

# **Prudential Life Assurance (Thailand) Public Company Limited**

Condensed Interim financial statements  
for the three-month period ended  
31 March 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 31 March 2020; the statements of comprehensive income changes in equity and cash flows for the three-month period ended 31 March 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 May 2020

# Prudential Life Assurance (Thailand) Public Company Limited

## Statement of financial position

Assets	Note	31 March	31 December
		2020	2019
		(Unaudited)	
		(in thousand Baht)	
Cash and cash equivalents	4	9,402,629	1,916,846
Premiums due and uncollected	5	761,756	566,407
Accrued investment income		963,802	700,306
Reinsurance receivables		140,999	124,972
Derivative assets	6	37,004	253,640
Investments assets			
Investments in securities	7, 15, 17	107,329,450	119,248,929
Loans and accrued interest	8	2,931,630	2,816,935
Investment assets where policyholders bear the investment risk	15	7,503,475	8,669,825
Assets held for sale		10,030	10,030
Premises and equipment		106,968	107,817
Right of use asset		32,843	-
Intangible assets	9	10,978,655	11,105,951
Other assets	16	2,100,723	656,638
<b>Total assets</b>		<b>142,299,964</b>	<b>146,178,296</b>

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

# Prudential Life Assurance (Thailand) Public Company Limited

## Statement of financial position

		31 March 2020 (Unaudited)	31 December 2019
<i>(in thousand Baht)</i>			
<b>Liabilities and shareholders' equity</b>	<i>Note</i>		
<b>Liabilities</b>			
Insurance contract liabilities	10	101,249,356	98,844,838
Investment contract liabilities	11	7,529,926	8,759,234
Investment payable		-	411,200
Due to reinsurers		331,507	283,184
Derivative liabilities	6	1,797,436	4,478
Accrued commission		323,291	418,752
Accrued expenses	16	587,922	848,150
Provision for employee benefits		157,000	269,532
Lease liabilities		32,923	-
Deferred tax liabilities		915,653	2,454,881
Income tax payable		369,813	-
Other liabilities	16	789,257	1,034,725
<b>Total liabilities</b>		<b>114,084,084</b>	<b>113,328,974</b>
<b>Shareholders' equity</b>			
Share capital			
Authorised share capital <i>(2,211,153 ordinary shares, par value at Baht 9.14 per share)</i>		<b>20,209,935</b>	<b>20,209,935</b>
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			
		2,283,036	3,156,585
Other components of shareholders' equity	7	5,267,935	9,027,828
<b>Total shareholders' equity</b>		<b>28,215,880</b>	<b>32,849,322</b>
<b>Total liabilities and shareholders' equity</b>		<b>142,299,964</b>	<b>146,178,296</b>

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

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

		Three-month period ended 31 March	
	Note	2020 (Unaudited)	2019 (Unaudited)
		<i>(in thousand Baht)</i>	
<b>Revenues</b>			
Gross premium written		5,666,486	5,768,093
Less premium ceded		(52,464)	(49,842)
Net premiums written		5,614,022	5,718,251
Less unearned premium reserves increased from previous period		(10,879)	(22,299)
Net premium earned		5,603,143	5,695,952
Commission and brokerage income		17,968	17,944
Net investments income	16	998,244	752,283
Loss on investments	16	(74,940)	(63,683)
Gain (loss) on fair value changes		(94,401)	230,526
Other income		13,198	7,204
<b>Total revenues</b>		<b>6,463,212</b>	<b>6,640,226</b>
<b>Expenses</b>			
Long-term technical reserve increase from prior period		2,288,535	2,773,315
Benefits payments and insurance claims expenses		2,308,858	1,852,185
Less benefits payments and insurance claims expenses recovered from reinsurers		(12,202)	(18,038)
Net benefits payments and insurance claims expenses		2,296,656	1,834,147
Commissions and brokerage expenses		695,094	751,054
Other underwriting expenses		567,326	482,392
Operating expenses	16	520,971	545,167
Expected credit loss	13	7,634	-
Other loss (gain)		29,726	(3,294)
<b>Total expenses</b>		<b>6,405,942</b>	<b>6,382,781</b>
<b>Profit before income tax</b>		<b>57,270</b>	<b>257,445</b>
Income tax	12	9,752	49,412
<b>Profit for the period</b>		<b>47,518</b>	<b>208,033</b>
<b>Other comprehensive income</b>			
<i>Components of other comprehensive income that will be reclassified subsequently to profit or loss</i>			
Reclassified investments measured at fair value through other comprehensive income to profit or loss		8,664	-
Gain (loss) on remeasurement of investment - fair value through other comprehensive income		(5,861,484)	968,991
Income tax relating to components of the comprehensive income that will be reclassified subsequently to profit or loss		1,170,564	(193,798)
		<b>(4,682,256)</b>	<b>775,193</b>
<b>Other comprehensive income for the period, net of income tax</b>		<b>(4,682,256)</b>	<b>775,193</b>
<b>Total comprehensive income for the period</b>		<b>(4,634,738)</b>	<b>983,226</b>
<b>Basic earnings per share (in Baht)</b>	14	<b>0.02</b>	<b>0.09</b>

