PRU LIFE U.K.

Listening. Understanding. Delivering.

2019 Annual Report

WeDo LEAD

2019 Annual Report

WeDo LEAD

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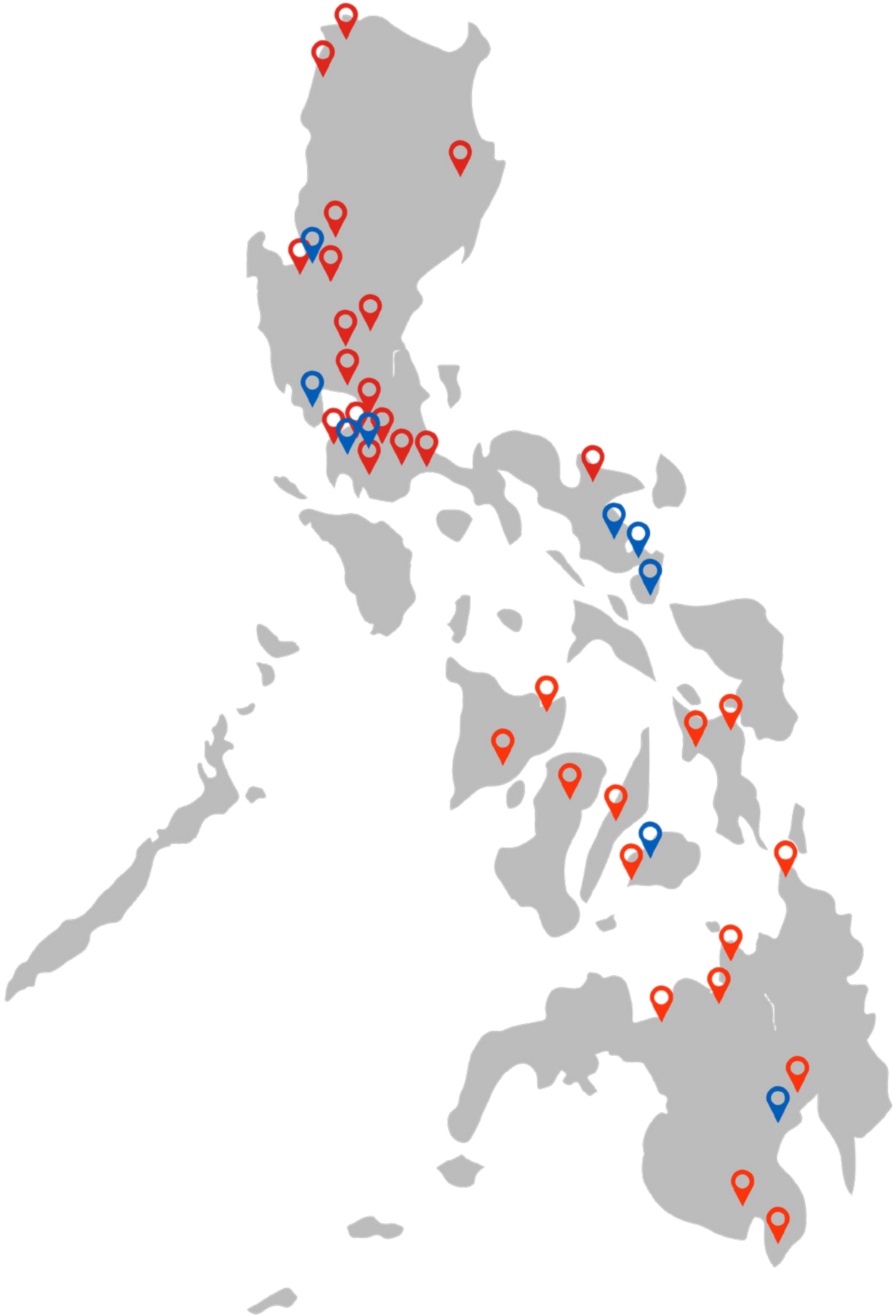
Pru Life UK's domestic footprint

The Company has a comprehensive network of branches covering major cities across the Philippines.

122 BRANCHES

86 GENERAL AGENCIES

as of December 31, 2019



Message from the Chairman of the Board

Commitment to our longstanding mission and being responsive to changes led Pru Life UK to carve another record-breaking year in 2019.

In the local macroeconomic front, inflation moderated to an annual average of 2.5% from a high of 5.2% in 2018. However, the country's gross domestic product grew only by 5.9%, its slowest in eight years, mainly due to the delay in the approval of the national budget and severe effects of the El Nino weather. The insurance sector, nonetheless, continued to contribute to the economy as its gross value added in financial intermediation posted higher annual growth of 5.2% in 2019 as compared to 2.4% a year ago.[1]

Investor sentiment was primarily driven by developments in the see-saw trade relationship between US and China. The announcement of their phase one trade deal in December allowed the global and local financial markets to close the year on a positive note. From a downbeat performance, both bonds and equity markets recovered and posted growth in 2019.

Our product suite continues to expand in response to evolving financial and wealth needs of customers. Pru Life UK introduced Future Safe Rider – a supplementary benefit that serves as "insurance for your insurance" - to help ensure that a policyholder's present coverage will be adequate in the coming years despite inflation risks.

In September, we launched our first peso-denominated multi-asset fund, PRULink Global Market Navigator, which offers insuravest policyholders with higher return potential by investing in a diversified mix of equities, bonds, and alternative assets from different countries and sectors.

The company's flagship programs on financial education, safety, and health stepped-up as well with more activities during the year. Prudence Foundation, the community investment arm of Pru Life UK, together with the British government, has sponsored the Chevening Scholarship of two Filipino advocates of education and financial literacy. We also continued our partnership with the Metro Manila Development Authority to raise awareness of safe road usage through the SAFE STEPS Road Safety Program.

Finally, we are very proud for having taken the innovative lead in the industry in promoting health and wellness among Filipinos when we commissioned a mobile digital health study authored by advisory firm Quisumbing Torres.

Our unparalleled strength in business communication was sealed anew with three honors at the 17th Philippine Quill Awards, highlighted by an Award of Excellence for our ground-breaking INSURAVEST campaign.

Truly, another banner and historic year for Pru Life UK. Our leadership goes beyond business metrics and the bold steps we are taking aim not just to grow our company stronger but also make the Philippine insurance industry advance further.

On behalf of the Board, I congratulate all the men and women from the PRU. My sincerest appreciation for the diligence and utmost dedication of the senior management, staff, and the entire agency force. To the heart of this organization, our dear policyholders, we thank you for the continued trust and confidence. Rest assured that we will remain committed in delivering the highest standard of excellence in everything that "We DO" for you.

Mabuhay!

Henry Joseph M. Herrera
Chairman

1 Source: Philippine Statistics Authority website (www.psa.gov.ph)

Message from the CEO

Pru Life UK has remained to be a trusted leader in the Philippine insurance industry who listens and responds to the financial needs of our fellow Filipino people.

Leading in 2019

We have been very strong in all measures, as we ended the year with another record-breaking growth for the business, our highest over 10 years. We are in the country's top three life insurers based on the Insurance Commission's 2019 Q3 rankings in terms of new business annual premium equivalent and total premium income. With deep focus on our core strengths, Pru Life UK successfully achieved its strategic objectives for the year. The company reinforced its commitment to customers through a brand new and dynamic campaign, "We DO." We consistently lead the industry with an agency force to reckon with, increasing our fold from 27,000 to over 36,000 insurance agents. Together, we have continued to be committed to our mission to protect 1 Million Filipino lives by 2022, by cultivating a culture of excellence, intensifying our services, and providing more protection to our customers. We have been aggressively reaching out to more clients and addressing their policy needs, with the expansion of our financial footprint, opening a total of 122 branches and 86 General agencies in the country. Our widening reach is also complemented by our stronger partnership with Robinsons Bank.

We know our clients' needs, that is why we provide more quality investment products through a superior selection of peso and USD-denominated unit investment trust funds (UITFs) that allow flexibility beyond Variable Universal Life (VUL) insurance, with our new trust company, Pru Life UK Asset Management and Trust Corporation.

PRULife Your Term, our yearly renewable term insurance, is now even made more conveniently available online, through PRUShoppe, our first effort to make insurance readily available, anytime, anywhere.

We also have PRUOne, an electronic facility for our insurance agents that provides full automation and a seamless availment for our customers.

For the third time in a row, Pru Life UK ranked first among all insurance companies in the Philippines in the 2019 ASEAN Corporate Governance Scorecard – a testament of the company's highest regard to business quality and integrity.

We have successfully implemented PRURide PH 2019, the country's biggest cycling festival with a UCI 2.2 classification, with over 3,000 professional and recreational participants, which took place in Alabang and Subic, early this year.

These achievements testify our strength, through collaboration, passion, and hard work of all of our leaders and employees.

The relationships we have created with our customers, and partners, nurtured the loyalty and lasting bonds, playing an integral role in our progress.

With protection as the core of our business, honoring our commitment to our customers and the communities we serve is now more important than ever. As we usher in 2020, Pru Life UK is well poised to be a strong and reliable partner—now with more health and wealth solutions backed by the largest agency sales force and over 8,000 active agents in the country. At the height of the COVID-19 outbreak and, even when the health emergency eventually passes, our digital transformation with Pulse and other technology-enabling tools will propel our business growth further and expand our customer touchpoints.

