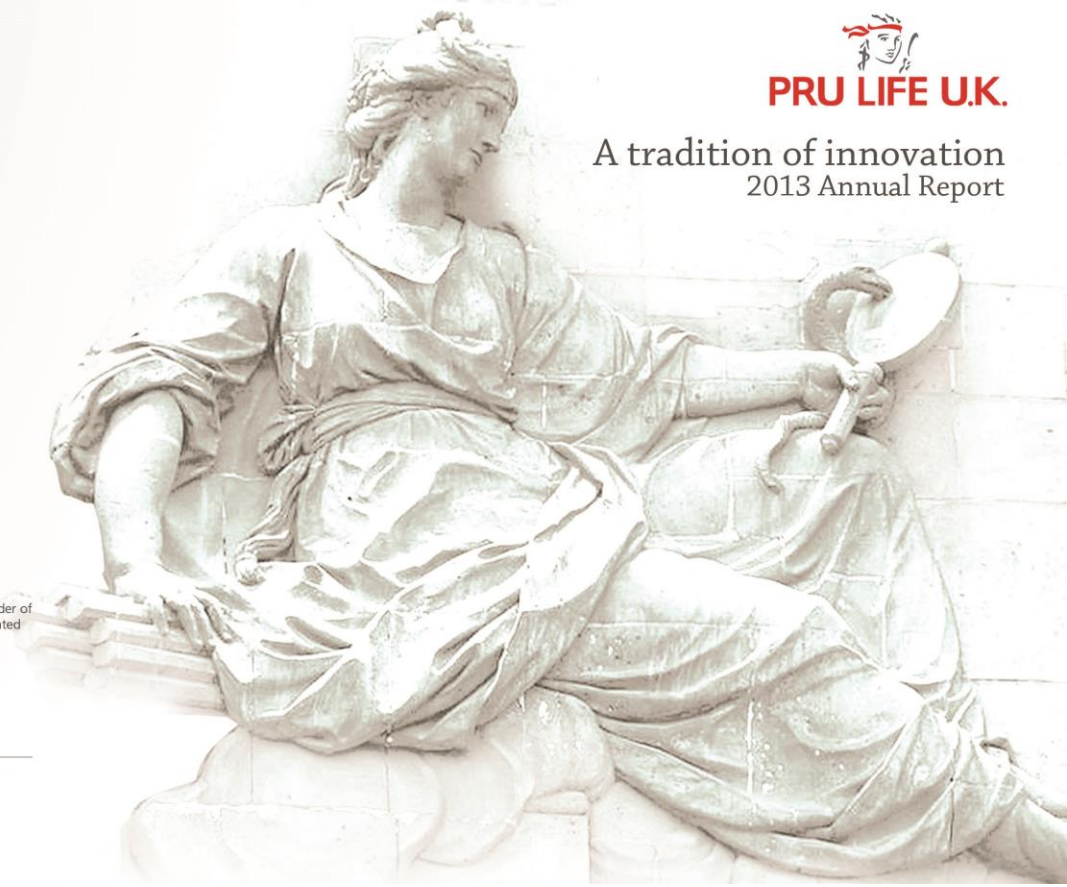




A tradition of innovation 2013 Annual Report



PRU LIFE U.K.

Established in 1996, Pru Life UK is a subsidiary of British financial services giant Prudential plc. Pru Life UK is the pioneer and current market leader of unit-linked or investment-linked life insurance products, and is one of the first life insurance companies approved to market US dollar-denominated unit-linked policies in the country. Pru Life UK is a life insurance company and is not engaged in the business of selling pre-need plans.

Prudential plc is a United Kingdom-registered company. Its regional headquarters, Prudential Corporation Asia, is based in Hong Kong.

Pru Life UK and Prudential plc are not affiliated with Prudential Financial, Inc. (a US-registered company), Philippine Prudential Life Insurance Company, Prudentiallife Plans, Inc. or Prudential Guarantee and Assurance, Inc. (all Philippine-registered companies).

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Nobody sees Asia like the largest Retail Asset Manager in Asia.*

*Eastspring Investments was named the largest Retail Fund Manager in Asia (ex-Japan, Australia and New Zealand) ['region'] for the second straight year in the annual Asia Asset Management Fund Manager Survey 2013. Eastspring Investments has US\$51.8 billion of retail assets sourced in the region as of 30 June 2013. Eastspring Investments (Singapore) Limited, a unit of Eastspring Investments, is the fund manager of Pru Life UK's PruLink funds.



A tradition of innovation
2013 Annual Report



PRULink
GLOBAL EMERGING MARKETS DYNAMIC FUND

- The PruLink Global Emerging Markets Dynamic Fund (PruLink GEM Fund) is structured as a feeder fund which invests in the Eastspring Investments-Global Emerging Markets Dynamic Fund.
- The Fund aims to generate long-term capital growth through a concentrated portfolio of equities, equity-related securities and bonds. It invests primarily in securities of companies which are incorporated, or listed in, or operating principally from, or carrying on significant business in, or derive substantial revenue from, or whose subsidiaries, related or associated corporations derive substantial revenue from the emerging markets worldwide.
- The Fund may also invest in depository receipts including American Depository Receipts (ADRs) and Global Depository Receipts (GDRs), preference shares and warrants.
- The Fund is managed by the strong and experienced investment team of Eastspring Investments (Singapore) Limited.

Explore a wealth of opportunity in global emerging markets

2013 Annual Report
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Call your Pru Life UK financial adviser and let us help you make smart financial decisions for your future.



You may call our head office at (+63 2) 887-LIFE (within Metro Manila) and 1-800-10-PRULINK (domestic toll-free) for all your inquiries.



You may also visit our website, www.prulifeuk.com.ph or send an e-mail to contact.us@prulifeuk.com.ph



Report from the CFO

In 2013, we set out on a mission to rise to greatness. In our pursuit of this goal, we rediscovered the winning strategy that keeps us in the circle of leaders in the life insurance industry: consistency, stability and sustainability.

To achieve greatness, we value excellence as a way of life and not just a number we deliver by the end of the year. In 2013, Pru Life UK achieved Php18.5 Billion in Total Gross Premium Income and Php3.515 Billion in Annual Premium Equivalent. But more importantly, with the previous year's results, the Company established an APE average growth rate of 42% in a four year period. As of 2013, our assets grew to Php 61 Billion, four times the value four years ago. More than exponential growth, this is a testament of the standard by which our organization operates – delivering excellence and surpassing records that we set is a convention we live by.

To achieve greatness, we recognize the power of people working together. We ended the year with 8,860 financial consultants, a milestone for the Company and a step closer to our goal of growing the biggest agency force in the country – competent and trustworthy men and women from the Pru who are dedicated to help our clients plan their financial future and provide excellent customer service.

To achieve greatness, an attitude of constant innovation and improvement is demonstrated to provide relevant and practical financial planning solutions for our clients. In the previous year, we once again opened opportunities to invest offshore with the PruLink Asia Pacific Equity Fund (PAPEF), a dollar-denominated feeder fund that invests in Eastspring Investments – Asia Pacific Equity Fund. Our fund manager Eastspring Investments was hailed as

the largest retail fund manager in the region for the second straight year by the annual Fund Manager Survey of the Asia Asset Management journal.

To achieve greatness, perceptiveness and responsiveness to issues that really matter to the Filipino is sharpened. We have strengthened our protection portfolio with new products against accidents and critical illnesses – PruLink Advance Care Plus, that addresses financial needs during diagnosis of 10 critical illnesses in the early stage; and PruLink MultiCare Plus, which pays up to three claims for illnesses that fall in different critical illness categories.

To achieve greatness, we aim to be part of the development and growth of the communities we are part of. Our regional headquarters Prudential Corporation Asia (PCA) launched its unified charitable platform Prudence Foundation to consolidate its long-term commitment to serve the Asian communities in which it does business. Prudence Foundation pledged a three-year commitment of over Php100 million for programmes in the Philippines that focus on disaster preparedness and pre-school child care. As the year closed with a devastating tragedy in the aftermath of super typhoon Yolanda (international name: Haiyan), Prudence Foundation once again responded with a USD2 million commitment for the immediate relief and long-term recovery of affected areas. Employees and agents across Asia likewise contributed monetary donations which were matched by the Foundation.

To achieve greatness, we strive to achieve sustainability in promoting smart money management values among Filipino children as part of our aspiration to contribute in nation building.

Our landmark financial literacy initiative, the Cha-Ching Financial Literacy for the Youth Program, has expanded its reach in partnership with the Department of Education (DepEd) and is integrated in the Grade 2 and 3 curricula of 19 public partner schools and 15 private partner schools. Over 30,000 children and adults were exposed to the money-smart concepts of earn, save, spend and donate, and over 500 school teachers were empowered to teach their students to use money in good ways. The launch of Season Three of the animated musical series in Cartoon Network is a renewal of our promise that we are supporting financial literacy for Filipinos in the long term.

Consistency. Stability. Sustainability. We are committed to achieving greatness to provide only the best financial planning options for our customers and partners.

For Pru Life UK, greatness is not a destination, it is a continuous journey.

And today and everyday, we push on to accelerate and dominate.

Cheers,

Lee C. Longa
Executive Vice President and Chief Financial Officer
Pru Life UK

Fund objectives

PruLink BOND FUND

The fund seeks to achieve an optimal level of income in the medium term together with long-term capital growth through investments in fixed income securities and money market instruments.

PruLink US DOLLAR BOND FUND

The fund seeks to achieve an optimal level of income in the medium term together with long-term capital growth through investments in fixed income securities denominated in US dollar.

PruLink EQUITY FUND

The fund seeks to optimize medium- to long-term capital growth through investments in shares of stocks listed in the Philippines.

PruLink MANAGED FUND

The fund seeks to optimize medium- to long-term capital and income growth through investment in fixed income securities, money market instruments and shares of stocks listed in the Philippine Stock Exchange.

PruLink PROACTIVE FUND

The fund seeks to optimize medium- to long-term capital and income growth with emphasis on dynamic asset allocation by fund managers through investment in fixed income securities, money market instruments and shares of stocks listed in the Philippines.

PruLink GROWTH FUND

The fund seeks to optimize medium- to long-term capital and income growth with an emphasis on strong capital growth, through a greater focus of investment in shares of stocks listed in the Philippines. The fund also invests in fixed income securities, and money market instruments.

PruLink ASIAN LOCAL BOND FUND

The fund is structured as a feeder fund which invests in the Eastspring Investments-Asian Local Bond Fund (El-Asian Local Bond Fund). The El-Asian Local Bond Fund invests in a diversified portfolio consisting primarily of fixed income or debt securities issued by Asian entities or their subsidiaries. This Fund's portfolio primarily consists of offshore securities denominated in the various Asian currencies and aims to maximize total returns through investing in fixed income or debt securities that are rated as well as unrated.

PruLink ASIA PACIFIC EQUITY FUND

The fund is structured as a feeder fund which invests in the Eastspring Investments-Asia Pacific Equity Fund, which aims to maximize long-term total return by investing primarily in equity and equity-related securities of companies which are incorporated, listed in or have their area of primary activity in the Asia Pacific region (excluding Japan). This fund may also invest in depository receipts including American Depository Receipts and Global Depository Receipts, debt securities convertible into common shares, preference shares and warrants.

Market review

Financial markets began 2013 on a positive note as the concerns surrounding the US “fiscal cliff” were resolved just in time. However, markets were rattled in February when the banking crisis in Cyprus posed a threat to euro zone’s financial stability. The end of the first quarter saw mixed performances across the global equity markets.

The second quarter was generally marked by volatility. A global sell-off in late May and early June was triggered by the US Fed Chairman’s comments on the possibility of tapering of quantitative easing (QE) later in the year; interest rates across bond markets globally rose sharply in reaction. Emerging markets were among the worst hit. The prospect of a reduced and an eventual unwind of QE support for bond markets, coupled with concerns over weakening economic prospects in the emerging markets, particularly in China, led to portfolio outflows from emerging markets.

Much of the third quarter was driven by the tapering fears. However the US Fed’s unexpected decision to delay tapering triggered a rally in September across markets. Asia ex-Japan stock markets rose moderately. Signs of a recovery in Chinese economic activity too shored sentiment but emerging market concerns, namely widening current account deficits and weakening currencies, however, continued to cap the upside.

Global equities made strong gains in the fourth quarter with developed markets outperforming emerging markets. The gains were more moderate in Asia ex-Japan markets. Although markets were buoyed by the favorable economic news out of China and India, confidence faded on concerns arising in emerging Asia which included the impact of a deadly typhoon in the Philippines, political unrest in Thailand, and a weakening currency in Indonesia. Markets lost momentum by year-end as the United States Federal Reserve announced that it would start to taper its asset purchase program in January 2014.

The Philippine Stock Exchange index (PSEi) rose for a fifth year in a row in 2013 as the country secured investment-grade ratings from Moody’s Investors Service, Fitch Ratings and Standard and Poor’s. Gains were capped later in the year when Super Typhoon Haiyan struck, killing many people and causing massive damage.

Source: Bloomberg, 31 Dec 2013



In 1879, Holborn Bars was established as the office complex of Pru Life UK parent company Prudential plc, becoming an iconic architectural landmark in London to this day.

Fund performance review

Fund performance

PruLink Funds	Actual Year-on-Year Jan 2, 2013 - Jan 2, 2014	Since inception (per annum)	Unit Price as of Jan 2, 2014
PruLink Peso Bond Fund	6.51%	8.49%	2.50548
PruLink USD Bond Fund	-7.83%	7.42%	2.13100
PruLink Managed Fund	5.19%	10.08%	2.94996
PruLink ProActive Fund	3.20%	15.43%	2.00827
PruLink Growth Fund	1.39%	15.03%	3.26316
PruLink Equity Fund	-0.72%	9.64%	1.76672
PruLink Asian Local Bond Fund	-8.99%	-2.61%	0.95069

Fund returns are net of Annual Management Charge; based on unit price as of Jan 2, 2014. Past performance is not necessarily indicative of the future or likely performance of the fund.

**All Fund performance figures are gross of management charge unless otherwise stated.*

PruLink Managed Fund

Over 2013, the PruLink Managed Fund rose 5.19% (on a net return basis), slightly underperforming its composite benchmark by 0.16%. On a gross return basis, the PruLink Managed Fund rose 7.09%, outperforming its composite benchmark by 1.74%.

The Fund performance was mainly impacted by the negative asset allocation, as the Fund was underweight equities into bonds and cash given the former's expensive valuation. Securities selection within the equity sub-fund also detracted value. This was, however, more than offset by the positive securities selection within the bond sub-fund.

Looking forward, the Fund is maintaining its asset allocation strategy of underweighting equities into bonds and cash. The Philippine equities remain extremely expensive levels (one standard deviation above historical average) on multiple valuation measures. Such level of valuation surpasses levels last seen in 1996 and 2007, before significant sell-offs (more than 50%) during periods of global risk aversion.

With Philippine equities trading at such elevated valuations, they offer extremely little margin of safety against any external shock and rise in global risk aversion. In simple terms, Philippine equities appear to be priced for perfection. The fund manager acknowledges the fiscal and macroeconomic fundamentals, but these positives are likely to be fully reflected in Philippine equities valuations as it is the most expensive global equity market.

Over the medium term, the fund manager remains concerned that overinvestment risks in China and normalization of US monetary policy may result in a significant correction in Philippine equity market. In such a scenario, local equities at current valuation levels are unlikely to outperform local bonds, until the former trades at much cheaper levels.

As inflation has been relatively stable (notwithstanding the supply-side disruptions due to Typhoon Haiyan), the central bank has been able to keep rates low. This is supportive of government bond prices. Furthermore, progress on fiscal consolidation has helped the government bonds attain investment grade rating. However, the fund manager is also wary of the potential capital outflows from emerging market bonds during periods of risk aversion, which might be slightly negative for bonds.

PruLink Growth Fund

Over 2013, the PruLink Growth Fund rose 1.39% (on a net return basis), underperforming its composite benchmark by 3.07%. On a gross return basis, the PruLink Growth Fund rose 3.69%, underperforming its composite benchmark by 0.76%.

The Fund underperformance was mainly due to the negative securities selection within the equity sub-fund. The securities selection within the bond sub-fund contributed positively to the Fund performance.

Looking forward, the Fund is maintaining its asset allocation strategy of underweighting equities into bonds and cash. The Philippine equities remain extremely expensive levels (one standard deviation above historical average) on multiple valuation measures. Such level of valuation surpasses levels last seen in 1996 and 2007, before significant sell-offs (more than 50%) during periods of global risk aversion.

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Over the medium term, the fund manager remains concerned that over investment risks in China and normalization of US monetary policy may result in a significant correction in the Philippine equity market. In such a scenario, local equities at current valuation levels are unlikely to outperform local bonds, until the former trades at much cheaper levels.