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

## Prudential Life Assurance (Thailand) Public Company Limited

### Statement of changes in equity (Unaudited)

Three-month period ended 31 March 2019	Retained earnings		Other components of shareholders' equity		Total shareholders' equity
	Issued and paid share capital	Legal reserve	Unappropriated	Gain on remeasurement of investment - fair value through other comprehensive income	
	<i>(in thousand Baht)</i>				
<b>Balance at 1 January 2019</b>	20,209,935	322,362	2,094,435	1,458,322	24,085,054
<b>Comprehensive income for the period</b>					
Profit for the period	-	-	208,033	-	208,033
Other comprehensive income					
Gain on remeasurement of investment - fair value through other comprehensive income, net of income tax	-	-	-	775,193	775,193
<b>Total comprehensive income for the period</b>	-	-	208,033	775,193	983,226
<b>Balance at 31 March 2019</b>	<u>20,209,935</u>	<u>322,362</u>	<u>2,302,468</u>	<u>2,233,515</u>	<u>25,068,280</u>

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

## Prudential Life Assurance (Thailand) Public Company Limited

### Statement of changes in equity (Unaudited)

	Retained earnings		Other components of shareholders' equity	
	Issued and paid share capital	Legal reserve	Gain (loss) on remeasurement of investment - fair value through other comprehensive income	Total shareholders' equity
			<i>(in thousand Baht)</i>	
<b>Three-month period ended 31 March 2020</b>				
Balance at 31 December 2019 - as reported	20,209,935	454,974	3,156,585	9,027,828
Impact of change in accounting policies	-	-	(921,067)	1,296
Balance at 1 January 2020 - as restated	20,209,935	454,974	2,235,518	9,950,191
<b>Comprehensive income for the period</b>				
Profit for the period	-	-	47,518	47,518
Other comprehensive income				
Reclassified investments measured at fair value through other comprehensive income to profit or loss	-	-	-	6,931
Loss on remeasurement of investment - fair value through other comprehensive income, net of income tax	-	-	-	(4,689,187)
<b>Total comprehensive income for the period</b>			<b>47,518</b>	<b>(4,682,256)</b>
<b>Balance at 31 March 2020</b>	<b>20,209,935</b>	<b>454,974</b>	<b>2,283,036</b>	<b>5,267,935</b>