On behalf of the Executive Committee, we would like to express our deepest gratitude to everyone, for your unrelenting support to us through the year. Thank you once again for your commitment, and we look forward to a healthier and safer 2020.

Antonio G. De Rosas
President and Chief Executive Officer

Corporate objectives, mission, vision, and guiding principles

Corporate objectives

Distribution

- To increase the number of productive agents
  48% by year 2019,
  15% by year 2020, and
  11% by year 2021
- To pursue geographic expansion nationwide by increasing the number of sales offices
  20% by year 2019,
  10% by year 2020, and
  10% by year 2021

Product

- To launch every year, starting 2019 until 2021, at least one simple and affordable insurance product that will cater to the digital channel and at least one product or rider that will enhance the protection needs of our customers.

Operations

- To increase the customer-to-staff ratio by 30% from 2019 to 2021.

People

- To implement a "Fit for Growth" Strategic Workforce Plan ("Plan") by
  - identifying and building pipelines for roles that most critically drive the business strategy by 2019;
  - identifying current and future capability requirements and formulating and implementing programs to develop and build said capabilities based on plan by end of 2019, and
  - formulating and implementing strategies for filling new and transforming existing roles based on plan by end of 2019.

- To build next generation leaders and talents to meet future business needs by
  - developing a talent and succession pipeline that is adequate in terms of quantity and quality and aligned with business strategies as measured by having more senior management team roles with successors compared to previous years by end of 2019 ;
  - achieving 90% talent retention for the year 2019 through consistent use of the Company's talent identification and validation methodology and providing at least 80% of talents with individual development plans by 2019; and
  - increase cross functional and cross geographical talent assignments compared to previous years by end of 2019.

Mission and vision

We take the risk out of people's lives.

We are the trusted leaders who listen and respond to the financial needs of the Filipino people.

We are committed to:

- dealing honestly and fairly with our public;
- exceeding customer expectation in services and products;
- caring for the well-being and development of our people;
- giving a fair return to our stakeholders; and
- contributing to the development of the Filipino community.

Our guiding principles

- We maintain and develop the Company's reputation for integrity, fair dealing and security.
- We work as a team, as a family, unified in purpose, treating each other with respect and care in an atmosphere of mutual trust and in a happy working environment.
- We promote the art of listening as it is only in listening to the needs of our customers that we can know and understand their specific needs.
- We communicate openly and constantly with our customers and our own people.
- We develop ourselves continually to our fullest potential to keep improving the quality of everything we do.
- We maintain a strong financial position to meet our promise of financial stability to all our customers.
- We are accurate and timely.
- We have a strong sense of responsibility and will work toward the achievement of the Philippines' economic goal.

Management's discussion and analysis

(Financial and non-financial indicators)

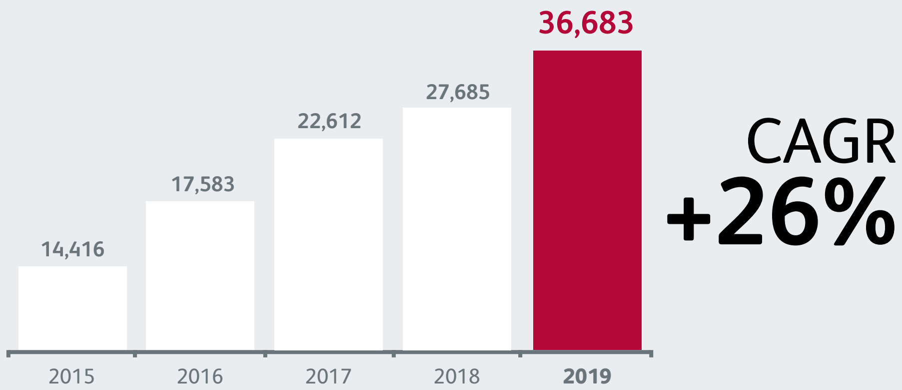
Pru Life UK chalked up another year of solid performance in 2019, producing PhP 8.2 billion in sales. This translated into a 34% growth from the previous year and handily surpassed the 22% growth rate registered in 2018.

The Company's concerted strategy to focus on protection products proved auspicious and accounted for about 94% of total sales. To support sales efforts, the Company launched PRUOne, an end-to-end digital selling tool complete with backend integration, along with the first online selling platform called PRUShoppe which utilizes chatbot technology.

Further enhancing the Company's strategic emphasis on protection products, two new products were introduced. **Future Safe Rider** is a supplementary product that allows automatic increases in sum assured each year without additional underwriting, and the **Global Market Navigator Fund** is a peso-denominated multi-asset linked fund that provides attractive returns and growth from a diversified set of assets at a lesser risk.

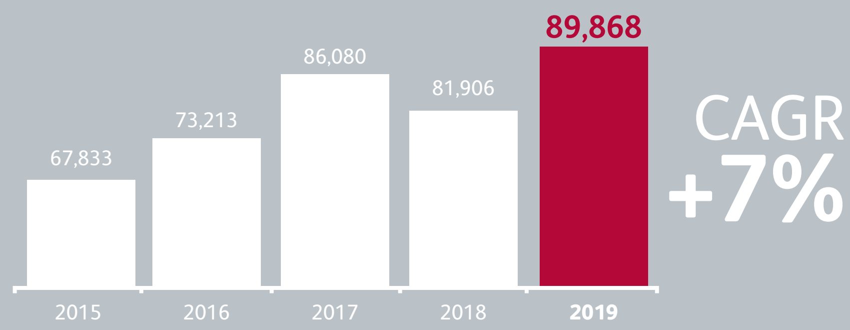
The Company's **myDNA Pro Bundle**, an insurance package with value-added services in the form of a DNA-based guide to healthier lifestyle launched in 2018 continued to perform well until the end of its campaign period in 2019. Moreover, an **exclusive partnership** was forged with **St. Luke's Medical Center** for a limited time streamlining claims filing through the partner hospital and providing medical privileges to policyholders such as special onsite assistance and discounts on selected hospital services.

NUMBER OF AGENTS



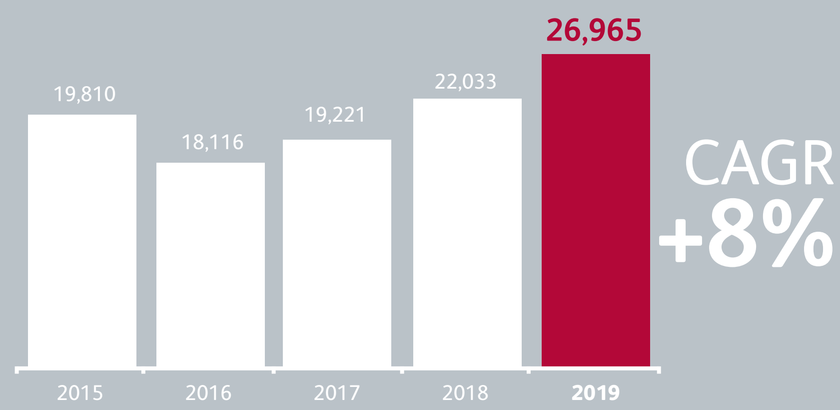
The Agency Force sustained its recruitment efforts in 2019, expanding to over 36,000 agents and upheld its eminence as the largest Agency Force in the industry. The Build-Your-Business program has proven to be a reliable scheme for recruiting new batches of candidate agents. Above all, steadfast support from Agency Leaders proved vital in nurturing career growth and development for aspiring agents.

LINKED FUNDS in PhP'm



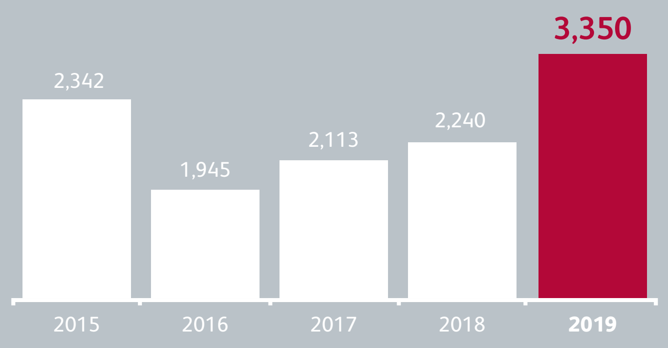
Notwithstanding the lingering global economic malaise due to simmering US-China trade tensions, the Philippine stock market posted a modest recovery in 2019 following its sub-par performance in the prior year. Meanwhile, the measured decline in interest rates proved favorable to fixed income fund valuations. Against this backdrop, the Company's linked funds displayed remarkable resiliency despite the marked increase in surrenders from single-pay policies as policyholders cashed in their gains. Total value of linked funds rose 10% in 2019, with a CAGR of 7% in the last 5 years.

TOTAL NET PREMIUM INCOME in PhP'm



In 2016, the Company made a deliberate shift towards sale of protection products that initially pulled down the premium income for that year. Thereafter, sales of protection products gathered momentum and has been sustained over the past three years. This has largely contributed to the robust growth in renewal business providing stable and sustainable cashflow from in-force business. Total net premium income grew at a CAGR of 8% from 2015 to 2019.