As inflation has been relatively stable (notwithstanding the supply-side disruptions due to Typhoon Haiyan), the central bank has been able to keep rates low. This is supportive of government bond prices. Furthermore, progress on fiscal consolidation has helped the government bonds attain investment grade rating. However, the fund manager is also wary of the potential capital outflows from emerging market bonds during periods of risk aversion, which might be slightly negative for bonds.

PruLink ProActive Fund

Over 2013, the PruLink ProActive Fund rose 3.20% (on a net return basis), underperforming its composite benchmark by 1.95%. On a gross return basis, the PruLink ProActive Fund rose 5.55%, outperforming its composite benchmark by 0.40%.

The Fund performance was mainly impacted by the negative asset allocation, as the Fund was underweight equities into bonds and cash given the former's expensive valuation.

Securities selection within the equity sub-fund also detracted value. However this was partially offset by the positive securities selection within the bond sub-fund.

Looking forward, the Fund is maintaining its asset allocation strategy of underweighting equities into bonds and cash. The Philippine equities remain extremely expensive levels (one standard deviation above historical average) on multiple valuation measures. Such level of valuation surpasses levels last seen in 1996 and 2007, before significant sell-offs (more than 50%) during periods of global risk aversion.

With Philippine equities trading at such elevated valuations, they offer extremely little margin of safety against any external shock and rise in global risk aversion. In simple terms, Philippine equities appear to be priced for perfection. The fund manager acknowledges the fiscal and macroeconomic fundamentals, but these positives are likely to be fully reflected in Philippine equities valuations as it is the most expensive global equity market.

Over the medium term, the fund manager remains concerned that overinvestment risks in China and normalization of US monetary policy may result in a significant correction in Philippines equity market. In such a scenario, local equities at current valuation levels are unlikely to outperform local bonds, until the former trades at much cheaper levels.

As inflation has been relatively stable (notwithstanding the supply-side disruptions due to Typhoon Haiyan), the central bank has been able to keep rates low. This is supportive of government bond prices. Furthermore, progress on fiscal consolidation has helped the government bonds attain investment grade rating. However, the fund manager is also wary of the potential capital outflows from emerging market bonds during periods of risk aversion, which might be slightly negative for bonds.

PruLink Bond Fund

The Philippine local currency bonds turned in a positive performance in 2013. The strong performance was attributed to a sharp decline in Philippine government bond yields across the tenors. Yields of Philippine government bonds fell with the 10-year government bond yields falling by 65 bps to 3.48%¹.

In 2013, external headwinds posed by US Federal Reserve tapering, worries over the sluggish growth prospects and impact of potential unwinding of portfolio flows as a result of QE tapering dampened demand for Asian USD bond market. However, the Philippine local currency bonds rallied over the year thanks to continued high levels of onshore liquidity in the market and as a result of the Bangko Sentral ng Pilipinas (BSP) reduction of its Special Deposit Account (SDA) interest rate three times over the year by a total of 150bps to 2.0%². Additionally, the sovereign credit rating upgrades by external rating agencies to investment grade also helped to support demand. For the whole year, inflation averaged 3%² and remained within the government's 2013 inflation target range.

Overall, the Fund kept pace with benchmark performance, posting gains of 8.15% (gross of fees) and outperforming the benchmark return of 5.20%. On a net of fee basis, the Fund gained 6.51% over the year. The Fund's duration strategy contributed to most of the outperformance as the Fund was long duration from January to September period and subsequently moved to short duration in fourth quarter 2013 added value.

Source: ¹Bloomberg, 31 December 2013.
²Bangko Sentral Ng Philipinas, January 2014

PruLink US Dollar Bond Fund

While the Asian USD-denominated bond market started the year on a relatively stable footing, market volatility rose sharply subsequently following the US Federal Reserve ("Fed")'s comments on a potential unwinding of its stimulus program. The prospect of tighter liquidity and strengthening US economic growth triggered a surge in US Treasury yields during the May-August period. In Asia, fears of capital outflows from emerging markets post QE tapering also weighed on investor sentiment. The concerns were exacerbated by the slower growth outlook and weaker fundamentals in Asia, particularly in Indonesia and India, where the worsening twin deficits added to the countries' external vulnerabilities. Nevertheless, signs of a pick-up in key economic data in Asia, coupled with a deferral of tapering decision in September, provided some reprieve and demand for Asian bonds improved in the final quarter of the year. Overall, the 10-year US Treasury yields surged 127bps over the year to end at 3.03%³, the highest level in over two years amid tapering fears.

The Philippine USD-denominated bonds ended in negative territory in 2013, driven by higher US interest rates and widening of credit spreads. This was despite some positive economic indicators on the domestic front, including strengthening economic growth, sovereign credit upgrades by external rating agencies as well as continuing resilient remittance from overseas foreign workers.

Over the year, the Fund recorded a negative return of 6.41% (gross of fees) which outperformed the benchmark performance return of -6.78%. On a net of fees basis, the Fund declined 7.83%. The Fund's underweight in duration and government bonds contributed to outperformance amid the market sell-off.

Source: ³Bloomberg, 31 December 2013

PruLink Asian Local Bond Fund

The period in review started positively for Asian local currency bonds, but gains observed in the first four months were more than erased when better-than-expected US economic data led the US Federal Reserve ("the Fed") to indicate that it may begin winding down its quantitative easing ("QE") program. This triggered a sharp spike in US Treasury yields during the May-August period, leading Asian local currency bond yields to rise in tandem. The sell-off was further exacerbated by investor concern over the dimmer growth prospects and impact of potential unwinding of portfolio flows as a result of QE tapering, particularly in countries with current account deficit. The negative sentiment also contributed to a broad weakness of Asian currencies against the USD, which weighed further on the performance of Asian local currency bonds. While the Fed's decision in September to delay tapering provided a reprieve for the markets, this was not enough to mitigate losses from the mid-year sell-off. Overall, the Indonesian and Indian local currency bond markets were the key underperformers (in USD terms) on the back of higher bond yields and steep currency declines. In contrast, the Korean domestic bond market outperformed with continued strength of the Korean Won boosting market performance in USD terms.

Against such backdrop, the Fund declined by 7.34% (gross of fees), outperforming the benchmark (customised HSBC Asian Local Bond index) return of -7.33%. On a net of fee basis, the Fund posted a negative return of 8.99%. The Fund's overall overweight duration bias and its overweight in Asian currencies detracted from performance. However, active duration positioning in selected markets mitigated the negative contribution. Additionally, the Fund's overweight in corporate credits added value.

The Fed's decision in December to start tapering its bond-buying program by US\$10bn a month from January 2014 and the subsequent market concerns over rate rises have led to continued poor trading of bonds markets. As such, the portfolio manager has reduced overall duration of the fund

and will continue to be tactical in positioning Asian currencies and duration. While bond yields have moved higher since mid-2013, the inflation outlook remains subdued. The portfolio manager maintains a medium-term positive outlook on Asian bond markets, and will await greater market stability to increase

PruLink Asia Pacific Equity Fund

On an annualized basis since inception on 26 February 2013, the Fund fell 2.05% (gross of fees), underperforming its total return benchmark by 3.63%.

For the underlying portfolio, over 2013, stock selection in Malaysia, Singapore, materials, and industrials contributed to the Fund's performance. Stock selection in India, China, consumer discretionary, and information technology were detractors from performance.

Hankook Tire Co. Ltd. and Hutchison Whampoa Ltd. were key contributors to performance. Hankook Tire is the number one tire manufacturer in Korea and performed well due to solid operational results. Hutchison Whampoa is a well-diversified Hong Kong conglomerate with businesses in Europe and Asia. The company's demonstrated improving returns and cash flow generation as several business segments hit cyclical troughs in operations.

Whitehaven Coal Ltd. and Parkson Retail Group Ltd. were key detractors from performance. Falling benchmark coal prices and operational delays were headwinds for Whitehaven Coal, an Australian coal miner. Parkson Retail operates a national network of department stores in China. Brick-and-mortar department stores continue to be challenged by online retailers in an environment of slowing economic growth.

PruLink Equity Fund

The Fund posted a gross return of 1.54% in 2013, underperforming its total return benchmark by 2.17%.

The Philippine Stock Exchange index (PSEI) rose for a fifth year in a row in 2013, up 1.33%⁴ in local currency terms as the country secured investment grade ratings from Moody's Investors Service, Fitch Ratings and Standard and Poor's. Gains were capped later in the year when Super Typhoon Haiyan struck, killing at least 5,500 people and causing massive damage. Concerns about the impact of the U.S. Federal Reserve's decision to taper its stimulus program also weighed on the market.

The Fund's underweight in Philex Mining Corp and San Miguel Corp as well as its overweight in Vista Land and Lifescapes bolstered relative performance. Not owning Philex proved beneficial to the Fund as shares of the country's largest miner corrected sharply on the back of lower profit. Earnings were squeezed by provisions and exceptional charges related to problems at the Padcal mine as well as a decline in metal prices.

San Miguel shares lagged the broader market in 2013 partly due to its deletion from the MSCI Philippine Index. Analysts also cut their earnings estimates for the conglomerate following the sale of its stake in Manila Electric Co. to JG Summit. The portfolio manager has been concerned about the company's high net gearing.

The Fund's off-benchmark position in Vista Land contributed positively to relative performance as shares of the property developer outperformed the PSEI. The stock trades at a substantial discount to its appraised net asset value based on analysts' estimates, and demand for homes in the Philippines is expected to be underpinned by the country's favorable demographics, growing incomes and benign interest rates.

Source: ⁴Bloomberg, 31 December 2013

The overweights in First Gen Corp and parent First Philippine Holdings as well as the underweight in Jollibee Foods detracted from the Fund's relative performance in 2013.

Shares of First Gen and First Philippine Holdings fell sharply on the back of several unforeseen events including the delay in the rehabilitation of the BacMan geothermal power plant, disruption of First Gen's 500-megawatt San Lorenzo natural gas power plant due to a fire, and damages to its 588-megawatt Leyte geothermal facility by Typhoon Haiyan. The portfolio manager believes that while near-term profitability and share price performance were weighed down by these events, the long-term fundamentals and earnings power of First Gen Corp and First Philippine Holdings remain unchanged. The stocks' valuations are also attractive relative to other power utilities in the country.

Shares of Jollibee, the country's largest quick-service restaurant chain, rose on the back of robust sales and margin expansion. The stock's expensive valuation, however, has deterred the fund manager from building a larger position in Jollibee.



The first Prudential advertising poster, created in 1852 and displayed in railway stations throughout Britain. The poster depicts Ludgate Hill, Prudential's headquarters between 1851 and 1863.

Investment Outlook

Looking ahead, a slow but apparently steady economic recovery in the US and the deceleration of Europe's banking and economic crisis may herald a recovery of global consumption. This can provide solid opportunities for Asian earnings growth and a rebound of valuations by whetting demand for the region's exports.

For the bond markets, the markets are generally expecting US Treasury yields to trend higher amid continued strength in the US economic data and commencement of the US Federal Reserve's QE tapering. Nevertheless, we believe markets would remain relatively sanguine as higher risk-free rates have largely been factored in.

On the domestic front, the Philippine economy grew 6.5% year-on-year (yoy) in fourth quarter 2013 from a year earlier, slower than the 6.9% expansion in the previous quarter. Nevertheless, the GDP data provided a positive surprise to the market which has expected a weaker growth momentum due to the destruction wrought by November's disaster Typhoon Haiyan. The latest quarter GDP expansion brought the Philippines full-year growth to 7.2%, exceeding the government's 6%-7% expectations. Latest data suggest that the country's growth momentum continues to be underpinned by sound fundamentals such as buoyant demand, strong fiscal and external positions as well as favourable consumer and business sentiment.

Meanwhile, the consumer price index crept higher to 4.1% yoy in December, up from 3.3% rise in November. Inflation accelerated to a two-year high in December mainly due to adverse weather condition caused by Typhoon Haiyan which led to higher food and energy prices.

Notwithstanding the rising inflationary pressures, the Monetary Board of Bangko Sentral ng Pilipinas (BSP) maintained its key policy rates – the overnight borrowing and lending rates steady at 3.5% and 5.5% in its latest policy meeting in February 2014. The Monetary Board's decision is based on its assessment of manageable inflation so far.

Elsewhere, personal remittances from overseas Filipinos (OFs) registered a new record high of US\$2.4 billion in December 2013, up by 12.5% relative to the level posted in the same month last year. This marks the ninth consecutive month in 2013 that personal remittances breached the US\$2 billion mark. The resilience of overseas Filipino remittances continues to support the country's economic growth.

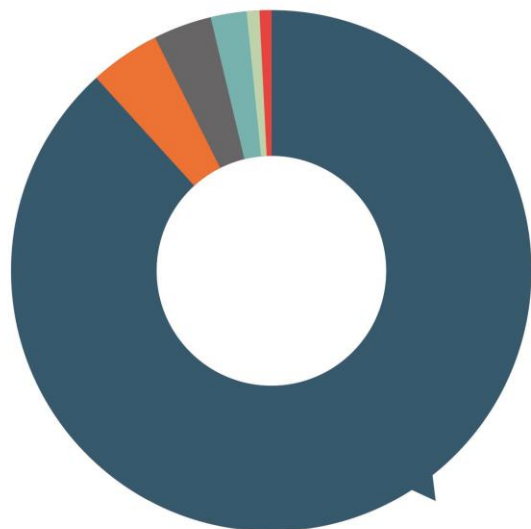
Going forward, the country's macro fundamentals remain intact, however, the Philippines has been one of the best-performing Asian equity markets in 2013 and may be susceptible to profit taking. We are mindful of the risk of potential market correction due to a spike in risk aversion and will continue to monitor the macro situation while maintaining our bottom-up, valuation-driven investment approach.

Source: Bangko Sentral ng Pilipinas, February 2014.



PRULink BOND FUND

Fund CCY: PhP
As at Dec 2013



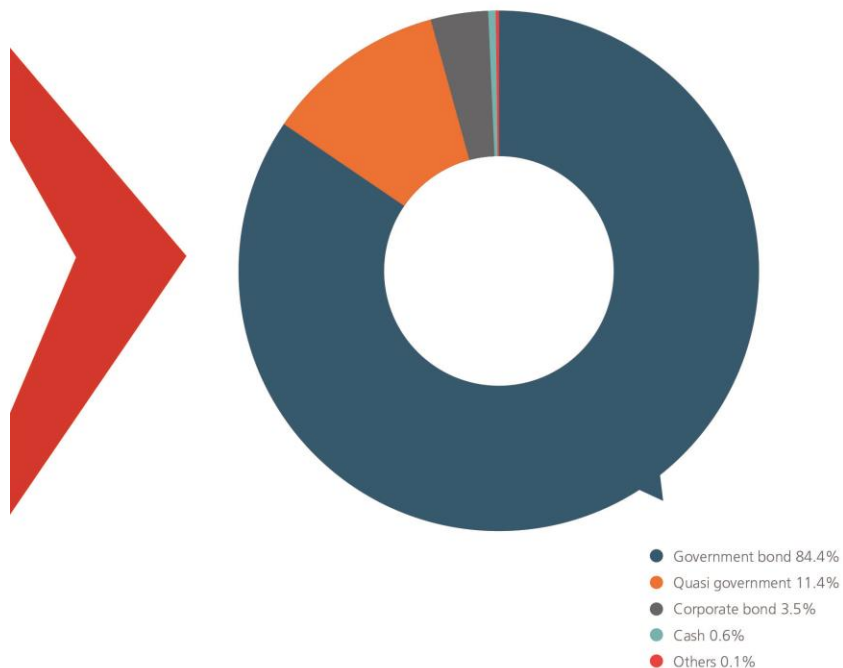
- Government bond 88.2%
- Quasi government 4.4%
- Corporate bond 3.7%
- Cash 2.5%
- Corporate bond (pref share) 0.6%
- Others 0.6%

ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
PHY6972FJC50	PHILIPPINE GOVERNMENT 6.25% 27/01/2014	PHP	187.00
PHY751061318	SAN MIGUEL CORP 7.5% 30/09/2049	PHP	1,600,000.00
PHY6972EEZ26	PHILIPPINE GOVERNMENT 11.875% 25/08/2015	PHP	9,000,000.00
PHY6972FFR65	PHILIPPINE GOVERNMENT 10.125% 15/12/2015	PHP	10,000,000.00
PHY6972FAY61	PHILIPPINE GOVERNMENT 9.25% 12/01/2016	PHP	15,000,000.00
PHY6972FEW69	PHILIPPINE GOVERNMENT 8.5% 29/11/2032	PHP	15,000,000.00
	ROBINSONS LAND CORP 8.25 27/08/2014	PHP	20,000,000.00
	JG SUMMIT HOLDINGS INC 8.25% 20/11/2014	PHP	20,000,000.00
	AYALA CORPORATION 7.2% 30/04/2017	PHP	29,000,000.00
	ROBINSONS LAND CORP 8.5% 14/07/2014	PHP	30,000,000.00
PHY6972FJY70	PHILIPPINE GOVERNMENT 7% 24/09/2016	PHP	35,000,000.00
PHY6972FCN88	PHILIPPINE GOVERNMENT 8% 07/12/2026	PHP	40,000,000.00
PHY6972FFH00	PHILIPPINE GOVERNMENT 9.5% 04/12/2028	PHP	40,000,000.00
PHY6972FNK21	PHILIPPINE GOVERNMENT 4.625% 25/11/2015	PHP	50,000,000.00
	PHILIPPINE GOVERNMENT 6% 03/03/2016	PHP	50,000,000.00
	PHILIPPINE GOVERNMENT 3.25% 15/08/2023	PHP	50,000,000.00
	POWER SECTOR ASSETS&LI 6.875% 22/04/2015	PHP	50,000,000.00
PHY6972FBV14	PHILIPPINE GOVERNMENT 9.375% 05/10/2031	PHP	55,000,000.00
PHY6972FBF63	PHILIPPINE GOVERNMENT 7% 27/04/2016	PHP	60,000,000.00
PHY6972FML13	PHILIPPINE GOVERNMENT 8% 30/09/2035	PHP	60,000,000.00
PHY6972FGN43	PHILIPPINE GOVERNMENT 8.375% 22/05/2015	PHP	61,000,000.00
PHY6972FKF62	PHILIPPINE GOVERNMENT 9.25% 05/11/2034	PHP	67,898,000.00
	PHILIPPINE GOVERNMENT 5.75% 27/09/2032	PHP	74,000,000.00
00MERUSN2021	MANILA ELECTRIC COMPANY 6.89% 29/06/2021	PHP	89,100,000.00
PHY6972FMH01	PHILIPPINE GOVERNMENT 6.125% 16/09/2020	PHP	100,000,000.00
PHY6972FQL76	PHILIPPINE GOVERNMENT 5.75% 20/10/2021	PHP	100,000,000.00
	AYALA LAND INC 6% 27/04/2022	PHP	100,000,000.00
	GLOBE TELECOM 5.75% 01/09/2017	PHP	100,000,000.00
PHY6972FEM87	PHILIPPINE GOVT RPGB 6.5% 04/10/2014	PHP	106,000,000.00
US718286BX44	REPUBLIC OF PHILIPPINES 3.9% 26/11/2022	PHP	115,000,000.00
PHY6972FNG19	PHILIPPINE GOVERNMENT 5.875% 19/08/2015	PHP	120,000,000.00
	PHILIPPINE GOVT RPGB 4.75% 30/08/2019	PHP	122,110,000.00
PHY6972FDZ00	PHILIPPINE GOVERNMENT 7.75% 23/08/2017	PHP	135,000,000.00
PHY6972FNC05	PHILIPPINE GOVERNMENT 6.625% 19/08/2017	PHP	144,250,000.00
PHY6972FQJ21	PHILIPPINE GOVERNMENT 7.625% 29/09/2036	PHP	144,350,000.00
PHY6972FKV13	PHILIPPINE GOVERNMENT 7.75% 18/02/2020	PHP	150,000,000.00
	PHILIPPINE GOVERNMENT 7.375% 03/03/2021	PHP	150,000,000.00
PHY6972FJX97	PHILIPPINE GOVERNMENT 6.25% 24/09/2014	PHP	160,000,000.00
PHY6972ELS74	PHILIPPINE GOVERNMENT 8.75% 27/05/2030	PHP	160,000,000.00
PHY6972FRS11	PHILIPPINE GOVERNMENT 4.75% 13/09/2022	PHP	178,000,000.00

ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
PHY6972FLN87	PHILIPPINE GOVERNMENT 6.375% 13/05/2015	PHP	200,000,000.00
PHY6972FNU57	PHILIPPINE GOVERNMENT 7.25% 19/08/2020	PHP	200,000,000.00
PHY6972FM209	PHILIPPINE GOVERNMENT 5.875% 16/12/2020	PHP	200,000,000.00
	PHILIPPINE GOVT RPGB 5.75% 16/08/2037	PHP	200,000,000.00
	PHILIPPINE GOVERNMENT 4.875% 02/08/2022	PHP	200,000,000.00
PHY6972FHT04	PHILIPPINE GOVERNMENT 7.875% 19/02/2019	PHP	211,000,000.00
PHY6972FFF28	PHILIPPINE GOVERNMENT 5.875% 31/01/2018	PHP	228,000,000.00
US718286BJ59	REPUBLIC OF PHILIPPINES 4.95% 15/01/2021	PHP	249,000,000.00
	PHILIPPINE GOVT 5% 26/04/2019	PHP	250,000,000.00
PHY6244VAN74	NATIONAL POWER CORP 5.875% 19/12/2016	PHP	280,000,000.00
	PHILIPPINE GOVERNMENT 6.5% 28/04/2021	PHP	282,680,000.00
	PHILIPPINE GOVERNMENT 4.625% 05/07/2017	PHP	300,000,000.00
PHY6972FLC23	PHILIPPINE GOVERNMENT 7% 31/03/2017	PHP	309,960,000.00
PHY6972FBK58	PHILIPPINE GOVERNMENT 9.125% 04/09/2016	PHP	331,000,000.00
	PHILIPPINE GOVT RPGB 5.375% 01/03/2027	PHP	350,000,000.00
	PHILIPPINE GOVERNMENT 3.625% 21/03/2033	PHP	350,000,000.00
	PHILIPPINE GOVERNMENT 2.125% 23/05/2018	PHP	350,000,000.00
PHY6972FTM23	PHILIPPINE GOVERNMENT 4% 06/12/2022	PHP	396,460,000.00
	PHILIPPINE GOVERNMENT 6.375% 19/01/2022	PHP	397,000,000.00
	PHILIPPINE GOVERNMENT 5.875% 02/02/2032	PHP	397,750,000.00
	PHILIPPINE GOVERNMENT 5.75% 24/11/2021	PHP	400,000,000.00
PHY6972FTZ36	PHILIPPINE GOVERNMENT 1.625% 04/25/2016	PHP	400,000,000.00
	ABOTTIZ EQUITY VETURES I 4.4125%21/11/20	PHP	400,000,000.00
PHY6972FQN33	PHILIPPINE GOVT RPGB 6.25% 20/10/2026	PHP	450,000,000.00
US718286BM88	REPUBLIC OF PHILIPPINES 6.25% 14/01/2036	PHP	456,000,000.00
PHY6972FQB94	PHILIPPINE GOVT RPGB 5% 18/08/2018	PHP	500,000,000.00
	DEV BANK PHILIPPINES 4.875% 20/11/2023	PHP	500,000,000.00
PHY6972FHQ64	PHILIPPINE GOVERNMENT 7% 27/01/2016	PHP	635,358,552.00
PHY6972FNA49	PHILIPPINE GOVERNMENT 8.125% 16/12/2035	PHP	902,866,695.00
	PHILIPPINE GOVERNMENT 5.875% 01/03/2032	PHP	910,000,000.00
	PHILIPPINE GOVERNMENT 6.125% 24/10/2037	PHP	1,088,950,000.00
	PHILIPPINE GOVERNMENT 8% 19/07/2031	PHP	1,460,945,185.00
TOTAL			16,803,278,619.00

PRULink US DOLLAR BOND FUND

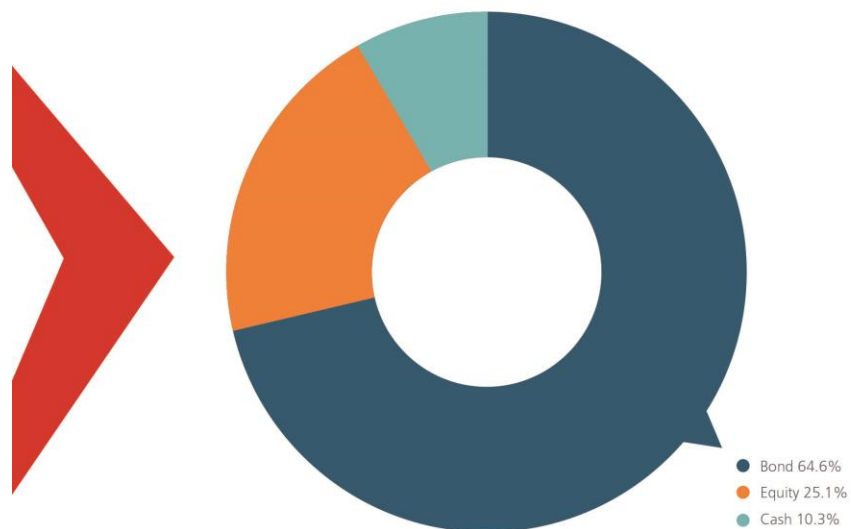
Fund CCY: USD
As at Dec 2013



PRULink PROACTIVE FUND

Fund CCY: PhP
As at Dec 2013

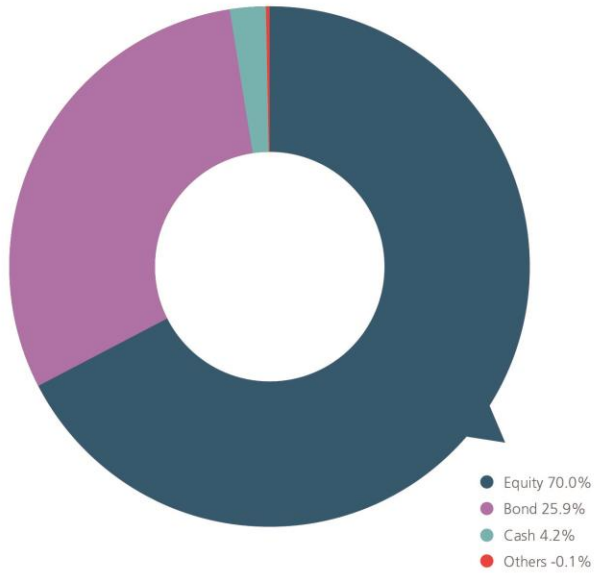
ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
XS0914313357	FPC TREASURY LTD 4.5% 16/04/2023	USD	400,000.00
XS0875298191	ICTSI TREASURY B.V 4.625% 16/01/2023	USD	500,000.00
XS0879849312	PETRON CORP 7.5% 06/02/2049	USD	500,000.00
XS0921226386	SAN MIGUEL CORP 4.875% 26/04/2023	USD	800,000.00
XS0876086975	JGSH PHILIPPINES LTD 4.375% 23/01/2023	USD	900,000.00
USY6244HAE81	NATIONAL POWER CORP 6.875% 02/11/2016	USD	1,530,000.00
XS0843919480	SM INVESTMENTS CORP 4.25% 17/10/2019	USD	1,600,000.00
XS0972298300	ICTSI TREASURY B.V 5.875% 17/09/2025	USD	1,856,000.00
US718286AQ02	PHILIPPINE GOV'T BOND 9.375% 18/01/2017	USD	4,200,000.00
US718286AK32	PHILIPPINE GOV'T BOND 9.875% 15/01/2019	USD	4,300,000.00
USY7083VAB54	POWER SECTOR ASSETS & LI 7.25% 27/05/2019	USD	6,800,000.00
US718286BE62	REPUBLIC OF PHILIPPINES 8.375% 17/6/2019	USD	7,290,000.00
US718286BF38	REPUBLIC OF PHILIPPINES 6.5% 20/01/2020	USD	7,500,000.00
US718286AP29	PHILIPPINE GOV'T BOND 10.625% 16/03/2025	USD	7,750,000.00
USY7083VAD11	POWER SECTOR ASSETS & LI 7.39% 02/12/2024	USD	8,200,000.00
US718286BD89	PHILIPPINE GOV'T BOND 6.375% 15/01/2032	USD	9,508,000.00
US718286BN61	REPUBLIC OF PHILIPPINES 5.5% 30/03/2026	USD	10,000,000.00
US718286BW60	REPUBLIC OF PHILIPPINES 5% 13/01/2037	USD	10,000,000.00
US718286AY36	PHILIPPINE GOV'T BOND 9.50% 02/02/2030	USD	11,400,000.00
US718286BK23	REPUBLIC OF PHILIPPINES 4% 15/01/2021	USD	13,574,000.00
US718286BB24	PHILIPPINE GOV'T BOND 7.75% 14/01/2031	USD	15,400,000.00
US718286BG11	REPUBLIC OF PHILIPPINES 6.375% 23/10/2034	USD	18,500,000.00
TOTAL			142,508,000.00



ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
PHY000038074	PRULIFE UK- PRULINK BOND FUND	PHP	3,127,254,837.01
PHY000038073	PRULIFE UK - PRULINK EQUITY FUND	PHP	1,731,428,551.03
TOTAL			4,858,683,388.04

PRULink GROWTH FUND

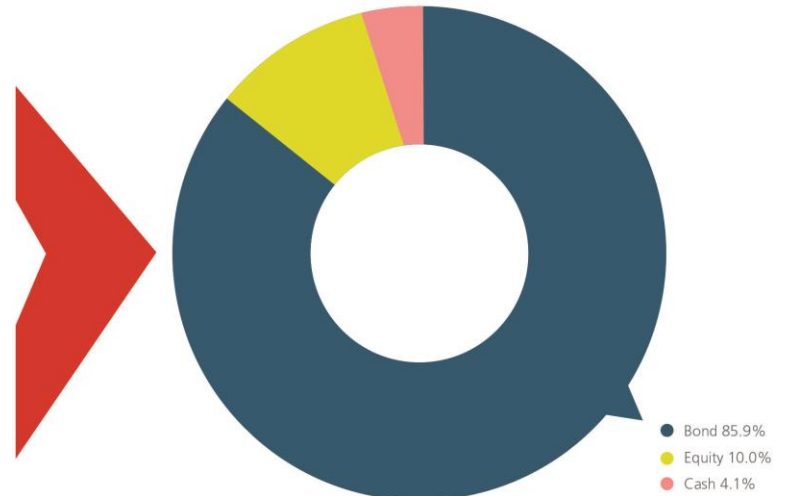
Fund CCY: PHP
As at Dec 2013



ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
PHY000038074	PRULIFE UK- PRULINK BOND FUND	PHP	535,289,047.34
PHY000038073	PRULIFE UK - PRULINK EQUITY FUND	PHP	2,056,818,687.90
TOTAL			2,592,107,735.24

PRULink MANAGED FUND

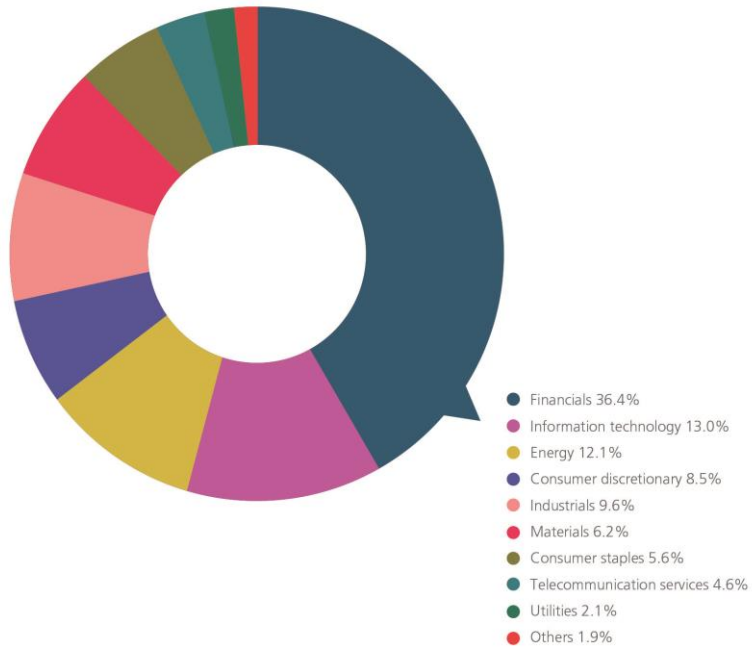
Fund CCY: PHP
As at Dec 2013



ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
PHY000038074	PRULIFE UK- PRULINK BOND FUND	PHP	2,277,552,505.15
PHY000038073	PRULIFE UK - PRULINK EQUITY FUND	PHP	377,020,105.30
TOTAL			2,654,572,610.45

