45,336)	-	-
Amortisation charge during the period	<u>(16,243)</u>	<u>-</u>	<u>(88,978)</u>	<u>(105,221)</u>
Net book value at 31 March 2018	<u>156,718</u>	<u>13,676</u>	<u>11,666,958</u>	<u>11,837,352</u>

Prudential Life Assurance (Thailand) Public Company Limited
Notes to the interim financial statements
For the three-month period ended 31 March 2018 (Unaudited)

8 Insurance contract liabilities

	31 March 2018			31 December 2017		
	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	79,126,411	-	79,126,411	76,027,733	-	76,027,733
Short-term technical reserves						
Loss reserves and outstanding claims						
- Case reserves	38,854	-	38,854	26,878	-	26,878
- Incurred but not reported	18,407	-	18,407	21,010	-	21,010
Total loss reserves and outstanding claims	57,261	-	57,261	47,888	-	47,888
Unearned premium reserves	178,311	-	178,311	238,610	-	238,610
Total short-term technical reserves	235,572	-	235,572	286,498	-	286,498
Unpaid policy benefits	252,257	-	252,257	224,672	-	224,672
Due to insured	259,317	-	259,317	221,344	-	221,344
Total	79,873,557	-	79,873,557	76,760,247	-	76,760,247

Prudential Life Assurance (Thailand) Public Company Limited

Notes to the interim financial statements

For the three-month period ended 31 March 2018 (Unaudited)

8.1 Long-term technical reserves

	31 March 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	4,179,743	13,585,957
Reserves released for benefits payment, lapse and cancel policies in the period / year	<u>(1,081,065)</u>	<u>(3,191,408)</u>
At 31 March 2018 / 31 December 2017	<u>79,126,411</u>	<u>76,027,733</u>

8.2 Short-term technical reserve

8.2.1 Loss reserves and outstanding claims

	31 March 2018	31 December 2017
	<i>(in thousand Baht)</i>	
At 1 January	47,888	41,549
Insurance claim expense incurred during the period / year	108,320	450,664
Insurance claim expense paid during the period / year	<u>(98,947)</u>	<u>(444,325)</u>
At 31 March 2018 / 31 December 2017	<u>57,261</u>	<u>47,888</u>

8.2.2 Unearned premium reserves

	31 March 2018	31 December 2017
	<i>(in thousand Baht)</i>	
At 1 January	238,610	321,136
Premium written during the period / year	31,628	75,955
Earned premium in the period / year	<u>(91,927)</u>	<u>(158,481)</u>
At 31 March 2018 / 31 December 2017	<u>178,311</u>	<u>238,610</u>

8.3 Unpaid policy benefits

	31 March 2018	31 December 2017
	<i>(in thousand Baht)</i>	
Death	83,924	67,278
Unpresented cheques for benefits and claims payment	159,850	145,573
Others	<u>8,483</u>	<u>11,821</u>
Total	<u>252,257</u>	<u>224,672</u>

Prudential Life Assurance (Thailand) Public Company Limited
Notes to the interim financial statements
For the three-month period ended 31 March 2018 (Unaudited)

8.4 Due to insured

	31 March 2018	31 December 2017
	<i>(in thousand Baht)</i>	
Policyholder deposits	247,800	213,770
Advance premium	129	146
Others	11,388	7,428
Total	<u>259,317</u>	<u>221,344</u>

9 Investment contract liabilities

The movement of investment contract liabilities are as follow;

	31 March 2018	31 December 2017
	<i>(in thousand Baht)</i>	
At 1 January	3,032,415	1,670,612
Deposit during the period / year	1,684,802	1,772,999
Withdrawal during the period / year	(119,716)	(613,124)
Valuation adjustment during the period / year	(24,948)	201,928
At 31 March 2018 / 31 December 2017	<u>4,572,553</u>	<u>3,032,415</u>

As at 31 March 2018 and 31 December 2017, cash and cash equivalents were denominated entirely in Thai Baht.

10 Income tax

The Company's effective income tax rate for the three-month period ended 31 March 2018 was 23% (31 March 2017: 23%).