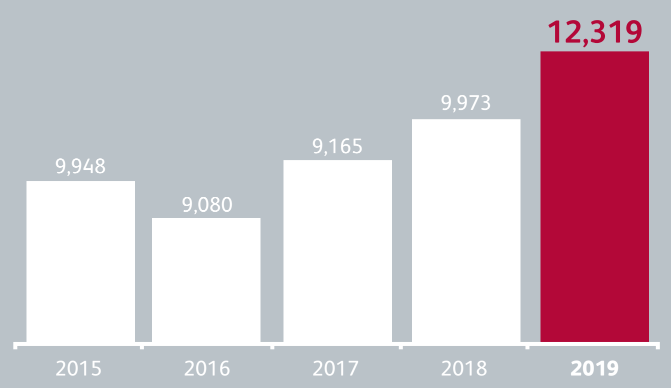
NET INCOME EXCLUDING UNREALIZED GAINS/LOSSES in PhP'm



CAGR
+9%

Net income is reported inclusive of unrealized gains/losses based on market valuation through Fair Value through Profit and Loss. Excluding unrealized gains/losses, net income in 2019 grew substantially by 50% mainly due to the increase in insurance margins brought by favorable retention of renewal business and increased operational efficiency.

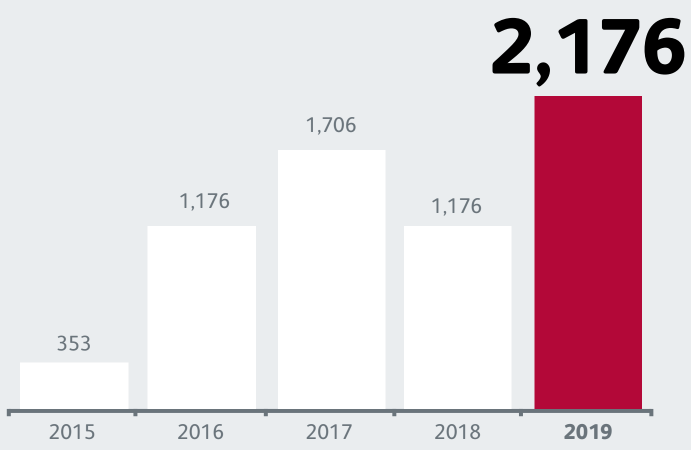
EQUITY in PhP'm



CAGR
+10%

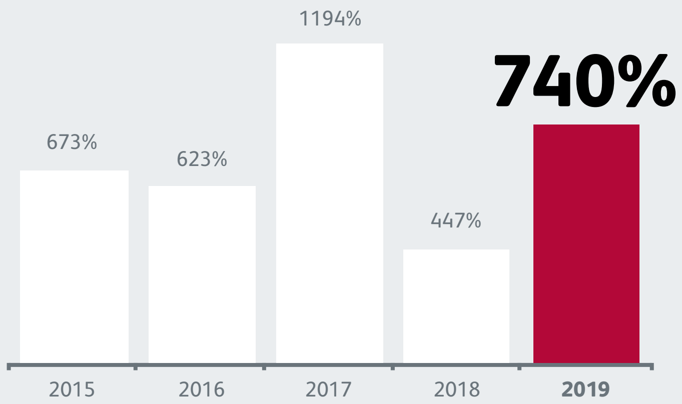
The Company's equity base expanded significantly by 24% in 2019, augmented largely by its robust renewal business, continued growth in new business sales, and increased operational capacity.

GROSS CASH REMITTANCE in PhP'm



The Company's cash remittance in 2019 surged to PhP 1.85 billion net of taxes. This brings total repatriated funds to Prudential Corporation Holdings Limited (PCHL) to PhP 6.35 billion since 2010. This is equivalent to seven times the total capital seeded during the early years of the Company's operations.

RBC RATIO



Under current Insurance Commission (IC) regulations, insurance companies must comply with prescribed minimum capital requirements and Risk-Based Capital (RBC) ratios to mitigate the risk of insolvency and default. For the past five years, the Company continue to maintain a healthy RBC ratio, which measures sufficiency of capital against all risks associated with the business, while meeting our cash remittance targets.

Financial statements

PRU LIFE INSURANCE CORPORATION OF U.K.

SEPARATE FINANCIAL STATEMENTS
December 31, 2019 and 2018

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Pru Life Insurance Corporation of U.K. (the "Company"), is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

R.G. Manabat & Co., the independent auditors appointed by the Board of Directors, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the Board of Directors and Stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

HENRY JOSEPH M. HERRERA
Chairman of the Board

ANTONIO G. DE ROSAS
President & Chief Executive Officer

FRANCIS P. ORTEGA
Executive Vice President & Chief Financial Officer

DANTE M. MARASIGAN
Vice President & Financial Controller

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Pru Life Insurance Corporation of U.K.
9/F Uptown Place Tower 1
1 East 11th Drive, Uptown Bonifacio
Taguig City 1634, Metro Manila
Philippines

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Pru Life Insurance Corporation of U.K. (the Company), which comprise the separate statements of financial position as at December 31, 2019 and 2018, and the separate statements of profit or loss and other comprehensive (loss) income, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis of Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the separate financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

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

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 31 to the basic separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic separate financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic separate financial statements taken as a whole.

R.G. MANABAT & CO.

TIRESO RANDY F. LAPIDEZ
Partner
CPA License No. 0092183
IC Accreditation No. SP-2017/016-R, Group A, valid until August 26, 2020
SEC Accreditation No. 1472-AR-1, Group A, valid until July 2, 2021
Tax Identification No. 162-411-175
BIR Accreditation No. 08-001987-34-2017
Issued September 4, 2017; valid until September 3, 2020
PTR No. MKT 8116769
Issued January 2, 2020 at Makati City

March 26, 2020
Makati City, Metro Manila

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
Pru Life Insurance Corporation of U.K.
9/F Uptown Place Tower 1
1 East 11th Drive, Uptown Bonifacio
Taguig City 1634, Metro Manila
Philippines

We have audited the accompanying separate financial statements of Pru Life Insurance Corporation of U.K. (the Company) as at and for the year ended December 31, 2019, on which we have rendered our report dated March 26, 2020.

In compliance with the Revised Securities Regulation Code (SRC) Rule 68, we are stating that the said Company has one (1) stockholder owning more than one hundred (100) shares.

R.G. MANABAT & CO.

TIRESO RANDY F. LAPIDEZ
Partner
CPA License No. 0092183
IC Accreditation No. SP-2017/016-R, Group A, valid until August 26, 2020
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March 26, 2020
Makati City, Metro Manila

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
Pru Life Insurance Corporation of U.K.
9/F Uptown Place Tower 1
1 East 11th Drive, Uptown Bonifacio
Taguig City 1634, Metro Manila
Philippines

We have audited the accompanying separate financial statements of Pru Life Insurance Corporation of U.K. (the Company) as at and for the year ended December 31, 2019, on which we have rendered our report dated March 26, 2020.

Our audit was made for the purpose of forming an opinion on the basic separate financial statements of the Company taken as a whole. The supplementary information included in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management.

The supplementary information is presented for purposes of complying with the Revised Securities Regulation Code (SRC) Rule 68, and is not a required part of the basic separate financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic separate financial statements taken as a whole.

R.G. MANABAT & CO.

TIRESO RANDY F. LAPIDEZ
Partner
CPA License No. 0092183
IC Accreditation No. SP-2017/016-R, Group A, valid until August 26, 2020
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Issued January 2, 2020 at Makati City

March 26, 2020
Makati City, Metro Manila

PRU LIFE INSURANCE CORPORATION OF U.K.

SEPARATE STATEMENTS OF FINANCIAL POSITION

(Amounts in thousands)

		December 31	
	Note	2019	2018
ASSETS			
Cash and cash equivalents	*7*	**P2,689,908**	P1,976,604
Interest receivable	*5*	**124,710**	124,896
Investments	*8*	**10,664,310**	9,279,727
Investment in subsidiary	*9*	**281,650**	341,803
Premiums due from policyholders	*5*	**15,449**	14,881
Policy loans receivables - net	*5, 10*	**370,089**	373,587
Coverage debt receivables - net	*5, 12*	**723,482**	436,595
Reinsurance assets	*5*	**57,221**	27,353
Property and equipment - net	*13*	**538,399**	640,839
Right-of-use assets - net	*27*	**884,089**	-
Deferred acquisition costs	*5, 14*	**8,948,805**	7,651,595
Other assets - net	*15*	**1,281,821**	971,991
Total General Assets		**26,579,933**	21,839,871
Assets Held to Cover Linked Liabilities	*11*	**89,868,377**	81,905,774
		P116,448,310	P103,745,615
LIABILITIES AND EQUITY			
General Liabilities			
Legal policy reserves	*5, 16*	**P5,354,876**	P5,334,105
Claims payable	*5, 17*	**604,483**	498,438
Reinsurance payable	*5, 18*	**126,206**	98,220
Deferred tax liabilities - net	*25*	**2,696,638**	2,109,251
Accounts payable, accrued expenses and other liabilities	*19*	**4,544,024**	3,826,610
Lease liabilities	*5, 27*	**934,882**	-
Total General Liabilities		**14,261,109**	11,866,624
Technical Provisions for Linked Liabilities	*5, 11*	**89,868,377**	81,905,744
Total Liabilities		**104,129,486**	93,772,368
Equity			
Capital stock	*28*	**500,000**	500,000
Additional paid-in capital	*28*	**462,000**	462,000
Total paid-up capital		**962,000**	962,000
Contributed surplus		**50,386**	50,386
Fair value reserve	*8*	**4,471**	2,771
Share in other comprehensive income of the subsidiary	*9*	**555**	-
Retirement fund reserve		**14,502**	30,731
Remeasurement on life insurance reserve		**(656,795)**	(254,516)
Retained earnings	*16, 28*	**11,943,705**	9,181,875
Total Equity		**12,318,824**	9,973,247
Total General Liabilities and Equity		**26,579,933**	21,839,871
		P116,448,310	P103,745,615

See Notes to the Separate Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.

SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE (LOSS) INCOME
(Amounts in thousands)

		Years Ended December 31	
	Note	**2019**	2018
NET PREMIUMS			
Premiums	*20*	**P27,368,995**	P22,478,288
Premiums ceded to reinsurers	*18, 20*	**(403,869)**	(445,144)
		26,965,126	22,033,144
OTHER REVENUE			
Policy administration fees	*21*	**1,844,666**	1,693,657
Investment gain (loss) - net	*22*	**1,707,662**	(788,677)
Share in loss of the subsidiary	*9*	**(60,708)**	(18,445)
Others - net		**45,810**	54,494
		3,537,430	941,029
BENEFITS AND CLAIMS			
Costs on premiums of variable insurance	*11*	**5,571,893**	6,991,661
Gross benefits and claims	*23*	**11,212,686**	7,477,576
Reinsurer's share of gross benefits and claims	*23*	**(64,369)**	(30,451)
Gross change in legal policy reserves	*16, 23*	**(381,508)**	66,802
		16,338,702	14,505,588
OPERATING EXPENSES			
Commissions, bonuses and other agents' expenses		**5,074,211**	3,781,523
Salaries, allowances and employees' benefits		**1,424,380**	1,283,031
Trainings, seminars and contests		**926,673**	660,528
Depreciation and amortization	*13, 27*	**475,414**	203,413
Utilities		**420,154**	363,818
Advertising and marketing		**275,199**	264,058
Insurance taxes, licenses and fees		**169,003**	134,369
Professional fees		**149,931**	76,606
Communications		**149,662**	110,963
Dividends to policyholders		**132,070**	122,666
Office supplies		**131,797**	111,361
Representation and entertainment		**95,165**	78,644
Taxes and licenses		**83,537**	48,279
Interest expense related to lease liabilities	*27*	**74,641**	-
Security and janitorial services		**73,733**	65,071
Rent	*27*	**71,785**	352,202
Interest expense related to policies		**43,720**	42,516
Amortization of software development costs	*15*	**43,140**	36,469
Others		**114,205**	60,421
Deferred expenses - net	*14*	**(1,297,210)**	(1,153,232)
		8,631,210	6,642,706

Forward

		Years Ended December 31	
	Note	**2019**	2018
INCOME BEFORE INCOME TAX EXPENSE		**P5,532,644**	P1,825,879
INCOME TAX EXPENSE	*25*	**594,343**	531,771
NET INCOME		**4,938,301**	1,294,108
OTHER COMPREHENSIVE (LOSS) INCOME			
Items that may be reclassified to profit or loss			
Net gain on fair value changes of available-for-sale financial assets	*8*	**1,700**	2,670
Share in other comprehensive income of the subsidiary	*9*	**555**	-
Items that will not be reclassified to profit or loss			
Remeasurement on life insurance reserve	*16*	**(402,279)**	684,933
Remeasurement (loss) gain on retirement liability	*24*	**(23,185)**	4,786
Income tax effect	*25*	**6,956**	(1,436)
		(416,253)	690,953
TOTAL COMPREHENSIVE INCOME		**P4,522,048**	P1,985,061

See Notes to the Separate Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.

SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(Amounts in thousands)

									Retained Earnings			
	Note	Capital Stock (Note 28)	Additional Paid-in Capital (Note 28)	Contributed Surplus	Fair Value Reserve (Note 8)	Share in Other	Retirement Fund Reserve	Remeasurement on Life Insurance Reserve	Appropriated (Note 16)	Unappropriated (Note 28)	Total	Total Equity
Balance at January 1, 2019		**P500,000**	**P462,000**	**P50,386**	**P2,771**	**P -**	**P30,731**	**(P254,516)**	**P44,060**	**P9,137,815**	**P9,181,875**	**P9,973,247**
Total comprehensive income												
Net income		-	-	-	-	-	-	-	-	4,938,301	4,938,301	4,938,301
Other comprehensive income (loss)												
Item that may be reclassified to profit or loss	*8, 9*	-	-	-	1,700	555	-	-	-	-	-	2,255
Items that will not be reclassified to profit or loss		-	-	-	-	-	(16,229)	(402,279)	-	-	-	(418,508)
Total comprehensive income		-	-	-	1,700	555	(16,229)	(402,279)	-	4,938,301	4,938,301	4,522,048
Transaction with owner of the Company												
Dividends	*28*	-	-	-	-	-	-	-	-	(2,176,471)	(2,176,471)	(2,176,471)
Appropriation of reserves	*16*	-	-	-	-	-	-	-	14,694	(14,694)	-	-
Balance at December 31, 2019		**P500,000**	**P462,000**	**P50,386**	**P4,471**	**P555**	**P14,502**	**(P656,795)**	**P58,754**	**P11,884,951**	**P11,943,705**	**P12,318,824**
Balance at January 1, 2018		P500,000	P462,000	P50,386	P101	P -	P27,381	(P939,449)	P38,571	P9,025,666	P9,064,237	P9,164,656
Total comprehensive income												
Net income		-	-	-	-	-	-	-	-	1,294,108	1,294,108	1,294,108
Other comprehensive income:												
Item that may be reclassified to profit or loss	*8*	-	-	-	2,670	-	-	-	-	-	-	2,670
Items that will not be reclassified to profit or loss		-	-	-	-	-	3,350	684,933	-	-	-	688,283
Total comprehensive income		-	-	-	2,670		3,350	684,933	-	1,294,108	1,294,108	P1,985,061
Transaction with owner of the Company												
Dividends	*28*	-	-	-	-	-	-	-	-	(1,176,470)	(1,176,470)	(1,176,470)
Appropriation of reserves	*16*	-	-	-	-	-	-	-	5,489	(5,489)	-	-
Balance at December 31, 2018		P500,000	P462,000	P50,386	P2,771	P -	P30,731	(P254,516)	P44,060	P9,137,815	P9,181,875	P9,973,247

See Notes to the Separate Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.

SEPARATE STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Note	2019	2018
		Years Ended December 31	
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax expense		P5,532,644	P1,825,879
Adjustments for:			
Amortization of deferred acquisition costs	14	1,003,654	883,331
Depreciation and amortization	13, 27	475,414	203,413
Interest expense related to lease liabilities	27	74,641	-
Provision for impairment losses	10, 12, 15	61,885	32,349
Share in loss of the subsidiary	9	60,708	18,445
Interest expense related to policies		43,720	42,516
Amortization of software development costs	15	43,140	36,469
Foreign exchange loss (gain)		29,854	(63,153)
Loss on disposal of property and equipment		76	459
Reversal of provision for impairment losses	10, 15	(7,616)	(3,961)
(Gain) loss on disposal of investments	8, 22	(17,560)	20,858
Interest income	22	(549,727)	(522,277)
Unrealized (gain) loss on valuation of investments	8, 22	(1,588,222)	946,334
		5,162,611	3,420,662
Changes in:			
Accounts payable, accrued expenses and other liabilities		788,960	691,943
Claims payable		106,045	49,918
Reinsurance payable		27,986	13,834
Policy loans receivables		9,840	6,633
Premiums due from policyholders		(568)	(122)
Reinsurance assets		(29,868)	12,647
Other assets		(232,876)	(136,566)
Coverage debt receivables		(346,794)	(144,496)
Legal policy reserves	16, 23	(381,508)	66,802
Deferred acquisition costs		(2,300,864)	(2,036,563)
		2,802,964	1,944,692
Interest paid		(42,371)	(41,773)
Contributions to retirement fund	24	(89,124)	(85,224)
Income tax paid		(6,956)	(15,153)
Net cash provided by operating activities		2,664,513	1,802,542
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of investments	8	(P2,648,487)	(P1,945,103)
Proceeds from disposal of investments	8	2,849,903	1,491,151
Investment in subsidiary	9	-	(360,248)
Interest received		549,913	516,182
Acquisitions of property and equipment	13	(221,306)	(294,068)
Proceeds from disposal of property and equipment	13	1,878	1,520
Acquisitions of software costs	15	(42,191)	(40,056)
Net cash provided by (used in) investing activities		489,710	(630,622)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	28	(2,176,471)	(1,176,470)
Payment of lease liabilities	27	(256,077)	-
Net cash used in financing activities		(2,432,548)	(1,176,470)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		721,675	(4,550)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,976,604	1,971,024
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS		(8,371)	10,130
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	P2,689,908	P1,976,604

See Notes to the Separate Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
(Amounts in thousands, except as indicated)

1. Reporting Entity

Pru Life Insurance Corporation of U.K. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on January 17, 1996, primarily to engage in the business of life insurance. The Company started commercial operations in September 1996. On September 11, 2002, the Insurance Commission (IC) approved the Company's license to sell variable unit-linked insurance, a life insurance product which is linked to investment funds.