PRULink ASIA PACIFIC EQUITY FUND

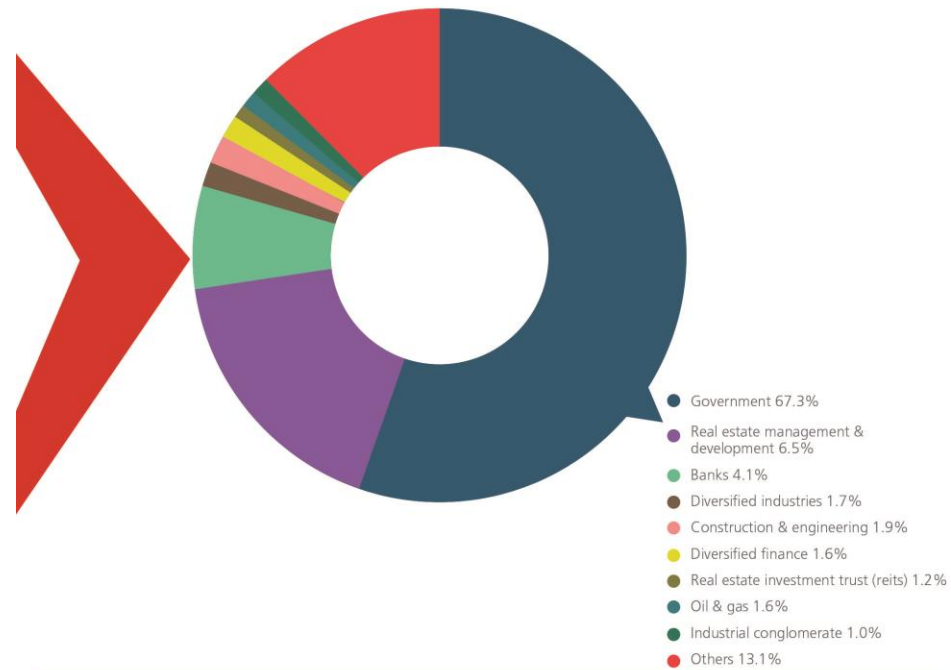
Fund CCY: USD
As at Dec 2013



ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
LU0238923246	INTERNATIONAL OPP-ASIA PACIFIC EQTY FUND	USD	1,143,623.83

PRULink ASIAN LOCAL BOND FUND

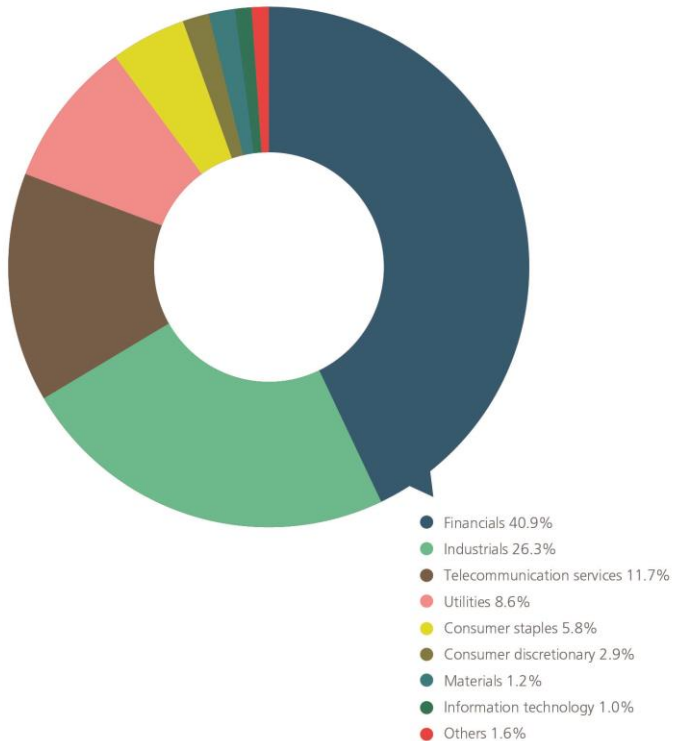
Fund CCY: USD
As at Dec 2013



ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
LU0259732591	INTERNATIONAL OPP-ASIAN LOCAL BOND FUND	USD	1,653,509.26

PRULink EQUITY FUND

Fund CCY: PhP
As at Dec 2013



ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
PHY0001Z1040	ABOITIZ EQUITY VENTURES INC	PHP	14,568,220.00
PHY0005M1090	ABOITIZ POWER CORPORATION	PHP	9,749,800.00
PHY000271056	ABS-CBN HOLDINGS CORPORATION-PDR	PHP	5,755,800.00
PHY003341054	ALLIANCE GLOBAL GROUP INC	PHP	27,214,100.00
PHY0486V1154	AYALA CORPORATION	PHP	1,416,724.00
PHY0488F1004	AYALA LAND INC	PHP	46,947,307.00
PHY096751694	BANK OF PHILIPPINE ISLANDS	PHP	9,778,464.00
PHY077751022	BDO UNIBANK INC	PHP	10,200,655.00
PHY0927M1046	BLOOMBERRY RESORTS CORP	PHP	19,516,700.00
PHY2088F1004	DMCI HOLDINGS INC	PHP	4,925,760.00
PHY2292T1026	ENERGY DEVELOPMENT CORP	PHP	75,242,950.00
PHY249161019	FILINVEST LAND INC	PHP	211,639,000.00
PHY2518H1143	FIRST GEN CORPORATION	PHP	27,296,139.00
PHY2558N1203	FIRST PHILIPPINE HOLDINGS CORPORATION	PHP	2,190,637.00
PHY272571498	GLOBE TELECOM INC	PHP	170,253.00
PHY290451046	GT CAPITAL HOLDINGS INC	PHP	482,540.00
PHY411571011	INTERNATIONAL CONTAINER TERMINAL SERVICE	PHP	5,099,110.00
PHY444251177	JG SUMMIT HOLDINGS INC	PHP	13,087,600.00
PHY446651007	JOLLIBEE FOODS CORPORATION	PHP	1,684,960.00
PHY5342M1000	LT GROUP INC	PHP	21,469,100.00
PHY569991086	MANILA WATER COMPANY	PHP	8,750,940.00
PHY594811127	MEGAWORLD CORPORATION	PHP	75,741,000.00
PHY603051020	METRO PACIFIC INVESTMENTS CORPORATION	PHP	64,617,000.00
PHY6028G1361	METROPOLITAN BANK & TRUST COMPANY	PHP	9,127,187.00
PH7182521093	PHILIPPINE LONG DISTANCE TELEPHONE CO	PHP	610,039.00
PHY731961264	ROBINSONS LAND CORPORATION	PHP	10,508,850.00
PHY7571C1000	SECURITY BANK CORP	PHP	2,276,653.00
PHY7627Y1552	SEMIRARA MINING CORP	PHP	670,540.00
PHY806761029	SM INVESTMENTS CORP	PHP	2,111,397.00
PHY8076N1120	SM PRIME HOLDINGS INC	PHP	42,797,896.00
PHY9297P1004	UNIVERSAL ROBINA CORPORATION	PHP	5,506,780.00
PHY9382G1068	VISTA LAND & LIFESCAPES INC	PHP	52,333,800.00
TOTAL			783,487,901.00

Top 10 Holdings

(Equity only) As at 31 December 2013

ISIN CODE	SECURITY NAME	% OF TOTAL FUND
PH7182521093	PHILIPPINE LONG DISTANCE TELEPHONE CO	10.0%
PHY806761029	SM INVESTMENTS CORP	9.2%
PHY0488F1004	AYALA LAND INC	7.1%
PHY096751694	BANK OF PHILIPPINE ISLANDS	5.1%
PHY0001Z1040	ABOITIZ EQUITY VENTURES INC	4.9%
PHY0486V1154	AYALA CORPORATION	4.5%
PHY003341054	ALLIANCE GLOBAL GROUP INC	4.3%
PHY077751022	BDO UNIBANK INC	4.3%
PHY6028G1361	METROPOLITAN BANK & TRUST COMPANY	4.2%
PHY8076N1120	SM PRIME HOLDINGS INC	3.8%

PRU*Link* BOND FUND

HIGHEST & LOWEST UNIT PRICE ACHIEVED

Initial (24 Sep 02) 1.00000
 Highest (06 May 13) 2.68094
 Lowest (24 Sep 02) 1.00000



PRULink US DOLLAR BOND FUND

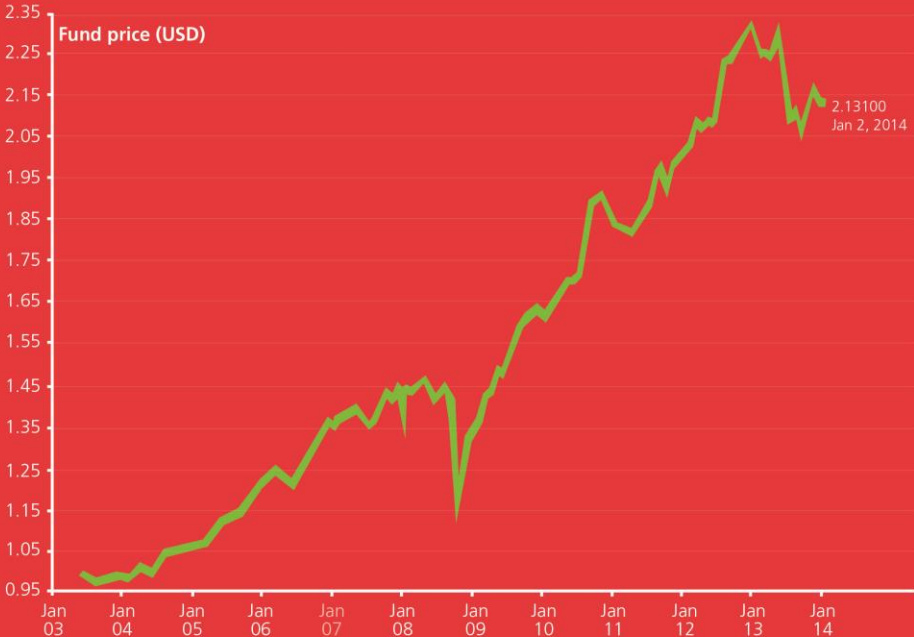
PRULink PROACTIVE FUND

HIGHEST & LOWEST UNIT PRICE ACHIEVED

Initial (03 Jun 03)	1.00000
Highest (15 Nov 12)	2.33620
Lowest (05 Aug 03)	0.96080

HIGHEST & LOWEST UNIT PRICE ACHIEVED

Initial (17 Feb 09)	1.00000
Highest (23 May 13)	2.21523
Lowest (3 Mar 09)	0.99950



PRULink GROWTH FUND

HIGHEST & LOWEST UNIT PRICE ACHIEVED

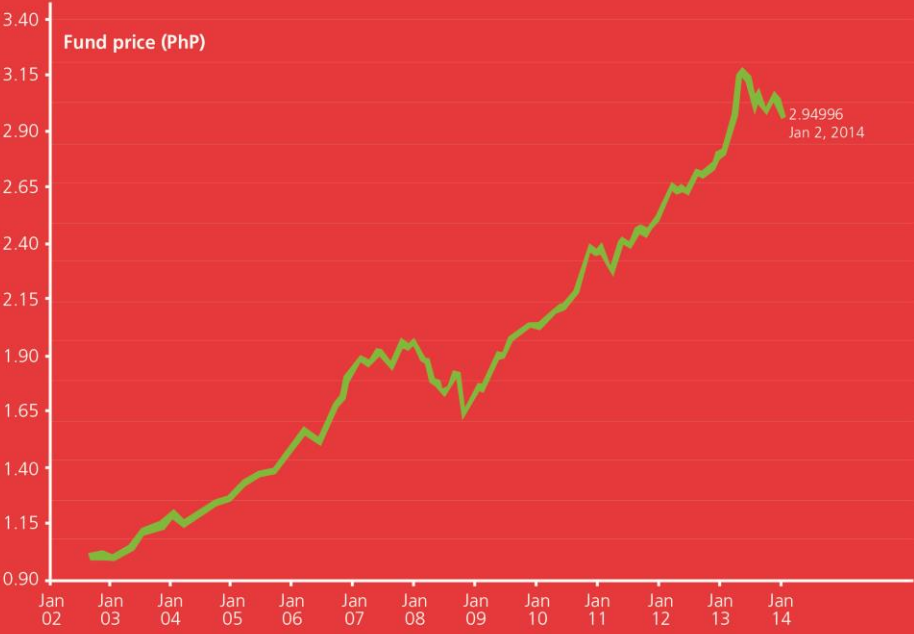
Initial (19 Jul 05)	1.00000
Highest (23 May 13)	3.91785
Lowest (28 Oct 08)	0.99584



PRULink MANAGED FUND

HIGHEST & LOWEST UNIT PRICE ACHIEVED

Initial (24 Sep 02)	1.00000
Highest (06 May 13)	3.19343
Lowest (23 Oct 02)	0.99568



PRULink ASIAN LOCAL BOND FUND

HIGHEST & LOWEST UNIT PRICE ACHIEVED

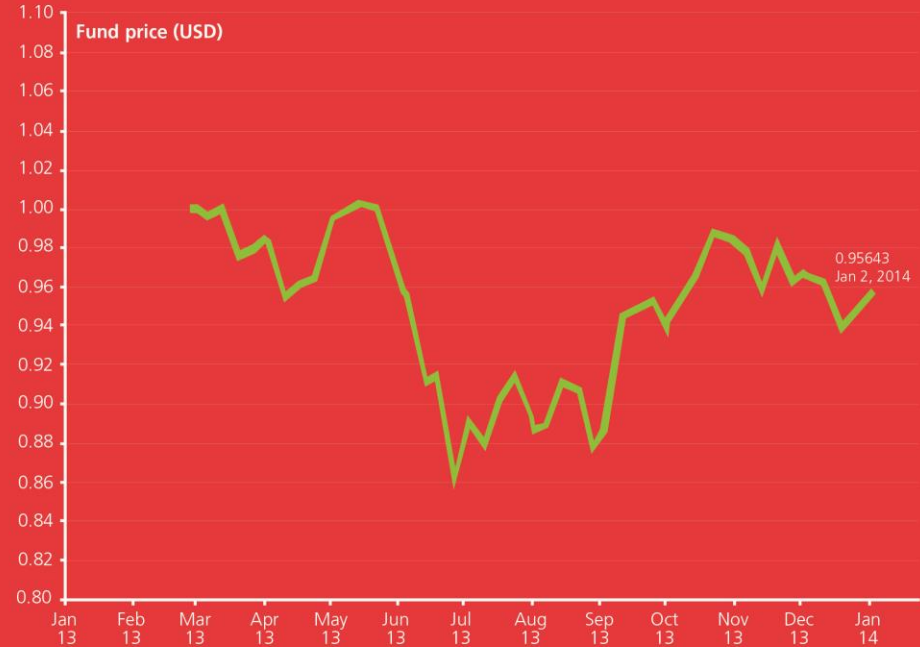
Initial (31 Jan 12)	1.00000
Highest (09 May 13)	1.07329
Lowest (29 Aug 13)	0.92385



PRULink ASIA PACIFIC EQUITY FUND

HIGHEST & LOWEST UNIT PRICE ACHIEVED

Initial (26 Feb 13)	1.00000
Highest (09 May 13)	1.00978
Lowest (26 Jun 13)	0.85771



PRU*Link* EQUITY FUND

HIGHEST & LOWEST UNIT PRICE ACHIEVED

Initial (23 Oct 07)	1.00000
Highest (23 May 13)	2.26468
Lowest (28 Oct 08)	0.42505



Fund manager's profile

Chow Wing Kin

Investment Director
Philippines Equity

Wing Kin is a Portfolio Manager in the Equity team at Eastspring Investments (Singapore) Limited. Wing Kin is the team leader of the ASEAN focus team and joined Eastspring Investments in 1999. Wing Kin is also the lead manager for the ASEAN, Indonesia and Philippines equity strategies. Previously, Wing Kin was an investment analyst at The Insurance Corporation of Singapore. Wing Kin has over 17 years of investment experience. Wing Kin holds a Bachelor of Business degree from Nanyang Technological University, Singapore.

Low Guan Yi

CFA, Investment Director
Fixed Income

Guan Yi is the co-manager of the **PRULink Bond Fund** and has 16 years of investment experience in Asian fixed income. She joined Eastspring Investments (Singapore) Limited in 2007, and is responsible for the Pan-Asian local currency bond portfolios, as well as single-country Philippines and Thai bond portfolios. Guan Yi was previously a portfolio manager at Bank Pictet et Cie Asia Ltd, where she helped to launch and manage the Asian local currency fund. Prior to that, she was managing Asian local currency and credit portfolios at Fullerton Fund Management Company and at Standard Chartered Bank Singapore. She holds a Bachelor of Business degree from Nanyang Technological University, Singapore and is a Chartered Financial Analyst (2001).

Ang Hui Hui

CFA, Assistant Manager
Fixed Income

Hui Hui is the co-manager of the **PRULink Bond Fund**. She has six years of experience in fixed income investment research, dealing and portfolio management. She joined Eastspring Investments (Singapore) Limited in July 2013, reporting to and working with Guan Yi Low on regional Asian local currency bond and Philippine bond mandates. Prior to joining Eastspring Investments, she worked with Investment Company of the People's Republic of China (Singapore) Pte Ltd as Assistant Portfolio Manager, focusing on Emerging Market sovereign bonds. Hui Hui holds a Bachelor of Business Management (summa cum laude) from Singapore Management University, Singapore and is a Chartered Financial Analyst (2013).