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

# Prudential Life Assurance (Thailand) Public Company Limited

## Statement of cash flows (Unaudited)

	Note	Three-month period ended	
		31 March	
		2020	2019
		<i>(in thousand Baht)</i>	
<b><i>Cash flows from operating activities</i></b>			
Premiums received		5,364,769	5,327,862
Cash paid to reinsurers		(2,229)	(1,164)
Interest received		548,102	546,234
Dividend received		121,220	21,752
Other income (expense)		(3,731)	20,878
Benefit payments and insurance claims expenses		(2,203,754)	(1,789,282)
Commissions and brokerages		(790,555)	(786,127)
Other underwriting expenses		(668,858)	(429,293)
Operating expenses		(564,432)	(736,323)
Income tax paid		(8,810)	(5,424)
Investments in securities		5,791,700	(2,019,132)
Loans		2,518	3,875
Investment assets where policyholders bear the investment risk		(83,545)	(154,400)
<b>Net cash generated from (used in) operating activities</b>		<b><u>7,502,395</u></b>	<b><u>(544)</u></b>
<b><i>Cash flows from investing activities</i></b>			
<b><i>Cash flow used in</i></b>			
Premises and equipment		(6,854)	(2,339)
Intangible assets		(2,224)	(2,309)
<b>Net cash flow used in investing activities</b>		<b><u>(9,078)</u></b>	<b><u>(4,648)</u></b>
<b><i>Cash flows from financing activities</i></b>			
<b><i>Cash flows used in</i></b>			
Payment of lease liabilities		(5,649)	-
<b>Net cash flow used in financing activities</b>		<b><u>(5,649)</u></b>	<b><u>-</u></b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>7,487,668</b>	<b>(5,192)</b>
Cash and cash equivalent at 31 December 2019/2018		<u>1,916,846</u>	<u>1,358,957</u>
<b>Total cash and cash equivalent at 31 March</b>		<b>9,404,514</b>	<b>1,353,765</b>
<i>Less</i> loss allowance of expected credit loss		(1,885)	-
<b>Cash and cash equivalent at 31 March - Net</b>	4	<b><u>9,402,629</u></b>	<b><u>1,353,765</u></b>

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



# **Prudential Life Assurance (Thailand) Public Company Limited**

## **Notes to the interim financial statements**

**For the three-month period ended 31 March 2020 (Unaudited)**

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# Prudential Life Assurance (Thailand) Public Company Limited

## Notes to the interim financial statements

### For the three-month period ended 31 March 2020 (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. 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 May 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, 20<sup>th</sup> - 27<sup>th</sup> 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 (51.2% 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.

## 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

## Notes to the interim financial statements

For the three-month period ended 31 March 2020 (Unaudited)

### (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	Other components of equity
	<i>(in thousand Baht)</i>	
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 (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)
<b>At 1 January 2020 - restated</b>	<b><u>2,690,492</u></b>	<b><u>9,950,191</u></b>

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.

**Prudential Life Assurance (Thailand) Public Company Limited**  
**Notes to the interim financial statements**  
**For the three-month period ended 31 March 2020 (Unaudited)**

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

(2) *Impairment - Financial assets and contract 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.

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:

# Prudential Life Assurance (Thailand) Public Company Limited

## Notes to the interim financial statements

For the three-month period ended 31 March 2020 (Unaudited)

(in thousand Baht)

### Allowance for impairment losses at 31 December 2019

Allowance for impairment losses on investments and loans	1,784
Debt instruments measured at FVOCI	25,871
Cash and cash equivalent	2,915
<b>Allowance for impairment losses at 1 January 2020</b>	<b>28,786</b>

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 while current TFRSs are silent. There are three hedge accounting models and the type of model applied depends on the hedged exposures consisting of a fair value exposure, a cash flow exposure or a foreign currency exposure on a net investment in a foreign operation. Under 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 31 March 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.

### 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

# Prudential Life Assurance (Thailand) Public Company Limited

## Notes to the interim financial statements

For the three-month period ended 31 March 2020 (Unaudited)

### 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
<b>Lease liabilities recognised at 1 January 2020</b>	<b>38,392</b>
Weighted-average incremental borrowing rate (% per annum)	<b>1.96</b>

## 4 Cash and cash equivalents

	31 March 2020	31 December 2019
	<i>(in thousand Baht)</i>	
Cash on hand	1,280	1,266
Deposits at banks - call deposits	9,403,234	1,915,580
Less allowance for expected credit loss	(1,885)	-
<b>Total</b>	<b>9,402,629</b>	<b>1,916,846</b>

## 5 Premiums due and uncollected

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

	31 March 2020	31 December 2019
	<i>(in thousand Baht)</i>	
Within due	653,288	488,528
Overdue		
less than 30 days	108,203	67,505
31 - 60 days	215	10,244
61 - 90 days	43	110
91 days - 1 year	212	172
over 1 year	7	7
<b>Total</b>	<b>761,968</b>	<b>566,566</b>
Less allowance for doubtful accounts	(212)	(159)
<b>Net</b>	<b>761,756</b>	<b>566,407</b>