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. Prudential plc was incorporated in United Kingdom and has primary listing on the London Stock Exchange and secondary listings on Hong Kong, New York and Singapore stock exchanges.

The Company has a Certificate of Authority No. 2019/69-R issued by the IC to transact in life insurance business until December 31, 2021.

The Company's registered address is at the 9/F Uptown Place Tower 1, 1 East 11th Drive, Uptown Bonifacio, Taguig City 1634, Metro Manila, Philippines.

2. Basis of Preparation

Statement of Compliance

The separate financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRSs, Philippine Accounting Standards (PAS), and Philippine Interpretations.

The Company elected not to prepare a consolidated financial statements since Prudential plc, the ultimate parent company, prepares consolidated financial statements that comply with IFRSs.

The separate financial statements were authorized for issue by the Board of Directors (BOD) on March 19, 2020.

Details of the Company's accounting policies are included in Note 3.

This is the first set of the Company's separate financial statements in which PFRS 16, *Leases*, has been applied. The related changes to significant accounting policies are described in Note 3.

Basis of measurement

The separate financial statements have been prepared on the historical cost basis, except for the following items which are measured on an alternative basis on each reporting date.

Items	Measurement bases
Financial instruments at fair value through profit or loss (FVPL)	Fair value
Available-for-sale (AFS) financial assets	Fair value
Investment in subsidiary	Share in the net assets of the subsidiary less any impairment losses.
Investments in treasury notes, shares of stocks, and other funds under "Assets held to cover linked liabilities"	Fair value
Legal policy reserves	Present value of future benefits and expenses less the present value of future gross premiums arising from the policy discounted at appropriate risk-free discount rate.
Retirement liability	Present value of the defined benefit obligation (DBO) less the fair value of the plan assets (FVPA)
Lease liabilities	Present value of the lease payments not yet paid discounted using the Company's incremental borrowing rate

Functional and Presentation Currency

The separate financial statements of the Company are presented in Philippine peso, which is the Company's functional currency. All financial information has been rounded off to the nearest thousands (P'000s), unless otherwise indicated.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these separate financial statements, except for the changes in accounting policies as discussed below.

Adoption of New Standard, Amendments to Standards and Interpretation

The Company has adopted the following new standard, amendments to standards and interpretation starting January 1, 2019 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these new standard and amendments to standards and interpretation did not have any significant impact on the Company's separate financial statements.

- PFRS 16, *Leases*, supersedes PAS 17, *Leases*, and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements.

  Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were also introduced.

  The Company has applied PFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under PAS 17 and IFRIC 4, *Determining Whether an Arrangement Contains a Lease*.

  The Company applied PFRS 16 with a date of initial application of January 1, 2019. As a result, the Company has changed its accounting policy for lease contracts as detailed below.

Definition of a Lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under PFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease as explained in the significant accounting policies of leases.

Under IFRIC 4, the Company assessed a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or specific assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or control more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

On transition to PFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. Therefore, the Company applied PFRS 16 only to contracts that were previously identified as leases and applied the definition of a lease under PFRS 16 only to contracts entered into or changed on or after January 1, 2019.

As a Lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under PFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases - i.e. these leases are on the separate statement of financial position.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company used the following practical expedients when applying PFRS 16 to leases previously classified as operating leases under PAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains option to extend or terminate the lease.

Impact of Transition

On transition to PFRS 16, the Company recognized right-of-use assets and lease liabilities amounting to P1.05 billion.

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rates at January 1, 2019. The weighted-average rates applied is 7.50% and 8.00% for leases with a remaining lease term as at transition date of 5 years and below and more than 5 years, respectively.

	January 1, 2019
Operating lease commitments at December 31, 2018	P731,834
Extension and termination options reasonably certain to be exercised	618,515
Discounted using the incremental borrowing rates at January 1, 2019	(232,523)
Recognition exemption for short-term leases	(39,606)
Value added tax component	(30,705)
Lease liabilities recognized at January 1, 2019	**P1,047,515**

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*, clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value.

- The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change - e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

- Plan Amendment, Curtailment or Settlement (Amendments to PAS 19, *Employee Benefits*). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

- Annual Improvements to PFRSs 2015 - 2017 Cycle. This cycle of improvements contains amendments to four standards:

  - Previously held interest in a joint operation (Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements*). The amendments clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party maintains or obtains joint control, then the previously held interest is not remeasured. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

  - Income tax consequences of payments on financial instruments classified as equity (Amendments to PAS 12, *Income Taxes*). The amendments clarify that all income tax consequences of dividends, including payments on financial instruments classified as equity, are recognized consistently with the transactions that generated the distributable profits, i.e. in profit or loss, other comprehensive income or equity.

  - Borrowing costs eligible for capitalization (Amendments to PAS 23, *Borrowing Costs*). The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale are included in that general pool.

Insurance Contracts

Product Classification

Insurance contracts are those contracts under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risks.

Investment contracts are those contracts that transfer significant financial risk but can also transfer insignificant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable, provided in the case of a nonfinancial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if the insurance risk becomes significant.

Insurance and investment contracts are further classified as being with and without Discretionary Participation Feature (DPF). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- the amount or timing of which is contractually at the discretion of the issuer; and
- contractually based on the following:
  - performance of a specified pool of contracts or a specified type of contract;
  - realized or an unrealized investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the Company, fund or other entity that issues the contract.

The additional benefits include policy dividends that are declared annually, the amounts of which are computed using actuarial methods and assumptions, and are included under "Dividends to policyholders" account in profit or loss with the corresponding liability recognized under dividends payable to policyholders account which is included in "Accounts payable, accrued expenses and other liabilities" account in the separate statement of financial position.

Conventional Long-term Insurance Contracts

These contracts ensure events associated with human life (for example, death or survival) over a long duration. Premiums are recognized as revenue when they become payable by the policyholder. Benefits are recognized as an expense when they are incurred or when the policies reach maturity.

A liability for contractual benefits that is expected to be incurred in the future is recognized under "Legal policy reserves" for policies that are in-force as of each reporting date. Using gross premium valuation (GPV), the liability is determined as the sum of the present value of future benefits and expenses less the present value of future gross premiums arising from the policy discounted at appropriate risk-free discount rate. For this purpose, the expected future cash flows were determined using the best estimate assumptions with appropriate margin for adverse deviation from the expected experience. The liability is based on assumptions as to mortality, morbidity, lapse or persistency, non-guarantee benefits, expenses, reserve method, and interest rate approved by the IC.

Unit-linked Insurance Contracts
A unit-linked insurance contract is an insurance contract linking payments to units of an internal investment fund set up by the Company with the consideration received from the policyholders. The investment funds supporting the linked policies are maintained in segregated accounts in conformity with Philippine laws and regulations. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

Revenue from unit-linked insurance contracts consists of premiums received and policy administration fees.

Management assessed that the insurance contracts have no derivative components.

As allowed by PFRS 4, the Company chose not to unbundle the investment portion of its unit-linked products.

Legal Policy Reserves
Legal policy reserves are determined by the Company's actuary in accordance with the requirements of the amended Insurance Code of the Philippines (Insurance Code) and represent the amounts which, together with future premiums and investment income, are required to discharge the obligations of the insurance contracts and to pay expenses related to the administration of those contracts. These reserves are determined using generally accepted actuarial practices and have been approved by the IC at the product approval stage.

Any movement in legal policy reserves of traditional life insurance policies arising from current period assumptions or changes in assumptions other than discount rate during the year are recognized under "Gross change in legal policy reserves" in profit or loss. While, net movement arising from changes in discount rate during the year are recognized directly in other comprehensive income as "Remeasurement on life insurance reserve".

Liability Adequacy Tests
At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of reinsurance assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from assets backing such liabilities are used. Any deficiency is immediately recognized under "Gross change in legal policy reserves" in profit or loss.

Reinsurance Contracts Held
Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts above are classified as reinsurance contracts held. Contracts that do not meet those classification requirements are classified as financial assets.

The benefits to which the Company is entitled to under its reinsurance contracts held are recognized as reinsurance assets. These include short-term balances due from reinsurers. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as expense when due.

If there is objective evidence that reinsurance assets are impaired, the Company reduces the carrying amount of the reinsurance receivable and recognizes the impairment loss in profit or loss.

Receivables and Payables Related to Insurance Contracts
Receivables and payables are recognized when due. These include amounts due to and from policyholders and amounts due to agents and brokers. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable and recognizes the impairment loss in profit or loss.

Investment in Subsidiary
A subsidiary is an entity controlled by the parent company. The parent company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiary are included in the consolidated financial statements from the date on which the control commences except if the following conditions are met:

- it is a wholly-owned subsidiary or is a partially-owned subsidiary of another entity and all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements;
- its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; and
- its ultimate or any intermediate parent produces financial statements that are available for public use and comply with IFRS 10, *Consolidated Financial Statements*, in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with this IFRS 10.

The Company met the aforementioned criteria, thus, did not present a consolidated financial statements.