Leong Wai Mei

CPA, Assistant Director
Fixed Income

The **PruLink USD Bond Fund** is managed by Wai Mei who has 14 years of investment experience. She currently holds a dual role as a Credit Manager (with credit research responsibilities and the oversight of the credit team), as well as a lead manager for the Asian High Yield and single-country Philippines US\$ bond portfolios. Wai Mei has worked for 14 years in various capacities in relation to credit including positions as Senior Analyst at the Bank of Nova Scotia Asia Ltd, Commerce International Merchant Bankers (CIMB), Malaysia and ABN AMRO Bank, Singapore. She holds a Postgraduate Diploma (Finance) from Melbourne University and Bachelor of Business (Accounting) from RMIT, Australia. She is a Certified Public Accountant (1996).

Phua Zhenghao

Portfolio Manager
Global Asset Allocation

The **PruLink Managed Fund**, **PruLink ProActive Fund** and the **PruLink Growth Fund** are managed by Zhenghao. He joined Eastspring Investments in September 2010 as Junior Portfolio Manager in the Global Asset Allocation Team. In his current role, Zhenghao is responsible for the management of various Asian balanced funds and global multi-asset portfolios. In addition, Zhenghao is responsible for asset class research, investment modeling and asset allocation tools, with an in-depth focus on macroeconomics. Prior to joining Eastspring Investments, Zhenghao was Asset Allocation Research Analyst with UOB Asset Management in Singapore and was responsible for strategic and tactical asset allocation research. Zhenghao is a Chartered Financial Analyst and has five years of investment experience. Zhenghao graduated from National University of Singapore in 2008 with a Bachelor of Business Administration (Honours) degree.

Hugh Maxwell-Davis

CA, Portfolio Manager
Asia Equity

The **PruLink Asia Pacific Equity Fund** is managed by Hugh Maxwell-Davis. He is a Portfolio Manager in the Equity team at Eastspring Investments (Singapore) Limited. Hugh is the team leader of the Regional Asia focus team and joined Eastspring Investments in 2007. He also has responsibilities for managing regional Asia Equity portfolios. Previously, Hugh was an Australian banking analyst for Morgan Stanley and Credit Suisse for 12 years. Prior to that, Hugh also worked for KPMG. Hugh has over 18 years of investment experience. Hugh holds a Bachelor's degree in Commerce from Melbourne University and is also a member of the Institute of Chartered Accountants.

Financial Statements

PRU LIFE INSURANCE CORPORATION OF U.K.
(A Wholly-owned Subsidiary of Prudential Corporation Holdings Limited)
PRULINK OPERATED BY THE LINKED FUND

COMBINED FINANCIAL STATEMENTS
December 31, 2013 and 2012

PRU LIFE INSURANCE CORPORATION OF U.K.

(A Wholly-owned Subsidiary of Prudential Corporation Holdings Limited)

COMBINED STATEMENTS OF ASSETS AND ACCOUNTABILITIES
OF THE PRULINK OPERATED BY THE LINKED FUND

AS AT DECEMBER 31, 2013

(Amount in Thousands)

	Note	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Secured Return Fund	Secured Return Fund II	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Combined
ASSETS													
•Cash and cash equivalents		P324,026	P342,682	P68,547	P277,844	P291,927	P -	P -	P20,402	P1,321,391	P1,641	P1,804	P2,650,264
•Interest receivables		8	219,148	132,740	8	12,088	-	-	-	38	-	-	364,030
•Receivable from life fund	2	27,948	11,668	2,030	33,720	53,592	-	-	-	98,930	149	1,840	229,877
•Investments at fair value through profit or loss	2, 5, 8	6,367,548	19,277,719	7,669,713	4,972,959	16,079,698	-	-	-	10,886,957	1,088,952	640,550	66,984,096
•Other assets		-	135,000	-	-	30,000	-	-	-	-	1,395	850	167,245
		6,719,530	19,986,217	7,873,030	5,284,531	16,467,305	-	-	20,402	12,307,316	1,092,137	645,044	70,395,512
LIABILITIES													
•Liability to life fund and other linked funds	2	(225)	(14,872,433)	(18,681)	(1,173)	(7,357,020)	-	-	-	-	(95)	(85)	(22,249,712)
•Accrued expenses		(373)	(6,777)	(2,670)	(333)	(8,109)	-	-	(6)	(1,874)	(698)	(287)	(21,127)
•Trade payable		(50,000)	-	-	(60,000)	(93,667)	-	-	-	(55,000)	(991)	(1,923)	(261,581)
NET ASSETS		P6,668,932	P5,107,007	P7,851,679	P5,223,025	P9,008,509	P -	P -	P20,396	P12,250,442	P1,090,353	P642,749	P47,863,092

See Notes to the Combined Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.

(A Wholly-owned Subsidiary of Prudential Corporation Holdings Limited)

COMBINED STATEMENTS OF ASSETS AND ACCOUNTABILITIES
OF THE PRULINK OPERATED BY THE LINKED FUND

AS AT DECEMBER 31, 2012

(Amount in Thousands)

	Note	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Secured Return Fund	Secured Return Fund II	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Combined
ASSETS													
•Cash and cash equivalents		P347,855	P321,471	P98,684	P240,066	P241,253	P2,172	P1,416	P12,934	P1,347,950	P10,843	P -	P2,624,644
•Interest receivables		46	189,771	121,623	32	2,578	844	566	-	170	-	-	315,630
•Receivable from life fund	2	10,842	104,280	1,475	-	52,081	-	-	-	41,707	239	-	210,624
•Investments at fair value through profit or loss	2, 5, 8	5,238,216	15,545,565	7,584,450	3,553,785	10,016,848	22,142	14,857	-	7,406,867	993,294	-	50,376,024
•Other assets		-	224	3,062	-	5	-	-	-	-	-	-	3,291
		5,596,959	16,161,311	7,809,294	3,793,883	10,312,765	25,158	16,839	12,934	8,796,694	1,004,376	-	53,530,213
LIABILITIES													
•Liability to life fund and other linked funds	2	-	(11,420,785)	(4,311)	(10,345)	(4,785,856)	-	(2,500)	-	-	-	-	(16,223,797)
•Accrued expenses		(449)	(6,636)	(3,282)	(322)	(6,229)	(8)	(10)	(5)	(1,914)	(585)	-	(19,440)
•Trade payable		(25,000)	(369,218)	-	(25,000)	(240,658)	-	-	-	(75,000)	(12,068)	-	(746,944)
NET ASSETS		P5,571,510	P4,364,672	P7,801,701	P3,758,216	P5,280,022	P25,150	P14,329	P12,929	P8,719,780	P991,723	P -	P36,540,032

See Notes to the Combined Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.

(A Wholly-owned Subsidiary of Prudential Corporation Holdings Limited)

**COMBINED STATEMENTS OF CHANGES IN NET ASSETS
OF THE PRULINK OPERATED BY THE LINKED FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

(Amount in Thousands)

Note	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Secured Return Fund	Secured Return Fund II	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Combined
•Net assets at beginning of year	P5,571,510	P4,364,672	P7,801,701	P3,758,216	P5,280,022	P25,150	P14,329	P12,929	P8,719,780	P991,723	P -	P36,540,032
•Net additions (withdrawals) to the Fund for creation of units	834,219	(222,329)	113,987	1,535,819	4,502,235	(30,041)	(17,674)	7,711	3,388,535	120,024	653,239	10,885,725
	6,405,729	4,142,343	7,915,688	5,294,035	9,782,257	(4,891)	(3,345)	20,640	12,108,315	1,111,747	653,239	47,425,757
FUND INCOME												
•Dividend income	-	-	-	-	324,867	-	223	150	-	-	-	324,867
•Interest income	2,219	1,021,937	419,568	2,018	1,223	-	-	155	9,786	-	1	1,457,280
•Unrealized appreciation (depreciation) of investment at fair value through profit or loss	2	247,859	355,533	(392,657)	(153,963)	(970,113)	5,376	3,560	-	200,134	(4,603)	(710,704)
•Gain (loss) on sale of investment at fair value through profit or loss	2	31,474	104,865	34,246	97,138	201,325	(498)	(264)	18,956	2,881	(316)	489,807
FUND EXPENSES												
•Tax benefit (expense)	(452)	(225,621)	(1)	(404)	4,574	(1)	-	(31)	(1,957)	(38)	-	(223,931)
•Management fees	6	(17,897)	(292,050)	(125,165)	(15,799)	(335,624)	(209)	(101)	(368)	(84,792)	(19,635)	(899,984)
	263,203	964,664	(64,009)	(71,010)	(773,748)	4,891	3,345	(244)	142,127	(21,394)	(10,490)	437,335
NET ASSETS AT END OF YEAR	P6,668,932	P5,107,007	P7,851,679	P5,223,025	P9,008,509	P -	P -	P20,396	P12,250,442	P1,090,353	P642,749	P47,863,092

See Notes to the Combined Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.

(A Wholly-owned Subsidiary of Prudential Corporation Holdings Limited)

**COMBINED STATEMENTS OF CHANGES IN NET ASSETS
OF THE PRULINK OPERATED BY THE LINKED FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

(Amount in Thousands)

Note	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Secured Return Fund	Secured Return Fund II	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Combined
•Net assets at beginning of year	P4,131,595	P2,593,903	P5,195,724	P2,279,236	P2,703,071	P31,255	P17,445	P29,539	P5,352,788	P -	P -	P22,334,556
•Net additions (withdrawals) to the Fund for creation of units	1,010,968	803,432	2,068,219	770,836	136,552	(2,064)	(427)	(16,519)	2,611,320	947,380	-	8,329,697
	5,142,563	3,397,335	7,263,943	3,050,072	2,839,623	29,191	17,018	13,020	7,964,108	947,380	-	30,664,253
FUND INCOME												
•Dividend income	-	-	-	-	170,133	-	-	-	-	-	-	170,133
•Interest income	4,101	851,079	324,644	2,821	852	2,203	1,402	249	15,704	204	-	1,203,259
•Unrealized appreciation (depreciation) of investment at fair value through profit or loss	2	405,548	414,192	307,196	686,100	2,124,167	(5,951)	(3,921)	-	765,764	65,754	4,758,849
•Gain (loss) on sale of investment at fair value through profit or loss	2	34,278	77,240	4,188	29,372	319,457	-	-	34,529	(9,457)	-	489,607
FUND EXPENSES												
•Tax benefit (expense)	(818)	(171,276)	(126)	(564)	(177)	(6)	(2)	(49)	(3,141)	35	-	(176,124)
•Management fees	6	(14,162)	(203,898)	(98,144)	(9,585)	(174,033)	(287)	(168)	(291)	(57,184)	(12,193)	(569,945)
	428,947	967,337	537,758	708,144	2,440,399	(4,041)	(2,689)	(91)	755,672	44,343	-	5,875,779
NET ASSETS AT END OF YEAR	P5,571,510	P4,364,672	P7,801,701	P3,758,216	P5,280,022	P25,150	P14,329	P12,929	P8,719,780	P991,723	P -	P36,540,032

See Notes to the Combined Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.

(A Wholly-owned Subsidiary of Prudential Corporation Holdings Limited)

**COMBINED STATEMENTS OF CASH FLOWS
OF THE PRULINK OPERATED BY THE LINKED FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**
(Amount in Thousands)

Note	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Secured Return Fund	Secured Return Fund II	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Combined
CASH FLOWS FROM OPERATING ACTIVITIES												
•Net increase (decrease) in net assets from operations for the year	P263,203	P964,664	(P64,009)	(P71,010)	(P773,748)	P4,891	P3,345	(P244)	P142,127	(P21,394)	(P10,490)	P437,335
•Adjustments for:												
-Unrealized (appreciation) depreciation of investment at fair value through profit or loss	2, 5	(247,859)	(355,533)	392,657	153,963	970,113	(5,376)	(3,560)	-	(200,134)	4,603	1,830
-Loss (gain) on sale of investment	2, 5	(31,474)	(104,865)	(34,246)	(97,138)	(201,325)	-498	-	-	(18,956)	(2,881)	316
-Interest income		(2,219)	(1,021,937)	(419,568)	(2,018)	(1,223)	(223)	(150)	(155)	(9,786)	(1)	-
-Dividend income		-	-	-	(324,867)	-	-	-	-	-	-	(324,867)
-Operating loss before working capital changes		(18,349)	(517,671)	(125,166)	(16,203)	(331,050)	(210)	(101)	(399)	(86,749)	(19,673)	(8,344)
-Decrease (increase) in: Receivable from life fund		(17,106)	92,612	(555)	(33,720)	(1,511)	-	-	-	(57,223)	90	(1,840)
-Other assets		-	(134,776)	3,062	-	(29,995)	-	-	-	(1,395)	(850)	(163,954)
-Liability to life fund and other linked funds		225	3,451,648	14,370	(9,172)	2,571,164	-	(2,500)	-	-	95	85
-Trade payable		25,000	(369,218)	-	35,000	(146,991)	-	-	-	(20,000)	(11,077)	1,923
-Increase (decrease) in accountabilities		(76)	141	(612)	11	1,880	(8)	(10)	1	(40)	113	287
Net cash provided by (used in) operating activities		(10,306)	2,522,736	(108,901)	(24,084)	2,063,497	(218)	(2,611)	(398)	(164,012)	(31,847)	(8,739)
Forward												4,235,117

Note	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Secured Return Fund	Secured Return Fund II	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Combined
CASH FLOWS FROM INVESTING ACTIVITIES												
•Acquisitions of investments - net	5, 8	(P849,999)	(P3,271,756)	(P443,675)	(P1,475,999)	(P6,881,638)	P27,020	P18,153	P -	(P3,261,000)	(P97,380)	(P16,828,970)
•Interest received		2,257	992,560	408,452	2,042	8,287	1,067	716	155	9,918	1	1,408,881
•Dividends received		-	-	-	-	324,867	-	-	-	-	-	324,867
•Net cash provided by (used in) investing activities		(847,742)	(2,279,196)	(35,223)	(1,473,957)	(6,515,058)	28,087	18,869	155	(3,251,082)	(97,379)	(642,696)
CASH FLOWS FROM FINANCING ACTIVITIES												
•Net additions (withdrawals) to the fund for creation of units		834,219	(222,329)	113,987	1,535,819	4,502,235	(30,041)	(17,674)	7,711	3,388,535	120,024	653,239
•NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(23,829)	21,211	(30,137)	37,778	50,674	(2,172)	(1,416)	7,468	(26,559)	(9,202)	1,804
•CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		347,855	321,471	98,684	240,066	241,253	2,172	1,416	12,934	1,347,950	10,843	-
•CASH AND CASH EQUIVALENTS AT END OF YEAR		P324,026	P342,682	P68,547	P277,844	P291,927	P -	P -	P20,402	P1,321,391	P1,641	P1,804
												P2,650,264

See Notes to the Combined Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.