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 2020 (Unaudited)**

**6 Derivatives**

Derivatives for which hedge accounting has not been elected

	Type of contract	Objectives	No. of contracts	Notional value	31 March 2020		Gain (loss) on remeasurement of derivatives at fair value
					Assets <i>(in thousand Baht)</i>	Fair value Liabilities	
Foreign exchange forward		To protect against foreign exchange risk arising from investment activities	27	20,148,939	14,350	1,796,847	(1,978,732)
Cross currency swap		To protect against foreign exchange and interest rate risks arising from investment activities	1	349,272	22,654	-	(32,831)
Bond forward		To protect against interest rate risk arising from investment activities	1	191,052	-	589	1,970
<b>Total</b>			<b>29</b>	<b>20,689,263</b>	<b>37,004</b>	<b>1,797,436</b>	<b>(2,009,593)</b>

**Prudential Life Assurance (Thailand) Public Company Limited**  
**Notes to the interim financial statements**  
**For the three-month period ended 31 March 2020 (Unaudited)**

Derivatives for which hedge accounting has not been elected

	31 December 2019				Gain (loss) on remeasurement of derivatives at fair value	
Type of contract	Objectives	No. of contracts	Notional value	Book value/Fair value Assets at fair value <i>(in thousand Baht)</i>		
Foreign exchange forward	To protect against foreign exchange risk arising from investment activities	18	25,035,673	198,156	1,920	65,404
Cross currency swap	To protect against foreign exchange and interest rate risks arising from investment activities	1	349,272	55,484	-	15,747
Bond forward	To protect against interest rate risk arising from investment activities	1	191,052	-	2,558	(2,558)
<b>Total</b>		<b>20</b>	<b>25,575,997</b>	<b>253,640</b>	<b>4,478</b>	<b>78,593</b>

As at 31 March 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 679.6 million or Baht 20,498.2 million (31 December 2019: USD 838.7 million or Baht 25,384.9 million).

In addition, as at 31 March 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).



# Prudential Life Assurance (Thailand) Public Company Limited

## Notes to the condensed interim financial statements

For the three-month period ended 31 March 2020 (Unaudited)

### 7 Investments in securities

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

	31 March 2020		31 December 2019	
	Cost/ Amortised cost	Fair value <i>(in thousand Baht)</i>	Cost/ Amortised cost	Fair value
<b><i>Fair value through profit and loss</i></b>				
Unit trusts	2,935	2,621	2,809	3,068
Total	<u>2,935</u>	<u>2,621</u>	<u>2,809</u>	<u>3,068</u>
Add (Less): unrealised gains (losses)	(314)	-	259	-
<b>Total</b>	<b><u>2,621</u></b>	<b><u>2,621</u></b>	<b><u>3,068</u></b>	<b><u>3,068</u></b>
<b><i>Fair value through other comprehensive income</i></b>				
Government and state enterprises securities	37,381,430	45,139,620	40,734,997	50,945,223
Corporate securities	42,481,651	44,432,716	40,931,008	43,288,832
Foreign securities	271,674	281,437	263,166	270,969
Equity securities	7,407,161	4,865,806	7,557,485	6,889,444
Unit trusts	12,912,218	12,607,250	18,471,771	17,848,526
Total	<u>100,454,134</u>	<u>107,326,829</u>	<u>107,958,427</u>	<u>119,242,994</u>
Add unrealised gains	6,872,695	-	11,284,784	-
Less allowance for impairment loss	-	-	(217)	-
<b>Total</b>	<b><u>107,326,829</u></b>	<b><u>107,326,829</u></b>	<b><u>119,242,994</u></b>	<b><u>119,242,994</u></b>
Allowance for expected credit loss	<u>34,535</u>		<u>-</u>	

General investments comprise of:

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

#### 7.2 Fair value through other comprehensive income

	31 March 2020		31 December 2019	
	Fair value	Loss allowance For ECL <i>(in thousand Baht)</i>	Fair value	Loss allowance For ECL
Debt securities - no significant increase in credit risk / performing (stage 1)	89,853,773	34,535	94,505,024	-
<b>Total</b>	<b><u>89,853,773</u></b>	<b><u>34,535</u></b>	<b><u>94,505,024</u></b>	<b><u>-</u></b>

**Prudential Life Assurance (Thailand) Public Company Limited**  
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**8 Loans and accrued interest**

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

Stage	31 March 2020		Total
	Mortgage loans	Loans and accrued interest, net Other <i>(in thousand Baht)</i>	
Loans - no significant increase in credit risk (stage 1)	-	44	44
Loans - default / non-performing (stage 3)	1,104	-	1,104
Less allowance for expected credit loss	(1,104)	-	(1,104)
<b>Total</b>	-	<b>44</b>	<b>44</b>
Policy loans	-	2,634,133	2,634,133
Accrued interest receivable	-	297,453	297,453
<b>Loans and accrued interest, net</b>	-	<b>2,931,630</b>	<b>2,931,630</b>

  

	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)
<b>Total</b>	-	<b>119</b>	<b>119</b>
Policy loans	-	2,530,260	2,530,260
Accrued interest receivable	-	286,556	286,556
<b>Loans and accrued interest, net</b>	-	<b>2,816,935</b>	<b>2,816,935</b>

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).

**9 Intangible assets**

	Software licenses	Software under construction <i>(in thousand Baht)</i>	Bancassurance agreement	Total
<b>Net book value at 1 January 2020</b>	<b>168,934</b>	<b>103,961</b>	<b>10,833,056</b>	<b>11,105,951</b>
Additions during the period - cost	-	3,111	-	3,111
Net transfers in/(out)	15,679	(15,679)	-	-
Amortisation charge for the period	(15,888)	-	(114,519)	(130,407)
<b>Net book value at 31 March 2020</b>	<b>168,725</b>	<b>91,393</b>	<b>10,718,537</b>	<b>10,978,655</b>

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**10 Insurance contract liabilities**

	31 March 2020		31 December 2019	
	Liabilities under insurance contracts	Reinsurers' share liabilities	Liabilities under insurance contracts	Reinsurers' share liabilities
Long-term technical reserves	99,967,221	-	97,678,686	-
Short-term technical reserves				
Loss reserves and outstanding claims				
- Case reserves	57,970	-	50,947	-
- Incurred but not reported	48,340	-	45,377	-
Total loss reserves and outstanding claims	106,310	-	96,324	-
Unearned premium reserves	292,842	-	281,963	-
Total short-term technical reserves	399,152	-	378,287	-
Unpaid policy benefits	348,635	-	301,988	-
Due to insured	534,348	-	485,877	-
<b>Total</b>	<b>101,249,356</b>	<b>-</b>	<b>98,844,838</b>	<b>-</b>
				<b>Net</b>
				<b>97,678,686</b>

(in thousand Baht)

# Prudential Life Assurance (Thailand) Public Company Limited

## Notes to the condensed interim financial statements

For the three-month period ended 31 March 2020 (Unaudited)

### 10.1 Long-term technical reserves

	31 March 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	4,220,547	16,701,818
Reserves released for benefits payment, lapse and cancel policies in the period / year	<u>(1,932,012)</u>	<u>(5,894,955)</u>
<b>At 31 March 2020 / 31 December 2019</b>	<b><u>99,967,221</u></b>	<b><u>97,678,686</u></b>

### 10.2 Short-term technical reserves

#### 10.2.1 Loss reserves and outstanding claims

	31 March 2020	31 December 2019
	<i>(in thousand Baht)</i>	
At 1 January	96,324	70,898
Insurance claim expense incurred during the period / year	138,796	527,455
Insurance claim expense paid during the period / year	<u>(128,810)</u>	<u>(502,029)</u>
<b>At 31 March 2020 / 31 December 2019</b>	<b><u>106,310</u></b>	<b><u>96,324</u></b>