11 Basic earnings per share

The calculations of basic earnings per share for the three-month period ended 31 March 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:

	2018	2017
	<i>(in thousand Baht / thousand shares)</i>	
Profit for the period attributable to ordinary shareholders of the Company (basic)	<u>290,737</u>	<u>485,356</u>
Number of ordinary shares outstanding	<u>2,211,153</u>	<u>2,211,153</u>
Basic earnings per share (in Baht)	<u>0.13</u>	<u>0.22</u>

Prudential Life Assurance (Thailand) Public Company Limited
Notes to the interim financial statements
For the three-month period ended 31 March 2018 (Unaudited)

12 Fair value of financial assets and liabilities

12.1 Financial assets and liabilities measured at fair value

	Fair value			Total
	Level 1	Level 2 (in thousand Baht)	Level 3	
31 March 2018				
Financial assets				
<i>Trading securities</i>				
<i>Private securities</i>				
Unit trusts	3,033	-	-	3,033
Total trading securities	3,033	-	-	3,033
<i>Available-for-sale securities</i>				
Government and state enterprise debt securities	-	56,678,344	-	56,678,344
Private debt securities	-	29,482,495	-	29,482,495
Foreign debt securities	-	1,894,676	-	1,894,676
Unit trusts and Exchange Traded Fund	4,290,124	61,183	-	4,351,307
Total available-for-sale securities	4,290,124	88,116,698	-	92,406,822
Investment assets where policyholders bear the investment risk	4,315,385	-	-	4,315,385

	Fair value			Total
	Level 1	Level 2 (in thousand Baht)	Level 3	
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 and Exchange Traded Fund	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

Prudential Life Assurance (Thailand) Public Company Limited
Notes to the interim financial statements
For the three-month period ended 31 March 2018 (Unaudited)

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 period ended 31 March 2018 and for the year ended 31 December 2017.

12.2 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 31 March 2018 and 31 December 2017.

13 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.

Prudential Life Assurance (Thailand) Public Company Limited
Notes to the interim financial statements
For the three-month period ended 31 March 2018 (Unaudited)

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

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

Significant transactions for the three-month period ended 31 March 2018 and 2017 with key management personnel and related parties were as follows:

Three-month period ended 31 March	2018	2017
	<i>(in thousand Baht)</i>	
Expenses		
Subsidiary		
Reversal of impairment loss in investment in subsidiary	(21)	(21)
Interest expense on promissory note	27	28
Expenses		
Affiliate of Prudential Group		
Investment management fee expenses	29,923	26,064
Operating expenses	4,527	7,459
Directors and key management personnel compensation		
Short-term employee benefits	92,995	80,754
Post-employment benefit	8,164	7,241
Other long-term benefits	13,458	8,229
Total	114,617	96,224

Prudential Life Assurance (Thailand) Public Company Limited
Notes to the interim financial statements
For the three-month period ended 31 March 2018 (Unaudited)

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

	31 March 2018	31 December 2017
	<i>(in thousand Baht)</i>	
<i>Other assets</i>		
Affiliate of Prudential Group	<u>156</u>	<u>-</u>
<i>Promissory note (included in other liabilities)</i>		
Promissory note payable to the subsidiary	<u>7,569</u>	<u>7,543</u>
<i>Accrued investment management fee</i>		
Affiliate of Prudential Group	<u>9,044</u>	<u>26,015</u>
<i>Other liabilities</i>		
Affiliate of Prudential Group	<u>615</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.

14 Securities and assets pledged with the Registrar

14.1 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:

	31 March 2018		31 December 2017	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
Government bonds	<u>37,475</u>	<u>30,000</u>	<u>38,407</u>	<u>30,000</u>

14.2 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:

	31 March 2018		31 December 2017	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
Government and state enterprise bonds	18,459,643	15,610,700	16,885,992	13,969,700
Promissory notes	<u>1,143,603</u>	<u>1,000,000</u>	<u>1,182,990</u>	<u>1,000,000</u>
Total	<u>19,603,246</u>	<u>16,610,700</u>	<u>18,068,982</u>	<u>14,969,700</u>

Prudential Life Assurance (Thailand) Public Company Limited
Notes to the interim financial statements
For the three-month period ended 31 March 2018 (Unaudited)

15 Commitments with non-related parties

	31 March 2018	31 December 2017
	<i>(in thousand Baht)</i>	
(a) Capital commitments		
<i>Contracted but not provided for:</i>		
Software licenses	8,126	15,108
Total	8,126	15,108
	31 March 2018	31 December 2017
	<i>(in thousand Baht)</i>	
(b) Non-cancellable operating lease commitments		
Within one year	45,581	44,387
After one year but within five years	116,398	128,290
Total	161,979	172,677
	31 March 2018	31 December 2017
	<i>(in thousand USD)</i>	
(c) Commitments from foreign exchange forward contracts		
<i>Within one year - US dollar</i>	169,555	115,827
<i>After one year but within five years - US dollar</i>	-	50,033
Commitments from cross currency swap contracts		
<i>Within five years - US dollar</i>	9,900	9,900

16 Events after the reporting period

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 not exceeding Baht 1,813 million or Baht 0.82 per share. The dividend shall be paid out from the Company's net profit for the year 2017 and unappropriated retain earnings. The Company expects to pay the dividend to shareholders within May 2018.