(A Wholly-owned Subsidiary of Prudential Corporation Holdings Limited)

**COMBINED STATEMENTS OF CASH FLOWS
OF THE PRULINK OPERATED BY THE LINKED FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**
(Amount in Thousands)

Note	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Secured Return Fund	Secured Return Fund II	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Combined
CASH FLOWS FROM OPERATING ACTIVITIES												
•Net increase (decrease) in net assets from operations for the year	P428,947	P967,337	P537,758	P708,144	P2,440,399	(P4,041)	(P2,689)	(P91)	P755,672	P44,343	P -	P5,875,779
•Adjustments for:												
-Unrealized (appreciation) depreciation of investment at fair value through profit or loss	2, 5 (405,548)	(414,192)	(307,196)	(686,100)	(2,124,167)	5,951	3,921	-	(765,764)	(65,754)	-	(4,758,849)
-Loss (gain) on sale of investment	2, 5 (34,278)	(77,240)	(4,188)	(29,372)	(319,457)	-	-	-	(34,529)	9,457	-	(489,607)
-Interest income	(4,101)	(851,079)	(324,644)	(2,821)	(852)	(2,203)	(1,402)	(249)	(15,704)	(204)	-	(1,203,259)
-Dividend income	-	-	-	-	(170,133)	-	-	-	-	-	-	(170,133)
-Operating loss before working capital changes	(14,980)	(375,174)	(98,270)	(10,149)	(174,210)	(293)	(170)	(340)	(60,325)	(12,158)	-	(746,069)
-Decrease (increase) in:												
Receivable from life fund	(5,178)	(92,815)	12,762	2,565	(49,897)	-	-	-	(10,301)	(239)	-	(143,103)
-Other assets	-	(224)	(3,062)	-	(5)	-	-	-	-	-	-	(3,291)
-Liability to life fund and other linked funds	-	3,871,970	4,311	6,003	1,852,103	-	427	-	(307)	-	-	5,734,507
-Trade payable	25,000	369,218	-	25,000	240,648	-	-	-	75,000	12,068	-	746,934
•Increase (decrease) in accountabilities	179	3,220	1,536	158	3,440	-	3	(3)	960	585	-	10,078
Net cash provided by (used in) operating activities	5,021	3,776,195	(82,723)	23,577	1,872,079	(293)	260	(343)	5,027	256	-	5,599,056
<i>Forward</i>												

Note	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Secured Return Fund	Secured Return Fund II	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Combined
CASH FLOWS FROM INVESTING ACTIVITIES												
•Acquisitions of investments - net	5, 8 (P936,391)	(P5,310,816)	(P2,413,775)	(P708,082)	(P2,010,243)	(P101)	P -	P -	(P2,121,720)	(P936,997)	P -	(P14,438,125)
Interest received	4,084	803,923	290,369	2,811	4,235	2,253	1,437	249	15,640	204	-	1,125,205
Dividends received	-	-	-	-	170,133	-	-	-	-	-	-	170,133
Net cash provided by (used in) investing activities	(932,307)	(4,506,893)	(2,123,406)	(705,271)	(1,835,875)	2,152	1,437	249	(2,106,080)	(936,793)	-	(13,142,787)
CASH FLOWS FROM FINANCING ACTIVITY												
•Net additions (withdrawals) to the fund for creation of units	1,010,968	803,432	2,068,219	770,836	136,552	(2,064)	(427)	(16,519)	2,611,320	947,380	-	8,329,697
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS												
	83,682	72,734	(137,910)	89,142	172,756	(205)	1,270	(16,613)	510,267	10,843	-	785,966
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR												
	264,173	248,737	236,594	150,924	68,497	2,377	146	29,547	837,683	-	-	1,838,678
CASH AND CASH EQUIVALENTS AT END OF YEAR												
	P347,855	P321,471	P98,684	P240,066	P241,253	P2,172	P1,416	P12,934	P1,347,950	P10,843	P -	P2,624,644

See Notes to the Combined Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.

(A Wholly-owned Subsidiary of Prudential Corporation Holdings Limited)

NOTES TO THE COMBINED FINANCIAL STATEMENTS OF THE PRULINK OPERATED BY THE LINKED FUND

(Amount in Thousands, except as indicated)

1. Organization and Business

Pru Life Insurance Corporation of U.K. (the "Company") was incorporated in the Philippines on January 17, 1996, primarily to engage in the business of life insurance. On September 11, 2002, the Insurance Commission (IC) also approved the Company's license to sell variable or unit-linked life insurance contracts, an insurance policy either on a group or on an individual basis, which provides for benefits or other contractual payments or values thereunder to vary so as to reflect investment results. The objective of PruLink (the "Funds") is to provide policyholders with above average return over the medium- and long-term period through both capital appreciation and income. Currently, there are eleven funds available for investment, for which these combined financial statements have been prepared.

The Company is a wholly-owned subsidiary of Prudential Corporation Holdings Limited ("Prudential"). The Company's ultimate parent company is Prudential plc, an internationally diversified organization providing life insurance and fund management services worldwide.

a. Managed Fund - a fund denominated in Philippine peso and invested in an optimal mix of medium- to long-term capital and income growth through investments in fixed income securities, money market instruments and shares of stocks listed in the Philippine Stock Exchange (PSE).

b. Bond Fund (Peso) - a fund denominated in Philippine peso and invested in the medium-term together with

long-term capital growth through investments in fixed income securities and money market instruments.

c. Bond Fund (Dollar) - a fund denominated in U.S. dollars and invested in the medium-term together with long-term capital growth through investments in fixed income securities and money market instruments denominated in U.S. dollars.

d. Growth Fund - a fund denominated in Philippine peso and invested in an optimal mix of medium- to long-term capital and income growth, with an emphasis on strong capital growth, through investments in fixed income securities, money market instruments with a greater focus of investment in shares of stocks listed in the PSE.

e. Equity Fund - a fund denominated in Philippine peso and invested in medium- to long-term income growth through investments in money market instruments and shares of stocks listed in the PSE.

f. Secured Return Fund I and II - seek to achieve a stable return in the medium-term through investment in a dollar-denominated bond instrument issued by the Republic of the Philippines, which is held to its maturity date. The interest coupons of the bond and the maturity value are converted to Philippine peso amounts at a peso-dollar exchange rate which is locked-in at the time the bond was purchased. It ceased its operation in February 2013.

g. Money Market Fund - seeks to provide a stable return through investment in fixed-income instruments issued by the Philippine government and short-term instruments such as deposit placements.

h. Proactive Fund - seeks to optimize medium- to long-term capital and income growth with emphasis on dynamic asset allocation by fund managers through investment in fixed income securities, money market instruments and shares of stocks listed in PSE.

i. Asian Local Bond Fund - invests in a diversified portfolio consisting primarily of fixed income or debt securities issued by Asian entities or their subsidiaries. This Fund's portfolio primarily consists of offshore securities denominated in the various Asian currencies and aims to maximize total returns through investing in fixed income or debt securities that are rated as well as unrated. Asian Local Bond Fund is structured as a feeder fund which invests in the Asian Local Bond Fund of Eastspring Investments, Inc. (formerly known as "Prudential Asset Management Singapore"). Asian Local Bond Fund was established and commenced in September 2012.

j. Asia Pacific Equity Fund - aims to maximize long-term total return by investing primarily in equity and equity-related securities of companies, which are incorporated, listed in or have their area of primary activity in the Asia Pacific ex-Japan region. Asia Pacific Equity Fund was established and commenced in February 2013.

For in-house managed funds, the administration is delegated to the Funds. For investment activities of the Funds that are managed by Eastspring Investments, Inc. (see Note 6), an entity under common control with the Company, the valuation and unit pricing calculation is done by Standard Chartered Bank in accordance with the Prudential Corporation Asia (PCA) mandate.

The Company's registered address is at the 22/F, Marajo Tower, 312 26th Street West corner Fourth Avenue, Bonifacio Global City, 1634 Taguig City, Metro Manila, Philippines.

2. Basis of Preparation

Statement of Compliance

The accompanying combined financial statements have been prepared to present the combined statements of assets and liabilities, combined statements of changes in net assets and combined statements of cash flows of the Funds. The financial information used in presenting these combined financial statements is based on the financial statements of individual unit-linked funds.

The combined financial statements of the Funds as at and for the years ended December 31, 2013 and 2012 were authorized for issue by the Board of Directors of Pru Life Insurance Corporation of U.K. on March 27, 2014.

Basis of Measurement

The individual financial statements of the funds have been prepared in accordance with the recognition, measurement and disclosure principles that are consistent with Philippine Financial Reporting Standards (PFRSs). The combined financial statements are prepared on the historical cost basis, except for investments that have been measured at fair value.

Basis of Combination

Combined financial statements are prepared for a group of commonly controlled entities. Where the entities have been under common control but do not form a legal group, the financial statements can be presented on a combined or aggregated basis.

The fundamental difference between combined and consolidated financial statements is that there are no controlling financial interests present between or among the combined entities. For the purpose of the combined financial statements, interfund transactions are not eliminated.

and will continue to be tactical in positioning Asian currencies and duration. While bond yields have moved higher since mid-2013, the inflation outlook remains subdued. The portfolio manager maintains a medium-term positive outlook on Asian bond markets, and will await greater market stability to increase

PruLink Asia Pacific Equity Fund

On an annualized basis since inception on 26 February 2013, the Fund fell 2.05% (gross of fees), underperforming its total return benchmark by 3.63%.

For the underlying portfolio, over 2013, stock selection in Malaysia, Singapore, materials, and industrials contributed to the Fund's performance. Stock selection in India, China, consumer discretionary, and information technology were detractors from performance.

Hankook Tire Co. Ltd. and Hutchison Whampoa Ltd. were key contributors to performance. Hankook Tire is the number one tire manufacturer in Korea and performed well due to solid operational results. Hutchison Whampoa is a well-diversified Hong Kong conglomerate with businesses in Europe and Asia. The company's demonstrated improving returns and cash flow generation as several business segments hit cyclical troughs in operations.

Whitehaven Coal Ltd. and Parkson Retail Group Ltd. were key detractors from performance. Falling benchmark coal prices and operational delays were headwinds for Whitehaven Coal, an Australian coal miner. Parkson Retail operates a national network of department stores in China. Brick-and-mortar department stores continue to be challenged by online retailers in an environment of slowing economic growth.

PruLink Equity Fund

The Fund posted a gross return of 1.54% in 2013, underperforming its total return benchmark by 2.17%.

The Philippine Stock Exchange index (PSEI) rose for a fifth year in a row in 2013, up 1.33%⁴ in local currency terms as the country secured investment grade ratings from Moody's Investors Service, Fitch Ratings and Standard and Poor's. Gains were capped later in the year when Super Typhoon Haiyan struck, killing at least 5,500 people and causing massive damage. Concerns about the impact of the U.S. Federal Reserve's decision to taper its stimulus program also weighed on the market.

The Fund's underweight in Philex Mining Corp and San Miguel Corp as well as its overweight in Vista Land and Lifescapes bolstered relative performance. Not owning Philex proved beneficial to the Fund as shares of the country's largest miner corrected sharply on the back of lower profit. Earnings were squeezed by provisions and exceptional charges related to problems at the Padcal mine as well as a decline in metal prices.

San Miguel shares lagged the broader market in 2013 partly due to its deletion from the MSCI Philippine Index. Analysts also cut their earnings estimates for the conglomerate following the sale of its stake in Manila Electric Co. to JG Summit. The portfolio manager has been concerned about the company's high net gearing.

The Fund's off-benchmark position in Vista Land contributed positively to relative performance as shares of the property developer outperformed the PSEI. The stock trades at a substantial discount to its appraised net asset value based on analysts' estimates, and demand for homes in the Philippines is expected to be underpinned by the country's favorable demographics, growing incomes and benign interest rates.

Source: ⁴Bloomberg, 31 December 2013

a. Financial Assets at FVPL

A financial asset is classified at FVPL if it is classified as held for trading or is designated as such on initial recognition. Financial assets are designated at FVPL if the Funds manage such investments and makes purchase and sale decisions based on their fair value in accordance with the Funds' documented risk management or investment strategy. Attributable transaction costs are recognized in statements of comprehensive income as incurred. Financial assets at FVPL are measured at fair value and changes therein, which takes into account any dividend income, are recognized in statements of comprehensive income.

The Funds' held for trading amounted to P66.98 billion and P50.38 billion as of December 31, 2013 and 2012, respectively. The Funds' held for trading includes corporate bonds and debt and equity securities.

b. HTM Investments

If the Funds have the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as HTM investments. HTM investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, HTM investments are measured at amortized cost using the effective interest method, less any impairment losses.

The Funds have no HTM investments as of December 31, 2013 and 2012.

c. Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

As at December 31, 2013 and 2012, the Funds' combined financial assets classified as loans and receivables amounted to P761.15 million and P529.55 million, respectively.

d. AFS Financial Assets

AFS financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. AFS financial assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the fair value reserve equity. When an investment is derecognized, the gain or loss accumulated in the equity is reclassified to statements of comprehensive income.

The Funds have no AFS financial assets as at December 31, 2013 and 2012.

Non-derivative Financial Liabilities

The Funds initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at FVPL) are recognized initially on the trade date, which is the date that the Funds become a party to the contractual provisions of the instrument.

The Funds derecognize a financial liability when its contractual obligations are discharged, cancelled or expired.

The Funds classify non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at

amortized cost using the effective interest rate (EIR) method.

As at December 31, 2013 and 2012, the Funds' other financial liabilities comprise accrued expenses amounted to P21.13 million and P19.44 million, respectively and trade payable amounted to P261.58 million and P746.94 million, respectively.

Impairment

Non-derivative Financial Assets

A financial asset not classified at FVPL is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that the financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Funds on terms that the Funds would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

a. Financial Assets Measured at Amortized Cost

The Funds consider evidence of impairment for financial assets measured at amortized cost at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Funds uses historical trends of the probability of default, the timing of recoveries and the amount of the loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the combined statement of changes in net assets and reflected in an allowance account against loans and receivables or HTM investment securities. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the combined statement of changes in net assets to the extent that the resulting carrying value of the asset does not exceed its carrying amount had no impairment loss has been recognized.

b. AFS Financial Assets

Impairment losses on AFS financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to the combined statement of changes in net assets. The cumulative loss that is reclassified from equity to the combined statement of changes in net assets is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in the combined statement of changes in net assets. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired AFS debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in the combined statement of changes in net assets.

However, any subsequent recovery in the fair value of an impaired AFS equity security is recognized in other comprehensive income, to the extent that the resulting carrying value of the asset does not exceed its carrying value had no impairment loss has been recognized.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity, if any. Revenue is recognized to the extent that it is probable that economic benefits will flow to the Funds and the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

Investment Income

Investment income consists of fair value changes of investments at FVPL, interest income from all interest-bearing investments, dividend income from stock investments and gain on sale of investments. Investment income which is net of investment management fees is presented net of final tax.

Interest income for all interest-bearing financial instruments, including financial instruments measured at FVPL, is recognized in the profit or loss using the effective interest method.

Dividend income for stock investments is recognized in the combined statements of changes in net assets when the right to receive payment is established.

Gain on sale of investments is recognized upon sale of investments when the consideration received is higher than the recorded cost of the investments.

Expenses

All expenses, including management fees and custodian fees, are recognized on an accrual basis.

Taxation

Dividend and interest income received by the Funds may be subject to withholding tax imposed in the country of origin. Interest income from interest-bearing investments is recorded gross of final tax.

Provisions

A provision is recognized if, as a result of a past event, the Funds have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Contingencies

Contingent liabilities are not recognized in the combined financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the combined financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Date

Post year-end events that provide additional information about the Funds' financial position at the reporting date (adjusting events) are reflected in the combined financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the combined financial statements when material.

New or Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

A number of new or revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Fund, except for PFRS 9, Financial Instruments. The Fund does not plan to adopt this standard early and the extent of the impact has not been determined.

The Funds will adopt the following new or revised standards, amendments to standards and interpretations in the respective effective dates:

Effective on January 1, 2014

Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32). These amendments clarify that:

- An entity currently has a legally enforceable right to set-off if that right is:
 - not contingent on a future event; and
 - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.
- Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
 - eliminate or result in insignificant credit and liquidity risk; and
 - process receivables and payables in a single settlement process or cycle.

These amendments are to be applied retrospectively.

To be Adopted (No definite date - Originally January 1, 2015)

PFRS 9, Financial Instruments (2009), PFRS 9, Financial Instruments (2010) and PFRS 9, Financial Instruments (2013)

PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities.

PFRS 9 (2013) introduces the following amendments:

- A substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements;

- Changes to address the so-called 'own credit' issue that were already included in PFRS 9, Financial Instruments to be applied in isolation without the need to change any other accounting for financial instruments; and
- Removes the January 1, 2015 mandatory effective date of PFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

The International Accounting Standard Board is currently discussing some limited amendments to the classification and measurement requirements in International Financial Reporting Standard (IFRS) 9 and is also discussing the expected credit loss impairment model to be included in IFRS 9. Once those deliberations are complete the IASB expects to publish a final version of IFRS 9 that will include all of the phases: Classification and Measurement; Impairment and Hedge Accounting. That version of IFRS 9 will include a new mandatory effective date.