The Company's investment in a subsidiary is accounted for using the equity method, under which, the investment is initially recognized at cost in the separate statement of financial position. The carrying amount of investment is increased or decreased to recognize the Company's share of the profit or loss of the subsidiary after the date of acquisition. The Company's share of the subsidiary's profit or loss is recognized under "Share in the profit or loss of the subsidiary" account in the profit or loss. Distributions received from the subsidiary reduce the carrying amount of the investment. Adjustments to the carrying amount of the investment in subsidiary may also arise from changes in the Company's proportionate interest in the subsidiary arising from changes in the subsidiary's other comprehensive income and recognized under "Share in other comprehensive income of the subsidiary" account.

For an investment in a subsidiary accounted for using the equity method, goodwill that forms part of the carrying amount of the investment in the subsidiary is not tested for impairment separately. Instead, the entire carrying amount of the investment in the subsidiary is tested for impairment as a single asset in accordance with PAS 36, *Impairment of Assets*.

The investment is derecognized when the Company losses control over the subsidiary.

Financial Instruments
Derivative Financial Assets
Derivative financial instruments are initially recognized at fair value on the date when the derivative contract is entered into and are subsequently remeasured at fair value. A derivative is reported as an asset when fair value is positive and as a liability when fair value is negative.

The Company's derivative financial asset consists of non-deliverable forward contracts under "Assets Held to Cover Linked Liabilities" account.

Non-derivative Financial Assets
Date of Recognition. Financial instruments are recognized in the separate statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, i.e., the date that the Company commits to purchase the asset.

Initial Recognition. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). Except for financial instruments at FVPL, the initial measurement of financial instruments includes transaction costs. The Company classifies its financial assets into the following categories: financial assets at FVPL, AFS financial assets, held-to-maturity (HTM) investments, and loans and receivables. The Company classifies its financial liabilities either as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the instruments were acquired or incurred and whether these are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As at December 31, 2019 and 2018, the Company has no financial assets classified as HTM investments.

Fair Value Measurement
A number of the Company's accounting policies and disclosures require the measurement of fair value for both financial and nonfinancial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique. Where applicable, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair value is categorized in different levels in a fair value hierarchy based on the inputs used in the valuation technique (see Note 6).

Financial Instruments at FVPL. This category consists of financial instruments that are held-for-trading or designated by management on initial recognition. Financial instruments at FVPL are recorded in the separate statement of financial position at fair value, with changes in fair value recorded in profit or loss. These are allowed to be designated by management on initial recognition in this category when any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis; or
- These are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or, it is clear, with little or no analysis, that it would not be bifurcated.

Held-for-trading securities are not reclassified subsequent to their initial recognition, unless they are no longer held for the purpose of being sold or repurchased in the near term and the following conditions are met:

- if the financial asset would have met the definition of loans and receivables (if the financial asset had not been required to be classified as held-for-trading at initial recognition), then it may be reclassified if the Company has the intention and the ability to hold the financial asset in the foreseeable future or until maturity; and
- the financial asset may be reclassified out of the held-for-trading securities category only under “rare circumstances”.

As at December 31, 2019 and 2018, the Company does not have any financial asset designated by management as financial instruments at FVPL. However, the Company’s held-for-trading investments portfolio under “Investments” in the separate statement of financial position amounted to P10.65 billion and P9.27 billion as at December 31, 2019 and 2018, respectively (see Note 8). Also, the Company’s held-for-trading investments portfolio under “Assets held to cover linked liabilities” amounted to P125.60 billion and P115.22 billion as at December 31, 2019 and 2018 (see Note 11).

As at December 31, 2019 and 2018, the Company’s held-for-trading securities include government, quasi-government, corporate debt, equity securities, derivative financial instruments and unit investment trust funds.

The Company’s technical provisions for linked liabilities classified as financial liabilities at FVPL amounted to P89.87 billion and P81.91 billion as at December 31, 2019 and 2018, respectively (see Note 11).

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not held for trading.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment loss. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate.
The amortization, if any, is included as part of “Others - net” in profit or loss.

As at December 31, 2019 and 2018, the Company’s cash and cash equivalents, premiums due from policyholders, policy loans receivables, coverage debt receivables, interest receivable, reinsurance assets, and other assets such as receivable from unit linked fund, advances to employees and agents, and due from related parties are classified under this category. Cash and cash equivalents, interest receivable, receivable from life fund, and other assets such as trade receivables under “Assets held to cover linked liabilities” are also classified under this category.

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months (3) or less and are subject to an insignificant risk of change in value.

AFS Financial Assets. AFS financial assets are financial assets which are designated as such, or do not qualify to be classified or have not been classified under any other financial asset category. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value. Changes in fair value, other than impairment loss and foreign currency differences on AFS equity securities, are recognized in other comprehensive income and presented as “Fair value reserve”. The losses arising from the impairment of such securities are recognized in profit or loss. When the security is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is transferred to profit or loss. The effective yield component of AFS debt securities is reported in profit or loss.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of unobserved inputs such as in the case of unquoted equity instruments, these financial assets are allowed to be carried at cost less impairment, if any.

As at December 31, 2019 and 2018, the Company’s AFS financial assets amounted to P17.06 million and P14.36 million, respectively, and primarily composed of equity securities (see Note 8).

Other Financial Liabilities. Issued financial instruments or their component, which are not classified as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder or lender, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company’s own equity instruments.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. The amortization is included as part of “Interest expense related to policies” in profit or loss.

This category includes the Company’s claims payable, reinsurance payable, and accounts payable, accrued expenses and other liabilities such as dividends payable to policyholders, accrued expenses, due to unit-linked funds, due to related parties, agent’s commission payable, provident fund payable and other liabilities (excluding liabilities to government agencies), and lease liabilities. This category also includes liability to life and other linked funds, accrued expense, and trade payable (excluding liabilities to government agencies) under assets held to cover linked liabilities.

Impairment of Financial Assets

The Company assesses at each reporting date whether a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults.

Loans and Receivables. The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed accounts, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective assessment for impairment. For the purpose of a collective evaluation of impairment, loans and receivables are grouped on the basis of credit risk characteristics such as type of borrower, collateral type, credit and payment status and term.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the excess of loan’s carrying amount over its net realizable value, based on the present value of the estimated future cash flows from the asset. The present value of the estimated future cash flows is discounted at the loan’s original effective interest rate. Time value is generally not considered when the effect of discounting is not material.

The carrying amount of an impaired loan is reduced to its net realizable value through the use of an allowance account and the accrual of interest is discontinued.
If, in a subsequent period, the amount of the allowance for impairment loss decreases because of an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed to profit or loss to the extent that the resulting carrying amount of the asset does not exceed its amortized cost had no impairment loss been recognized.

AFS Financial Assets Carried at Fair Value. In case of equity securities classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below cost. Where there is objective evidence of impairment, the cumulative loss in equity, measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized, is recorded in profit or loss. Subsequent increase in the fair value of an impaired AFS equity security is recognized in other comprehensive income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the separate statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, thus, the related assets and liabilities are presented on a gross basis in the separate statement of financial position.

Income and expenses are presented on a net basis only when permitted under PFRSs, such as in the case of any realized gains or losses arising from the Company’s trading activities.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass through” arrangement; or
- the Company has transferred its right to receive cash flows from the asset and either has: (a) transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts recognized in profit or loss.

Prepayments
Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Property and Equipment
Property and equipment are measured at cost less accumulated depreciation, amortization and impairment losses, if any.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Company. The cost of day-to-day servicing of an asset is recognized as an expense when incurred.

Items of property and equipment are depreciated on a straight-line basis over the estimated useful lives of each component. Leasehold improvements are amortized over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Estimated useful lives are as follows:

	Number of years
Computer equipment	3 - 5
Furniture, fixtures and equipment	5
Transportation equipment	5
Condominium unit	25
Right-of-use assets	Term of lease
Leasehold improvements	3 - 5 or term of lease, whichever is shorter

The residual value, useful lives, and depreciation and amortization methods for items of property and equipment are reviewed, and adjusted if appropriate, at each reporting date.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and the related accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

Office improvement in progress relates to the progress billings of unfinished projects. Such projects include renovations, various installations and system upgrades. When a certain project is finished, the account is credited and capitalized to the appropriate asset account.

No depreciation is recognized for office improvement in progress account because it is not yet available for use by the Company.

Software Development Costs
Costs directly associated with the development of identifiable computer software that is not an integral part of the hardware that generate expected future benefits to the Company are recognized as intangible asset. All other costs of developing and maintaining computer software are recognized as expense when incurred. Software development costs are recognized under “Other assets” (see Note 15).

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Software development costs are amortized from the date they are available for use, not to exceed five (5) years.

Impairment of Nonfinancial Assets
At each reporting date, the Company assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists, the Company estimates the recoverable amount of the impaired assets. The recoverable amount is the higher of the fair value less costs of disposal and value in use. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less costs of disposal is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable and willing parties less cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

Where the carrying amount of an asset exceeds its recoverable amount, the impaired asset is written down to its recoverable amount.

An impairment loss is recognized in profit or loss in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal can be made only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization is adjusted in future years to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Deferred Acquisition Costs
Direct and indirect costs incurred to sell, underwrite and initiate new unit-linked insurance contracts are deferred to the extent that these costs are recoverable out of profit margins of future premiums from these new insurance contracts.