#### 10.2.2 Unearned premium reserves

	31 March 2020	31 December 2019
	<i>(in thousand Baht)</i>	
At 1 January	281,963	222,653
Premium written during the period / year	33,856	133,072
Earned premium in the period / year	<u>(22,977)</u>	<u>(73,762)</u>
<b>At 31 March 2020 / 31 December 2019</b>	<b><u>292,842</u></b>	<b><u>281,963</u></b>

### 10.3 Unpaid policy benefits

	31 March 2020	31 December 2019
	<i>(in thousand Baht)</i>	
Death	95,746	71,202
Unpresented cheques for benefits and claims payment	223,676	214,513
Others	<u>29,213</u>	<u>16,273</u>
<b>Total</b>	<b><u>348,635</u></b>	<b><u>301,988</u></b>

# Prudential Life Assurance (Thailand) Public Company Limited

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For the three-month period ended 31 March 2020 (Unaudited)

### 10.4 Due to insured

	31 March 2020	31 December 2019
	<i>(in thousand Baht)</i>	
Policyholder deposits	525,306	476,065
Advance premium	24	42
Others	9,018	9,770
<b>Total</b>	<b>534,348</b>	<b>485,877</b>

### 11 Investment contract liabilities

The movement of investment contract liabilities are as follows;

	31 March 2020	31 December 2019
	<i>(in thousand Baht)</i>	
At 1 January	8,759,234	6,677,247
Deposit during the period / year	426,018	1,740,660
Withdrawal during the period / year	(241,552)	(533,447)
Valuation adjustment during the period / year	(1,413,774)	874,774
<b>At 31 March 2020 / 31 December 2019</b>	<b>7,529,926</b>	<b>8,759,234</b>

### 12 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 period ended 31 March 2020 was 17% (31 March 2019: 19%). The change in effective tax rate was caused mainly 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

### 13 Expected credit loss

*Three-month period ended 31 March 2020 and 2019*

	31 March 2020	31 March 2019
	<i>(in thousand Baht)</i>	
Cash and cash equivalent	(1,030)	-
Investment in securities	8,664	-
<b>Total</b>	<b>7,634</b>	<b>-</b>

# Prudential Life Assurance (Thailand) Public Company Limited

## Notes to the condensed interim financial statements

For the three-month period ended 31 March 2020 (Unaudited)

### 14 Basic earnings per share

The calculations of basic earnings per share for the three-month period ended 31 March 2020 and 2019 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:

<i>Three-month period ended 31 March</i>	2020	2019
	<i>(in thousand Baht / thousand shares)</i>	
Profit for the period attributable to ordinary shareholders of the Company (basic)	<u>47,518</u>	<u>208,033</u>
Number of ordinary shares outstanding	<u>2,211,153</u>	<u>2,211,153</u>
<b>Basic earnings per share (in Baht)</b>	<b><u>0.02</u></b>	<b><u>0.09</u></b>

### 15 Fair value of financial assets and liabilities

#### 15.1 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.

<i>At 31 March 2020</i>	<b>Fair value</b>			Total
	Level 1	Level 2	Level 3	
<i>Financial assets</i>	<i>(in thousand Baht)</i>			
<b>Investment in securities</b>				
Trading securities	2,621	-	-	2,621
Available -for-sale securities	17,405,199	89,914,345	7,285	107,326,829
<b>Total investment in securities</b>	<u>17,407,820</u>	<u>89,914,345</u>	<u>7,285</u>	<u>107,329,450</u>
Derivative assets	<u>-</u>	<u>37,004</u>	<u>-</u>	<u>37,004</u>
<b>Investment assets where policyholders bear the investment risk</b>	<u>7,503,475</u>	<u>-</u>	<u>-</u>	<u>7,503,475</u>
<i>Financial liabilities</i>				
Derivative liabilities	<u>-</u>	<u>1,797,436</u>	<u>-</u>	<u>1,797,436</u>

# Prudential Life Assurance (Thailand) Public Company Limited

## Notes to the condensed interim financial statements

For the three-month period ended 31 March 2020 (Unaudited)

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

### *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 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 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 2020 and for the year ended 31 December 2019.