4. Critical Accounting Estimates and Judgements

The Funds make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Funds' accounting policies, management have made the following judgments, apart from there involving estimates, which have the most significant effects or amounts recognize in the financial statements.

a) Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities (including derivatives) recognized in the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These estimates may include consideration of liquidity, volatility and correlation. Changes in assumptions about these factors could the reported fair values of financial instruments.

b) Financial Assets Quoted in an Active Market

The Funds classify financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

As of December 31, 2013 and 2012, the Funds' investments in financial assets at FVPL at quoted and derived market prices (i.e., using observable market inputs) amounted to P66.98 billion and P50.38 billion, respectively (see Note 5).

c) Determination of Functional Currency

Based on the economic substance of the underlying circumstance relevant to the Funds, the functional currency of the Funds has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Funds operate. It is the currency that mainly influences the income and costs arising from the Funds' operations.

d) Estimating Contingencies

The Funds, in the ordinary course of business, set up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

No provision for probable losses arising from legal contingencies was recognized in the Funds' financial statement as at December 31, 2013 and 2012.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date have a significant risk of causing a material adjustment to the carrying amount amounts of assets and liabilities within the next financial period are discussed below.

a) Fair Value Estimation

The fair value of financial instruments traded in active markets such as financial assets at FVPL is based on quoted market prices at the reporting date. If the financial instrument is not traded in an active market, the fair value is determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by management. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values of financial instruments.

b) Impairment of Financial Assets

The Funds consider that investments are impaired when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is

significant or prolonged decline requires judgment. In making this judgment, the Funds evaluate among other factors, the normal volatility in share/market price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

5. Investments at Fair Value through Profit or Loss

This account as at December 31 consists of:

2013

	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Secured Return Fund	Secured Return Fund II	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Combined
Investment in shares of stocks	P -	P -	P -	P -	P13,757,198	P -	P -	P -	P -	P -	P642,382	P14,399,575
Accumulated market valuation gain (loss)	-	-	-	-	2,322,505	-	-	-	-	-	(1,832)	2,320,673
	-	-	-	-	16,079,698	-	-	-	-	-	640,550	16,720,248
Investment in bond funds	4,370,797	-	-	1,175,905	-	-	-	-	6,858,251	-	-	12,404,953
Accumulated market valuation gain	1,330,828	-	-	164,136	-	-	-	-	970,518	-	-	2,465,482
	5,701,625	-	-	1,340,041	-	-	-	-	7,828,769	-	-	14,870,435
Investment in equity funds	506,708	-	-	2,596,095	-	-	-	-	2,659,725	-	-	5,762,528
Accumulated market valuation gain	159,215	-	-	1,036,823	-	-	-	-	398,463	-	-	1,594,501
	665,923	-	-	3,632,918	-	-	-	-	3,058,188	-	-	7,357,029
Treasury notes	-	17,605,353	7,574,231	-	-	-	-	-	-	1,115,392	-	26,294,976
Accumulated market valuation gain (loss)	-	1,672,366	95,482	-	-	-	-	-	-	(26,440)	-	1,741,408
	-	19,277,719	7,669,713	-	-	-	-	-	-	1,088,952	-	28,036,384
	P6,367,548	P19,277,719	P7,669,713	P4,972,959	P16,079,698	P -	P -	P -	P10,886,957	P1,088,952	P640,550	P66,984,096

2012

	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Secured Return Fund	Secured Return Fund II	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Combined
Investment in shares of stocks	P -	P -	P -	P -	P6,724,230	P -	P -	P -	P -	P -	P -	P6,724,230
Accumulated market valuation gain (loss)	-	-	-	-	3,292,618	-	-	-	-	-	-	3,292,618
	-	-	-	-	10,016,848	-	-	-	-	-	-	10,016,848
Investment in bond funds	3,745,744	-	-	837,489	-	-	-	-	5,007,252	-	-	9,590,485
Accumulated market valuation gain	1,042,220	-	-	142,185	-	-	-	-	638,117	-	-	1,822,522
	4,787,964	-	-	979,674	-	-	-	-	5,645,369	-	-	11,413,007
Investment in equity funds	250,287	-	-	1,361,374	-	-	-	-	1,230,769	-	-	2,842,430
Accumulated market valuation gain	199,965	-	-	1,212,737	-	-	-	-	520,729	-	-	1,943,431
	450,252	-	-	2,574,111	-	-	-	-	1,761,498	-	-	4,785,861
Treasury notes	-	14,235,152	6,565,910	-	-	27,518	18,417	-	-	-	937,600	21,784,597
Accumulated market valuation gain (loss)	-	1,310,413	1,018,540	-	-	(5,376)	(3,560)	-	-	-	55,694	2,375,711
	-	15,545,565	7,584,450	-	-	22,142	14,857	-	-	-	993,294	24,160,308
	P5,238,216	P15,545,565	P7,584,450	P3,553,785	P10,016,848	P22,142	P14,857	P -	P7,406,867	P993,294	P -	P50,376,024

6. Management Fees

The Funds have an investment management services agreement with Eastspring Investments, Inc. whereby the latter shall act as investment advisor to the Funds in the management of funds, including Link Funds, in consideration for a quarterly service fee as may be agreed-upon by both parties on an annual basis.

Management fees are calculated in accordance with the provision of the policy document which is equivalent to the following rates per annum of investments valued at market value at valuation date as follows:

	2013	2012
Managed Fund	1.79%	1.79%
Bond Fund (Peso)	1.53%	1.53%
Bond Fund (Dollar)	1.53%	1.53%
Growth Fund	2.25%	2.25%
Equity Fund	2.25%	2.25%
Secured Return Fund I*	1.00%	1.00%
Secured Return Fund II*	1.00%	1.00%
Proactive Fund	2.25%	2.25%
Money Market Fund	1.28%	1.28%
Asian Local Bond Fund	1.80%	1.80%
Asia Pacific Equity Fund	2.05%	-

* The fund ceased its operation in February 2013.

7. Number of Units and Unit Prices

As at December 31, the Funds' numbers of unit issued are as follows:

	2013	2012
Managed Fund	2,262,410	1,986,649
Bond Fund (Peso)	2,040,023	1,855,381
Bond Fund (Dollar)	82,995	81,914
Growth Fund	1,601,271	1,167,667
Equity Fund	5,100,271	2,967,059
Secured Return Fund I*	-	22,194
Secured Return Fund II*	-	13,308
Proactive Fund	6,104,079	4,480,917
Money Market Fund	19,791	12,443
Asian Local Bond Fund	25,760	23,048
Asia Pacific Equity Fund	15,053	-
	17,251,653	12,610,580

* The fund ceased its operation in February 2013.

The corresponding published unit prices are as follows:

	2013	2012
Managed Fund	2.94771	2.80448
Bond Fund (Peso)	2.50340	2.35244
Bond Fund (Dollar)**	2.13005	2.31210
Growth Fund	3.26180	3.21857
Equity Fund	1.76628	1.77955
Secured Return Fund I*	-	1.13317
Secured Return Fund II*	-	1.07669
Proactive Fund	2.00692	1.94598
Money Market Fund	1.03057	1.03905
Asian Local Bond Fund**	0.95300	1.04461
Asia Pacific Equity Fund**	0.96140	-

* The fund ceased its operation in February 2013.

** Unit price is presented at US Dollar.

8. Financial Risk Management

The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed by the Funds are discussed below.

Investment Risk

The investment risk represents the exposure to loss resulting from cash flows from invested assets primarily for long-term fixed rate investments, being less than the cash flows to meet the obligations of the expected policy and contract liabilities and the necessary return on investments. Additionally, there exists a future investment risk associated with certain policies currently in-force which will have premium receipts in the future.

To maintain an adequate yield to match the interest necessary to support future policy liabilities, management focus is required to reinvest the proceeds of the maturing securities and to invest the future premium receipts while continuing to maintain satisfactory investment quality.

The Funds adopts the Prudential's investment strategy to invest primarily in high quality securities while maintaining diversifications to avoid significant exposure to issuer and industry.

The Funds invest in equity and debt instruments as dictated by the Fund's investment management strategy. Asset allocation is determined by the Fund Manager who manages the distribution of the assets to achieve the investment objectives. Divergence from target asset allocations and the composition of the Funds' portfolio is monitored by the Investment Committee.

Financial Risk

The Funds has significant exposure to the following financial risks from its use of financial instruments:

Credit Risk
Liquidity Risk
Market Risk

a. Credit Risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Funds.

The carrying amounts of financial assets represent the maximum credit risk exposure at the reporting dates.

Except for investments in debt securities which mature on various dates, all of the Funds' financial assets are current. The Funds' investment in debt securities consists primarily of government treasury securities. Since these are backed by the full faith and credit of their respective governments, these are generally considered to be free of credit risk.

The table below provides information regarding the credit risk exposure of the Funds as of December 31, 2013 and 2012 by classifying assets according to the Funds' credit grading of counterparties.

2013					
Neither Past-Due nor Impaired					
	Investment High-grade	Non-investment Grade-satisfactory	Total Financial Assets Neither Past Due nor Impaired	Past Due but not Impaired	Total
•Cash and cash equivalents	P2,650,264	P -	P2,650,264	P -	P2,650,264
•Interest receivables	364,030	-	364,030	-	364,030
•Receivable from life fund	229,877	-	229,877	-	229,877
•Investment at fair value through profit or loss	66,984,096	-	66,984,096	-	66,984,096
•Other assets	167,245	-	167,245	-	167,245
	P70,395,512	P -	P70,395,512	P -	70,395,512

2012					
Neither Past-Due nor Impaired					
	Investment High-grade	Non-investment Grade-satisfactory	Total Financial Assets Neither Past Due nor Impaired	Past Due but not Impaired	Total
•Cash and cash equivalents	P2,624,644	P -	P2,624,644	P -	P2,624,644
•Interest receivables	315,630	-	315,630	-	315,630
•Receivable from life fund	210,624	-	210,624	-	210,624
•Investment at fair value through profit or loss	50,376,024	-	50,376,024	-	50,376,024
•Other assets	3,291	-	3,291	-	3,291
	P53,530,213	P -	P53,530,213	P -	53,530,213

The Funds uses a credit grading system based on the borrowers and counterparties overall credit worthiness, as described below:

Investment High Grade - This pertains to accounts with a very low probability of default as demonstrated by the borrower's strong financial position and reputation. The borrower has the ability to raise substantial amounts of funds through credit facilities with financial institutions. The borrower has a strong debt service record and a moderate use of leverage.

Non-investment Grade - Satisfactory - This pertains to current accounts with no history of default or which may have defaulted in the past, but the conditions and circumstances directly affecting the borrower's ability to pay has abated already. The borrower is expected to be able to adjust to the cyclical downturns in its operations. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. The use of leverage may be above industry or credit standards but remains stable.

Credit risk arising from transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used. The Funds monitors the credit ratings of the brokers used to further mitigate the risk.

Substantially all of the assets, including cash and cash equivalents, of the Funds are held by the Citibank N.A. pursuant to a custodianship agreement entered into by the Company with Citibank N.A. The Company monitors its risks by monitoring the credit quality of Citibank N.A.

b. Liquidity Risk

The Funds are exposed to the liquidity risk of meeting policyholders' redemptions at any time. The Company does not hold significant financial liabilities.

The Funds' investment in equity and debenture instruments are considered to be readily realizable as they are all listed

on the major stock and debt exchanges. Thus, the Funds have limited exposure to liquidity risk.

The tables below summarize the maturity profile of the financial assets and liabilities of the Funds based on remaining contractual obligations or on the estimated timing of net cash flows as of December 31, 2013 and 2012:

2013

	Less than 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	More than 5 Years	Total
Cash and cash equivalents	P2,650,264	P -	P -	P -	P -	P -	P2,650,264
Interest receivables	364,030	-	-	-	-	-	364,030
Receivable from life fund	229,877	-	-	-	-	-	229,877
Investments at fair value through profit or loss	40,384,735	529,362	2,018,535	1,339,049	1,121,791	21,590,624	66,984,096
Other assets	167,245	-	-	-	-	-	167,245
Liability to life fund and other linked funds	(22,249,712)	-	-	-	-	-	(22,249,712)
Accrued expenses	(21,127)	-	-	-	-	-	(21,127)
Trade payable	(261,581)	-	-	-	-	-	(261,581)
	P21,263,731	P529,362	P2,018,535	P1,339,049	P1,121,791	P21,590,624	P47,863,092

2012

	Less than 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	More than 5 Years	Total
Cash and cash equivalents	P2,624,644	P -	P -	P -	P -	P -	P2,624,644
Interest receivables	315,630	-	-	-	-	-	315,630
Receivable from life fund	210,624	-	-	-	-	-	210,624
Investments at fair value through profit or loss	27,370,059	612,380	569,752	1,543,401	1,511,892	18,768,540	50,376,024
Other assets	3,291	-	-	-	-	-	3,291
Liability to life fund and other linked funds	(16,223,797)	-	-	-	-	-	(16,223,797)
Accrued expenses	(19,440)	-	-	-	-	-	(19,440)
Trade payable	(746,944)	-	-	-	-	-	(746,944)
	P13,534,067	P612,380	P569,752	P1,543,401	P1,511,892	P18,768,540	P36,540,032

C. Market Risk

Market risk embodies the potential for both loss and gains and includes currency risk, interest rate risk and equity price risk.

The Funds' strategies on the management of investment risk are driven by the individual Fund's investment objective (see Note 1). The Funds' market risk is managed on a daily basis by the Fund Manager in accordance with policies and procedures in place. The Funds' overall market positions are monitored on at least a quarterly basis by the Investment Committee of the Company.

Details of the nature of the Funds investment portfolio at the reporting date are disclosed in Note 5.

Currency Risk

The Funds may invest in financial instruments and enter into transactions denominated in currencies other than Philippine peso in the Funds' functional currency. Consequently, the Funds are exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse affect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than Philippine peso.

The Funds' most significant exposure to fluctuations in foreign currency exchange rates is through its investments held in the Bond Fund (Dollar). The Funds' net exposure to the US dollar amounts to US\$146.85 million and US\$139.00 million as at December 31, 2013 and 2012, respectively, based on the carrying value of monetary assets and liabilities of the Bond Fund (Dollar).

Had the Philippine peso strengthened by 5% in relation to the US dollar, with all other variables held constant, the carrying value of investments held in the Bond Fund (Dollar) denominated in US dollar would have decreased by P326.11 million and P286.28 million as at December 31, 2013 and 2012, respectively. A 5% weakening of the Philippine peso in relation to the US dollar would have an equal but opposite effect, on the basis that all other variables remain constant.

Interest Rate Risk

There are two types of interest rate risk:

Fair Value Interest Rate Risk - the risk that the value of a financial instrument will fluctuate because of changes in market interest rates; and

Cash Flow Interest Rate Risk - the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

A significant portion of the Funds' investments in debt instruments carried at fair value through profit or loss is interest-bearing. As a result, the Funds are subject to

exposure to fair value interest rate risk. The Funds do not carry debt instruments with variable interest rates and, thus, are not exposed to cash flow interest rate risk.

Interest rate risk is mitigated by the Funds' Fund Manager by constructing a portfolio of debenture instruments with diversified maturities.

Any excess cash and cash equivalents of the Funds are invested in short-term commercial paper with the term to maturity of up to three or six months.

The analysis below details the impact of changes in market interest rate to the fair value of the Funds' investment in fixed-rate debt instruments. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Changes in Variables

December 31, 2013	50 Basic Points Increase	50 Basic Points Decrease
Currency		
•Philippine peso	(P707,689)	P754,815
•US dollar	(318,603)	339,850
•Fair value sensitivity	(P1,026,292)	P1,094,665

Changes in Variables

December 31, 2012	50 Basic Points Increase	50 Basic Points Decrease
Currency		
•Philippine peso	(P575,092)	P613,816
•US dollar	(335,153)	358,811
•Fair value sensitivity	(P910,245)	P972,627

Equity Price Risk - Equity price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The Funds' equity price risk exposure relates to investments in equity securities held in the Equity Fund amounting to P16.08 billion and P10.02 billion as of December 31, 2013 and 2012, respectively. The value of these equity securities will fluctuate with changes in market conditions.

Equity price risk is managed by the Fund's Fund Manager by constructing a diversified portfolio of instruments.

All of the Funds' equity investments are listed in the PSE. A 5% increase in stock prices would have increased the carrying value of these investments by P803.98 million and P500.84 million as at December 31, 2013 and 2012, respectively. An equal change in the opposite direction would have decreased the carrying values of these investments by an equal but opposite amount.

Fair Value Measurement

Many of the Funds' financial instruments are carried at fair value on the combined statements of assets and liabilities. Usually the fair value of the financial instruments can be reliably determined within a reasonable range of estimates. For other financial instruments, including cash and cash equivalents, interest receivables, receivable from life fund, other assets, and accrued expenses, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

The major methods and assumptions used in estimating the fair values of financial instruments were disclosed in Note 3 to the combined financial statements.

Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been 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 asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2013				
	Level 1	Level 2	Level 3	Total
Financial Assets				
• Investments at fair value through profit or loss	P55,069,343	P11,914,753	P -	P66,984,096

December 31, 2012				
	Level 1	Level 2	Level 3	Total
Financial Assets				
• Investments at fair value through profit or loss	P14,802,709	P35,573,315	P -	P50,376,024

Report of independent auditors

The Board of Directors and Stockholders
Pru Life Insurance Corporation of U.K.

Report on the Financial Statements

We have audited the accompanying combined financial statements of PruLink operated by the Linked Fund of Pru Life Insurance Corporation of U.K. (a wholly-owned subsidiary of the Prudential Corporation Holdings Limited) as at December 31, 2013 and 2012, which comprise the combined statements of assets and liabilities, combined statements of changes in net assets and combined statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements, in accordance with basis of preparation set out in Note 2 to the combined financial statements, and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements present fairly, in all material respects, the combined financial position of PruLink operated by the Linked Fund of Pru Life Insurance Corporation of U.K. as at December 31, 2013 and 2012, and its combined financial performance and its cash flows for the years then ended in accordance with the basis of preparation set out in Note 2 to the combined financial statements.

R.G. MANABAT & CO.