Subsequent to initial recognition, deferred acquisition costs are amortized on a straight-line basis over the period over which significant amount of profit margins from future premiums are expected to be recoverable. Changes in the pattern of future economic benefits for the deferred acquisition costs are accounted for by changing the amortization period and are treated as change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognized in profit or loss. Deferred acquisition costs are also considered in the liability adequacy test for each reporting period. Deferred acquisition costs are derecognized when the related contracts are either pre-terminated or have matured before the end of amortization period.

Leases

Policy Applicable from January 1, 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

As a Lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measure using the index rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes is assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in “Property and equipment - net” and the corresponding liability in “Lease Liabilities” in the separate statement of financial position (see Note 27).

Short-term leases and leases of low-value assets
The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office and parking space that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy Applicable before January 1, 2019

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

Equity

Capital Stock
Capital stock is composed of common shares, determined using the nominal value of shares that have been issued. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

Additional Paid-in Capital (APIC)
APIC pertains to the amount that the Company received in excess of the par value of capital stock.

Contributed Surplus
Contributed surplus represents additional contribution of shareholders as provided under the Insurance Code.

Fair Value Reserve
Fair value reserve pertains to the cumulative amount of gains and losses due to the revaluation of AFS financial assets.

Retirement Fund Reserve
This pertains to the cumulative amount of remeasurement of the retirement liability arising from actuarial gains and losses due to experience and demographic assumptions as well as gains and losses in the plan assets.

Remeasurement on Life Insurance Reserve
This represents the increase or decrease of the reserves brought by changes in discount rates.

Retained Earnings
Retained earnings are classified as unappropriated and appropriated. Unappropriated retained earnings represent profit attributable to the equity holders of the Company and reduced by dividends. It may also include effect of changes in accounting policy as may be required by the transitional provision of the standard.

Appropriated retained earnings pertain to the aggregate amount of negative reserves on a per policy basis as a result of GPV prescribed by the IC.

Revenue Recognition

Premiums
Premiums arising from insurance contracts are recognized as income on the effective date of the insurance policies for the first year premiums. For the succeeding premiums, gross earned recurring premiums on life insurance contracts are recognized as revenue when these become due from the policyholders.

The investment component received from the unit-linked insurance contracts is shown as part of premiums.

Premiums ceded to reinsurers on traditional and variable contracts are recognized as an expense when the policy becomes effective. This is presented net of experience refund received from reinsurers.

Policy Administration Fees
Policy administration fees are recognized as revenue in profit or loss when these become due from the policyholder. Receivable portion of policy administration fees form part of receivable from unit linked fund under "Other assets - net" account in the separate statement of financial position.

Investment Gain or Loss
Investment gain or loss consists of fair value changes of financial assets at FVPL, interest income from all interest-bearing investments and gain or loss on disposal 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 assets measured at FVPL, is recognized in profit or loss using the effective interest method.

Determining whether the Company is Acting as Principal or an Agent
The Company assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Company has primary responsibility for providing the services; and
- whether the Company has discretion in establishing prices.

If the Company has determined it is acting as a principal, the Company recognizes revenue on gross basis with the amount remitted to the other party being accounted as part of cost and expenses. If the Company has determined it is acting as an agent, only the net amount retained is recognized as revenue.

The Company has determined that it is acting as principal in its revenue arrangements.

Benefits, Claims and Expenses Recognition

Cost on Premiums of Variable Insurance
Cost on premiums of variable insurance represents the investment component of the unit-linked insurance contracts portion, net of withdrawals. Cost on premiums of variable insurance are recognized consequently as premiums are earned which is on the effective date of the insurance policy for first year premiums and when premiums become due for succeeding premiums.

Benefits and claims
Claims consist of benefits and claims paid to policyholders, which include, among others, excess gross benefit claims for unit-linked insurance contract, and movement of incurred but not reported (IBNR) claims and movement of legal policy reserves. Death claims, surrenders and withdrawals are recorded on the basis of notifications received. Maturities are recorded when due. Provision for IBNR is made for the cost of claims incurred as of each reporting date but not reported until after the reporting date based on the Company's experience and historical data. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in profit or loss of subsequent years. Reinsurer's share of gross benefits and claims are accounted for in the same period as the underlying claim.

Operating expenses
Expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses are recognized when incurred.

Employee Benefits

Retirement Benefits
The Company maintains a defined contribution (DC) plan with minimum defined benefit (DB) guarantee that covers all regular full time employees. Under its retirement plan, the Company pays fixed contributions based on the employees' monthly salaries, however, the retirement plan also provides for its qualified employees a DB minimum guarantee which is equivalent to a certain percentage of the final monthly salary payable to an employee for each year of credited service based on the provisions of the Company's retirement plan.

Accordingly, the Company accounts for its retirement obligation under the higher of the DB obligation relating to the minimum guarantee and the obligation arising from the DC Plan.

For the DB minimum guarantee plan, the liability is determined based on the present value of the excess of the projected DB obligation over the projected DC obligation at the end of the reporting period. The DB obligation is calculated annually by a qualified independent actuary using the projected unit credit method. The Company determines the net interest expense or income on the net DB liability or asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the DB plan are recognized in profit or loss.

The DC liability, on the other hand, is measured at the fair value of the DC assets upon which the DC benefits depend, with an adjustment for any margin on asset returns where this is reflected in the DC benefits.

Remeasurements of the net DB liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of a DB plan when the settlement occurs.

Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Taxes

Current tax and deferred income tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under PAS 37.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at each reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and the carry forward tax benefits of the net operating loss carryover (NOLCO) and excess of the minimum corporate income tax (MCIT) over the regular corporate income tax. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted at each reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates prevailing at reporting date.

Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year. For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses, in the period such are realized.

Provisions
A provision is recognized if, as a result of a past event, the Company has 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 separate 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 separate financial statements but are disclosed in the notes to separate financial statements when an inflow of economic benefits is probable.

Related Parties
Related party relationships exist when one party has the ability to control or influence the other party, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely legal form.

Events After the Reporting Date
Post year-end events that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

New Standards and Amendments to Standards Not Yet Adopted
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2020. However, the Company has not applied the following new or revised and amended standards in preparing these separate financial statements. The Company is currently assessing the potential impact of these on its separate financial statements.

The Company will adopt the new standards and amendments to standards in the respective effective dates:

To be Adopted January 1, 2020

- Amendments to References to Conceptual Framework in PFRSs sets out amendments to PFRSs, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:

  - a new chapter on measurement;
  - guidance on reporting financial performance;
  - improved definitions of an asset and a liability, and guidance supporting these definitions; and
  - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some PFRSs, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

  These amendments are effective for annual reporting periods beginning on or after January 1, 2020.

- Definition of Material (Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.
  The amendments clarify the definition of material and its application by:

  (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';
  (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;
  (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
  (d) clarifying the explanatory paragraphs accompanying the definition; and
  (e) aligning the wording of the definition of material across PFRSs and other publications.

  The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

  The amendments apply prospectively for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

To be Adopted January 1, 2023

- PFRS 9, *Financial Instruments* (2014). PFRS 9 (2014) replaces PAS 39 and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The Company availed the temporary exemption in the implementation of PFRS 9 as allowed by PFRS 4 above.

- *Prepayment Features with Negative Compensation (Amendments to PFRS 9)*. The amendments cover the following areas:

  - *Prepayment features with negative compensation.* The amendment clarifies that a financial asset with a prepayment feature could be eligible for measurement at amortized cost or fair value through other comprehensive income irrespective of the event or circumstance that causes the early termination of the contract, which may be within or beyond the control of the parties, and a party may either pay or receive reasonable compensation for that early termination.

    The amendment is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. Retrospective application is required, subject to relevant transitional reliefs.

  - *Modification of financial liabilities.* The amendment to the Basis for Conclusions on PFRS 9 clarifies that the standard provide an adequate basis for an entity to account for modifications and exchanges of financial liabilities that do not result in derecognition and the treatment is consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset- i.e., the amortized cost of the modified financial liability is recalculated by discounting the modified contractual cash flows using the original effective interest rate and any adjustment is recognized in profit or loss.

    If the initial application of PFRS 9 results in a change in accounting policy for these modifications or exchanges, then application is required, subject to relevant transition reliefs.

- PFRS 17, *Insurance Contracts*. PFRS 17 Insurance Contracts replaces the interim standard, PFRS 4. Reflecting the view that an insurance contract combines features of both a financial instrument and a service contract, and considering the fact that many insurance contracts generate cash flows with substantial variability over a long period, PFRS 17 introduces a new approach that:

  (a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;
  (b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
  (c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

  Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

  Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

  PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

  PFRS 17 is effective for annual periods beginning on or after January 1, 2023. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. Early application is permitted for entities that apply PFRS 9 and PFRS 15 *Revenue from Contracts with Customers* on or before the date of initial application of PFRS 17.

4. Use of Judgments and Estimates

In preparing the separate financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Judgments

Significant Accounting Judgment Applicable from January 1, 2019

(a) Determining the Lease Term of Contracts with Renewal and Termination Options - the Company as Lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or terminate.

The Company included the renewal period as part of the lease term after securing a certification from Mega World Corporation that the Company has an option to renew for another term of 5 years on its current long-term lease contract (see Note 27).

Significant Accounting Judgments Applicable before and from January 1, 2019

(a) Impairment of Financial Assets

Investments at Fair Value
The Company considers 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 Company evaluates 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.