# Prudential Life Assurance (Thailand) Public Company Limited

## Notes to the condensed interim financial statements

For the three-month period ended 31 March 2020 (Unaudited)

### 15.2 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 2020 and 31 December 2019.

### 16 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
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

Significant transactions for the three-month period ended 31 March 2020 and 2019 with key management personnel and related parties were as follows:



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<i>Three-month period ended 31 March</i>	2020	2019
	<i>(in thousand Baht)</i>	
<b>Revenue</b>		
<b>Affiliate of Prudential Group</b>		
Trailing fee	3,811	1,969
<b>Expenses</b>		
<b>Subsidiary</b>		
Reversal of impairment loss in investment in subsidiary	-	(26)
Interest expense on promissory note	-	28
<b>Expenses</b>		
<b>Affiliate of Prudential Group</b>		
Investment management fee expenses	36,781	27,991
Operating expenses	49,052	47,144
<b>Directors and key management personnel compensation</b>		
Short-term employee benefits	72,033	41,678
Post-employment benefit	2,488	5,089
Other long-term benefits	9,118	6,080
<b>Total</b>	<b><u>83,639</u></b>	<b><u>52,847</u></b>

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

	31 March 2020	31 December 2019
	<i>(in thousand Baht)</i>	
<b>Other assets</b>		
Affiliate of Prudential Group	<u>1,212</u>	<u>3,990</u>
<b>Accrued investment management fee</b>		
Affiliate of Prudential Group	<u>11,641</u>	<u>22,305</u>
<b>Other liabilities</b>		
Affiliate of Prudential Group	<u>419,079</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.

# Prudential Life Assurance (Thailand) Public Company Limited

## Notes to the condensed interim financial statements

For the three-month period ended 31 March 2020 (Unaudited)

### *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.

## 17 Securities and assets pledged with the Registrar

17.1 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 2020		31 December 2019	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
Government bonds	42,832	30,000	45,478	30,000

17.2 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 2020		31 December 2019	
	Book value	Face value	Book value	Face value
	<i>(in thousand Baht)</i>			
Government and state enterprise bonds	26,467,903	19,175,700	28,170,924	19,175,700
Promissory notes	1,346,530	1,000,000	1,442,516	1,000,000
<b>Total</b>	<b>27,814,433</b>	<b>20,175,700</b>	<b>29,613,440</b>	<b>20,175,700</b>

## 18 Commitments with non-related parties

	31 March	31 December
	2020	2019
	<i>(in thousand Baht)</i>	
<b>(a) Capital commitments</b>		
<i>Contracted but not provided for:</i>		
Building improvements	10,874	10,232
Software licenses	1,831	3,733
Strategic bancassurance partnership*	8,167,150	-
<b>Total</b>	<b>8,179,855</b>	<b>13,965</b>

\* On 31 March 2020, the Company has another non-cancellable capital commitment amounting to Baht 8.2 billion, which will be settled on 1 April 2020 and on 13 May 2020 according to a strategic bancassurance partnership with TMB Bank Public Limited dated 19 March 2020 with an initial term of 15 years.

# Prudential Life Assurance (Thailand) Public Company Limited

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	31 March 2020	31 December 2019
	<i>(in thousand Baht)</i>	
<b>(b) Non-cancellable operating service agreement</b>		
Within 1 year	21,620	21,620
1 - 5 years	9,008	14,426
<b>Total</b>	<b>30,628</b>	<b>36,046</b>
	31 March 2020	31 December 2019
	<i>(in thousand Baht)</i>	
<b>(c) Non-cancellable operating lease commitments</b>		
Within 1 year	-	22,594
1 - 5 years	-	16,501
<b>Total</b>	<b>-</b>	<b>39,095</b>

## 19 Events after the reporting period

- (a) On 1 April 2020 and on 13 May 2020, the Company paid a non-cancellable capital commitment amounting to Baht 8.2 billion according to a strategic bancassurance partnership with TMB Bank Public Company Limited dated 19 March 2020 as disclosed in Note 18(a).
- (b) At the Company's Board of Directors' meeting held on 13 May 2020, the Board of Directors reviewed the final dividend proposal for 2019 taking into consideration the impact COVID-19 on the local economy and the financial markets and concluded not to pay a final dividend in respect of the financial year ended 31 December 2019.