RICARDO G. MANABAT
Partner
CPA License No. 0024603
IC Accreditation No. SP-0097-R, Group A, valid until September 11, 2014
SEC Accreditation No. 0023-AR-3, Group A, valid until March 8, 2015
Tax Identification No. 112-071-545
BIR Accreditation No. 08-001987-5-2013
Issued May 9, 2013; valid until May 8, 2016
PTR No. 4225130MC
Issued January 2, 2014 at Makati City

March 27, 2014
Makati City, Metro Manila

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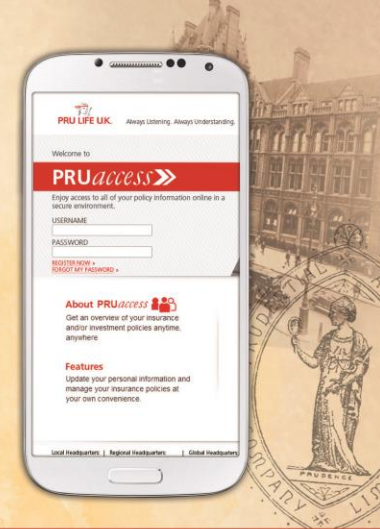
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CORPORATE GOVERNANCE

I. The Board of Directors

In the Annual Shareholders' Meeting of Pru Life Insurance Corporation of U.K. ("Pru Life UK") held on 27 June 2013, the following were elected as members of the Board of Directors for year 2013 to 2014 and until their successors shall have been duly elected and qualified:

1. Henry Joseph M. Herrera

Chairman of the Board

Age: 53 years old

Date of first appointment:

17 June 2010 as Board Member

23 August 2012 as Chairman of the Board

Directorship in other listed companies: None

Qualification and Relevant Experience:

Mr. Herrera's experience in the insurance industry spans over 30 years. He was President and CEO of Sun Life of Canada (Philippines), Inc. from January 2007 to July 2009. Mr. Herrera's first CEO position was with Philippine Asia Life Assurance Corporation, where he was appointed in May 1994. Among his many achievements are multiple appointments as President and CEO, and various stints as Chief Actuary, Head of Investments, and Head of Operations. He is a Fellow of the Actuarial Society of the Philippines, a member of the International Actuarial Association and the Financial Executives Institute of the Philippines.

Henry, as he is fondly called, is a Statistics cum laude graduate of the University of the Philippines, and has also accomplished courses at the Asian Institute of Management (AIM), the Wharton Graduate School of Business and the Harvard School of Business. He is the first recipient of the ASEAN Young Insurance Manager Award in 1995, Outstanding Alumni Awardee, UP College of Business Administration in 2007, and The Outstanding Thomasian Alumni (TOTAL) Award also in the same year.

2. Stephen Paul "Steve" Bickell

Board Member

Age: 50 years old

Date of first appointment:

5 June 2008

Directorship in other listed companies: None

Qualification and Relevant Experience:

Steve is the Chief Risk Officer of Prudential Corporation Asia, regional headquarters of Pru Life UK. He has worked in Prudential since 1979 in various capacities, holding positions as Director of Tax & Compliance and Corporate Affairs Director, among others.

3. Lilian Lup-Yin Ng

Board Member

Age: 47 years old

Date of first appointment:

24 February 2011

Directorship in other listed companies: None

Qualification and Relevant Experience:

Lilian is the Chief Operating Officer for Insurance of Pru Life UK regional headquarters, Prudential Corporation Asia (PCA). She has been affiliated with Prudential since 1994 serving in various positions, among others, as Chief Financial Officer of Prudential Assurance Co., Ltd. (Hong Kong branch) and Regional Director for Insurance at PCA. She graduated from Macquarie University in Sydney, Australia with a Bachelors degree in Economics and is a Fellow of the Institute of Actuaries of Australia.

4. Antonio Manuel "Jumbing" G. de Rosas

Board Member

Age: 48 years old

Date of first appointment:

7 December 2010

Directorship in other listed companies: None

Qualification and Relevant Experience:

Jumbing graduated Summa Cum Laude from the University of San Francisco (USA) with a degree in Business Administration, major in Accounting. He also holds a Master's degree in Business Economics from the University of Asia and the Pacific.

Jumbing's extensive experience in business and finance began in the banking sector abroad, in his early years, and later, for some of the country's top insurance companies where his previous roles includes being Senior Vice President and Chief Finance Officer and Head of Information Technology for the Philippine and Hong Kong operations. He is a member of both the American and Hong Kong Institute of Certified Public Accountants and is a Certified Information Systems Auditor.

5. Cesar P. Manalaysay

Board Member

Age: 65 years old

Date of first appointment:
2 August 2006

Directorship in other listed companies: None

Qualification and Relevant Experience:

Cesar is the Managing Partner of Siguion Reyna, Montecillo and Ongsiako Law Offices. He holds positions in the Board of Directors of various companies.

He received both his Bachelor of Arts and Bachelor of Laws degrees from the Ateneo de Manila University, and received his Master of Laws degree from the Boalt Hall School of Law at the University of California, Berkeley.

He is a member of the Integrated Bar of the Philippines (IBP), Philippine Bar Association (PBA), and Rotary Club of Manila (Paul Harris Fellow).

6. Jose A. Feria, Jr.

Board Member

Age: 65 years old

Date of first appointment:
1996 to 1997; re-appointed in 2003

Directorship in other listed companies:
Liberty Flour Mills, Inc.

Qualification and Relevant Experience:

Jose A. Feria, Jr. is a senior partner of Feria Tantoco Robeniol Law Office. He is concurrently Chairman, Director and Corporate Secretary of several companies in various industries in the Philippines.

He served as President of the Philippine Bar Association (PBA), which is the oldest voluntary national organization of lawyers in the Philippines. He earned a double degree of Bachelor of Science in Business Administration and Bachelor of Arts in Economics at the De La Salle University. He received his Bachelor of Laws degree at the University of Santo Tomas. He is a member of the Integrated Bar of the Philippines (IBP).

7. Romerico "Romy" S. Serrano

Board Member

Age: 63 years old

Date of first appointment:
2 August 2006

Directorship in other listed companies: None

Qualification and Relevant Experience:

Romy held top positions in various companies, as President of Fuji Xerox Philippines, Inc. and Country Manager of Motorola Inc.,- South Asia, among others. He received his Bachelor of Science degree in Management from San Beda College and completed the Management Development Program at the Asian Institute of Management and the Advance Management Program/International Senior Managers Program at the Harvard Business School in Boston.

CORPORATE GOVERNANCE

II. Board Education Session

On 3 September 2013, a Board Education Session was conducted for the training and continuing education programme of the Board Members of Pru Life UK.

III. Board Meetings

For year 2013, the Board of Directors of Pru Life UK held six (6) meetings. Below are the attendance details of the director in the said six (6) board meetings:

Date and Type of Board Meeting	Directors Present in the Board Meeting	Directors Absent in the Board Meeting
Regular Meeting of the Board of Directors held on 25 March 2013	<ul style="list-style-type: none"> • 1. Henry Joseph M. Herrera • 2. Stephen Paul "Steve" Bickell • 3. Antonio Manuel "Jumbing" G. de Rosas • 4. Jose A. Feria, Jr. • 5. Romerico "Romy" S. Serrano 	<ul style="list-style-type: none"> • 1. Lilian Lup-Yin Ng • 2. Cesar P. Manalaysay
Organizational Meeting of the Board of Directors held on 27 June 2013	<ul style="list-style-type: none"> • 1. Henry Joseph M. Herrera • 2. Stephen Paul "Steve" Bickell • 3. Lilian Lup-Yin Ng • 4. Antonio Manuel "Jumbing" G. de Rosas • 5. Cesar P. Manalaysay • 6. Jose A. Feria, Jr. • 7. Romerico "Romy" S. Serrano 	None
Special Meeting of the Board of Directors held on 27 June 2013	<ul style="list-style-type: none"> • 1. Henry Joseph M. Herrera • 2. Stephen Paul "Steve" Bickell • 3. Lilian Lup-Yin Ng • 4. Antonio Manuel "Jumbing" G. de Rosas • 5. Cesar P. Manalaysay • 6. Jose A. Feria, Jr. • 7. Romerico "Romy" S. Serrano 	None

Date and Type of Board Meeting	Directors Present in the Board Meeting	Directors Absent in the Board Meeting
Regular Meeting of the Board of Directors held on 3 September 2013	<ul style="list-style-type: none"> • 1. Henry Joseph M. Herrera • 2. Stephen Paul "Steve" Bickell • 3. Lilian Lup-Yin Ng • 4. Antonio Manuel "Jumbing" G. de Rosas • 5. Cesar P. Manalaysay • 6. Jose A. Feria, Jr. • 7. Romerico "Romy" S. Serrano 	None
Special Meeting of the Board of Directors held on 3 September 2013	<ul style="list-style-type: none"> • 1. Henry Joseph M. Herrera • 2. Stephen Paul "Steve" Bickell • 3. Lilian Lup-Yin Ng • 4. Antonio Manuel "Jumbing" G. de Rosas • 5. Cesar P. Manalaysay • 6. Jose A. Feria, Jr. • 7. Romerico "Romy" S. Serrano 	None
Regular Meeting of the Board of Directors held on 21 November 2013	<ul style="list-style-type: none"> • 1. Henry Joseph M. Herrera • 2. Stephen Paul "Steve" Bickell • 3. Lilian Lup-Yin Ng • 4. Antonio Manuel "Jumbing" G. de Rosas • 5. Cesar P. Manalaysay • 6. Jose A. Feria, Jr. • 7. Romerico "Romy" S. Serrano 	None

CORPORATE GOVERNANCE

IV. External Auditor

In the Audit Committee Meeting of Pru Life UK held on 27 June 2013, the Audit Committee endorsed to the Shareholders of Pru Life UK the appointment of Manabat Sanagustin & Co. as external auditor for year 2013. In the Annual Meeting of the Shareholders of Pru Life UK held on 27 June 2013, Manabat Sanagustin & Co. was appointed as the external auditor for the audit year 2013. None of the directors and senior management of Pru Life UK were former employees and partners of Manabat Sanagustin & Co. for the past two (2) years.

V. The Nomination Committee

For year 2013, the Nomination Committee of Pru Life UK held two (2) meetings. Below are the attendance details of each of its members in the said two (2) meetings:

Date and Type of Nomination Committee Meeting	Members Present in the Nomination Committee Meeting	Members Absent in the Nomination Committee Meeting
1. Regular Meeting held on 3 September 2013	Cesar P. Manalaysay Stephen Paul "Steve" Bickell Antonio Manuel "Jumbing" G. de Rosas	None
2. Regular Meeting held on 21 November 2013	Cesar P. Manalaysay Stephen Paul "Steve" Bickell Henry Joseph M. Herrera	None

VI. Remuneration Committee

For year 2013, the Remuneration Committee of Pru Life UK held two (2) meetings. Below are the attendance details of each of its members in the said two (2) meetings:

Date and Type of Remuneration Committee Meeting	Members Present in the Remuneration Committee Meeting	Members Absent in the Remuneration Committee Meeting
1. Regular Meeting held on 3 September 2013	Romero "Romy" S. Serrano Lilian Lup-Yin Ng Antonio Manuel "Jumbing" G. de Rosas	None
2. Regular Meeting held on 21 November 2013	Romero "Romy" S. Serrano Lilian Lup-Yin Ng Henry Joseph M. Herrera	None

VII. Audit Committee

In the Organizational Board of Directors' Meeting held on 27 June 2013, the following were elected as members of the Audit Committee for year 2013 to 2014 and until their successors shall have been duly elected and qualified:

1. Henry Joseph M. Herrera

Chairman of the Audit Committee

Qualification and Relevant Experience:

Mr. Herrera's experience in the insurance industry spans over 30 years. He was President and CEO of Sun Life of Canada (Philippines), Inc. from January 2007 to July 2009. Mr. Herrera's first CEO position was with Philippine Asia Life Assurance Corporation, where he was appointed in May 1994. Among his many achievements are multiple appointments as President and CEO, and various stints as Chief Actuary, Head of Investments, and Head of Operations. He is a Fellow of the Actuarial Society of the Philippines, a member of the International Actuarial Association and the Financial Executives Institute of the Philippines.

Henry, as he is fondly called, is a Statistics cum laude graduate of the University of the Philippines, and has also accomplished courses at the Asian Institute of Management (AIM), the Wharton Graduate School of Business and the Harvard School of Business. He is the first recipient of the ASEAN Young Insurance Manager Award in 1995, Outstanding Alumni Awardee, UP College of Business Administration in 2007, and The Outstanding Thomasian Alumni (TOTAL) Award also in the same year.

2. Stephen Paul "Steve" Bickell

Member of the Audit Committee

Qualification and Relevant Experience:

Steve is the Chief Risk Officer of Prudential Corporation Asia, regional headquarters of Pru Life UK. He has worked in Prudential since 1979 in various capacities, holding positions as Director of Tax & Compliance and Corporate Affairs Director, among others.



3. Cesar P. Manalaysay

Member of the Audit Committee

Qualification and Relevant Experience:

Cesar is the Managing Partner of Siguion Reyna, Montecillo and Ongsiako Law Offices. He holds positions in the Board of Directors of various companies.

He received both his Bachelor of Arts and Bachelor of Laws degrees from the Ateneo de Manila University, and received his Master of Laws degree from the Boalt Hall School of Law at the University of California, Berkeley.

He is a member of the Integrated Bar of the Philippines (IBP), Philippine Bar Association (PBA), and Rotary Club of Manila (Paul Harris Fellow).

4. Romerico "Romy" S. Serrano

Member of the Audit Committee

Qualification and Relevant Experience:

Romy held top positions in various companies, as President of Fuji Xerox Philippines, Inc. and Country Manager of Motorola Inc.,- South Asia, among others. He received his Bachelor of Science degree in Management from San Beda College and completed the Management Development Program at the Asian Institute of Management and the Advance Management Program/International Senior Managers Program at the Harvard Business School in Boston.

For year 2013, the Audit Committee of Pru Life UK held four (4) meetings. Below are the attendance details of each of its members in the said four (4) meetings:

Date and Type of Audit Committee Meetings	Members Present in the Audit Committee Meeting	Members Present in the Audit Committee Meeting
1. Regular Meeting of the Audit Committee held on 25 March 2013	Henry Joseph M. Herrera Stephen Paul "Steve" Bickell Romerico "Romy" S. Serrano	Cesar P. Manalaysay
2. Regular Meeting of the Audit Committee held on 27 June 2013	Henry Joseph M. Herrera Stephen Paul "Steve" Bickell Cesar P. Manalaysay Romerico "Romy" S. Serrano	None
3. Regular Meeting of the Audit Committee held on 3 September 2013	Henry Joseph M. Herrera Stephen Paul "Steve" Bickell Cesar P. Manalaysay Romerico "Romy" S. Serrano	None
4. Regular Meeting of the Audit Committee held on 21 November 2013	Henry Joseph M. Herrera Stephen Paul "Steve" Bickell Cesar P. Manalaysay Romerico "Romy" S. Serrano	None

VIII. Policies and Guidelines

For year 2013, the Board of Directors and its Committees adhered to the following principles and guidelines:

- Board members were required to abstain from participating in the board discussion on a particular agenda when they are conflicted.
- Pru Life UK forbidded granting loans to directors.
- The independent directors received fees for board meetings attended.
- Independent directors are elected every year with a term of one (1) year. Independent directors may serve for a maximum total of nine (9) years. None of the independent directors of Pru Life UK served for more than nine (9) years.
- A director shall only simultaneously hold up to a maximum of five (5) board seats in publicly listed companies including unlisted subsidiaries.
- None of the independent directors served on more than five (5) boards of publicly-listed companies.
- The executive director of Pru Life UK did not serve on more than two (2) boards of listed companies whether or not outside of the group of Pru Life UK.
- Independence for Board Members or Independent Director refers to a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having any relationship with the corporation, which could interfere with the exercise of independent judgment in carrying out the responsibilities of a director. This means that apart from the director's fees and shareholdings, he/she should be independent of management and free from any business or other relationship that could materially interfere with the exercise of his/her independent judgment (Corporate Governance Principles and Leading Practices, Circular Letter No. 31-2005 on 26 September 2005 CGPLP).
- The independent directors were independent of management and major substantial shareholders.
- The Corporate Secretary sent the board papers to the Board of Directors at least five (5) business days in advance of the board meetings.

IX. Compliance and Risk Management

For year 2013, the Board of Directors conducted a review of Pru Life UK's material controls (including operational, financial and compliance controls) and risk management systems.

For year 2013, the Board of Directors also confirmed the adequacy of Pru Life UK's internal controls/risk management systems.

For year 2013, the President & CEO of Pru Life UK presented to the Audit Committee the Annual Statement of Compliance and the Head of Department Sign Off for year 2013 that showed Pru Life UK's compliance, in all material respects, with the risk management policies.