As at December 31, 2019 and 2018, the Company has not recognized any impairment loss on its investments.

Receivables
The Company reviews its receivables to assess impairment at least on an annual basis, or as the need arises due to significant movements on certain accounts. Receivables from policyholders and reinsurance that are individually significant are assessed to determine whether objective evidence of impairment exists on an individual basis, while those that are not individually significant are assessed for objective evidence of impairment either on an individual or on collective basis. In determining whether an impairment loss should be recorded in the profit or loss, the Company makes judgment as to whether there are any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio.

As at December 31, 2019 and 2018, the Company has recognized allowance for impairment loss amounting to P236.95 million and P182.68 million (see Notes 10, 12 and 15), respectively.

(b) Classifying Financial Instruments

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the separate statement of financial position. In addition, the Company classifies 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 the 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 at December 31, 2019 and 2018, the Company classified its financial instruments as financial instruments at FVPL, AFS financial assets, loans and receivables, lease liabilities, and other financial liabilities.

Estimates

Significant Accounting Estimate Applicable from January 1, 2019

(a) Leases - Estimating the Incremental Borrowing Rate

The Company uses its incremental borrowing rate as the discount rate in measuring its lease liability. As the Company's financial obligations are guaranteed by its Parent Company, the Company considers its Parent Company's incremental borrowing rate which reflects the underlying interest rate for the currency in which the lease is denominated. The incremental borrowing rate used is the sum of the reference rate and a credit spread for senior unsecured debt.

Significant Accounting Estimates Applicable from and before January 1, 2019

(a) Liabilities Arising from Claims Made under Insurance Contracts

There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for such claims. Although the ultimate liability arising from life insurance contracts is largely determined by the face amount of each individual policy, the Company also issues accident and health policies and riders where the claim amounts may vary.

Claims estimation by the Company considers many factors such as industry average mortality or morbidity experience, with adjustments to reflect Company's historical experience. These liabilities form part of the Company's IBNR which amounted to P148.31 million and P93.15 million as at December 31, 2019 and 2018, respectively (see Note 17).

(b) Legal Policy Reserves

At inception of the contract, the Company determines assumptions in relation to mortality, morbidity, persistency, investment returns and administration expenses. Assumptions are also set in relation to inflation rates, tax, dividend scale and sales commissions plus other incentives. A margin for risk and uncertainty is added to these assumptions. In every reporting period, the Company ensures that the assumptions used are best estimates, taking into account current experience at each reporting date to determine whether liabilities are adequate in the light of the latest current estimates and taking into consideration the provision of PFRS 4.

The liability adequacy test was performed using current best estimates on interest, mortality, lapsation and expenses. The net present value of future cash flows as at December 31, 2019 and 2018 computed under the requirements of PFRS 4, amounted to cash inflows of P38.36 billion and P22.19 billion, respectively. Accordingly, the recorded legal policy reserves which is calculated in accordance with the requirements of the Insurance Code amounting to P5.35 billion and P5.33 billion as at December 31, 2019 and 2018, respectively (see Note 16), is adequate using best estimate assumptions.

(c) Fair Value Estimation

The fair value of financial instruments traded in active markets (such as financial assets at FVPL and AFS financial assets) is based on quoted market prices or quoted prices for similar assets or liabilities 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.

As at December 31, 2019 and 2018, the Company's financial instruments carried at fair value are classified as Level 1 and Level 2 in the fair value hierarchy.

(d) Estimating Useful Lives of Property and Equipment and Software Development Costs

The Company estimates useful lives of property and equipment and software development costs based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence. The useful lives, and depreciation and amortization methods are reviewed periodically to ensure that the method and periods of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment, and software development costs.

As at December 31, 2019 and 2018, the carrying amounts of property and equipment and software development costs amounted to P715.63 million and P819.01 million, respectively (see Notes 13 and15).

(e) Estimating Amortization Period of Deferred Acquisition Costs

The amortization period of deferred acquisition costs depends on the period over which the acquisition costs will be recovered through the future profits of the insurance contracts. Deferred acquisition costs of unit linked single premium are amortized over 10 years while unit linked regular premium are amortized over 15 years. The recoverability of the deferred acquisition costs are reviewed annually to ensure that the period of amortization is consistent with the profit pattern of the products and that the deferred acquisition costs are recoverable against the present value of future profits over the entire amortization period.

As at December 31, 2019 and 2018, the carrying amount of deferred acquisition costs amounted to P8.95 billion and P7.65 billion, respectively (see Note 14).

(f) Estimating Impairment of Financial Assets

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the receivables when scheduling future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

As at December 31, 2019 and 2018, the carrying value of the Company's policy loans receivables, coverage debt receivables and advances to employees and agents amounted to P1.24 billion and P886.69 million, respectively. Provisions for impairment losses amounted to P61.89 million and P32.35 million in 2019 and 2018, respectively (see Notes 10, 12 and 15).

(g) Estimating Retirement and Other Employee Benefits

The determination of DB obligation relating to minimum guarantee and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates, mortality rates and future salary increase rate. Due to the long-term nature of these benefits, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields of Philippine government bonds with terms consistent with the expected employee benefit payout as at the separate statement of financial position date.

As at December 31, 2019 and 2018, the Company's net retirement liability amounted to P19.31 million and P8.78 million, respectively (see Note 24).

(h) Estimating Realizability of Deferred Tax Assets

The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Any deferred tax asset will be remeasured if it might result to derecognition where the expected tax law to be enacted has a possible risk on the realization.

As at December 31, 2019 and 2018, the Company recognized deferred tax assets amounting to nil and P205.18 million, respectively. However, unrecognized deferred tax assets amounted to P970.84 and P805.59 million as at December 31, 2019 and 2018, respectively (see Note 25).

5. Capital, Insurance and Financial Risk Management Objectives and Policies

The Company's activities expose it to a variety of risks such as capital, financial and insurance risks. The overall objective of risk management is to focus on the unpredictability of financial markets and insurance contingencies to minimize potential adverse effects on the financial position of the Company.

The Company has established a risk management functions with clear cut responsibilities and with the mandate to develop company-wide policies on market, credit, liquidity, insurance and operational risk management. It also supports the effective implementation of risk management policies at the individual business unit and process levels.

The risk management policies define the Company's identification of risk and its interpretation, limit structure ensuring the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategies to the corporate goals, and specify reporting requirements.

Regulatory Framework

Regulators are interested in protecting the rights of the policyholders and maintain close monitoring to ensure that the Company is satisfactorily managing its affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains appropriate liquidity and solvency positions to meet maturing liabilities arising from claims and acceptable level of risks.

The operations of the Company are subject to regulatory requirements of the IC. The IC does not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions, fixed capitalization requirements, and risk-based capital (RBC) requirements to minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

Capital Management

The Company's capital includes capital stock, APIC, contributed surplus and retained earnings.

The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders. The level of capital maintained is always higher than the minimum capital requirement set by the IC and the amount computed under the RBC model.

The Company manages capital through a process that determines future projected capital requirements through the development of long-term financial plans and projections that consider the impact on surplus of new businesses, profitability of in-force business and other major corporate initiatives that will affect capitalization requirements.

There were no changes made to the Company's capital base, objectives, policies and processes from previous year.

Networth Requirements

Under Section 194 of the Insurance Code, insurance company doing business in the Philippines shall have a networth of P250.00 million by June 30, 2013. Furthermore, said company must have an additional P300.00 million in networth by December 31, 2016; an additional P350.00 million in networth by December 31, 2019; and an additional P400.00 million in networth by December 31, 2022.

As at December 31, 2019 and 2018, the Company has complied with the minimum networth requirements.

RBC Requirements

The IC issued Circular Letter (CL) 2016-68, the Amended RBC2 Framework, effective January 1, 2017. This framework provides for the amended formula in computing for the RBC Ratio, which is calculated, by dividing Total Available Capital (TAC) by the RBC requirement. The minimum RBC ratio is set at 100%. All insurance companies are required to maintain the minimum RBC ratio and not fail the trend test. Trend test has failed in the event that all have occurred:

- the RBC ratio computed for the period (i.e. first quarter) is less than 125% but is not below 100%;
- the RBC ratio has decreased over the past period; and
- the difference between RBC ratio so computed and the decrease in the RBC ratio over the past period is less than 100%.

On December 28, 2016, the IC released CL No. 2016-69 which provides, among other things, that the level of sufficiency for the RBC2 Framework shall be at 95th percentile level of sufficiency for the year 2017, 97.5th percentile for the year 2018, and 99.5th percentile for the year 2019. RBC2 Framework shall be made effective January 1, 2017.

The following table shows the RBC ratio of the Company as at December 31, 2019 and 2018, using the RBC2 Framework:

	2019	2018
TAC	**P5,570,487**	P1,743,179
RBC requirement	**752,332**	389,780
RBC ratio	**740%**	447%

The figures above are internally computed by the Company and the final amount of the RBC ratio can be determined only after the accounts of the Company have been reviewed by IC specifically as to determination of admitted and non-admitted assets as defined under the Insurance Code. As at December 31, 2019 and 2018, the Company has complied with the minimum RBC ratio of 100%.

The estimated non-admitted assets as defined in the Insurance Code are included in the separate statement of financial position. These assets, which are subject to final determination by the IC, are as follows:

	Note	2019	2018
Deferred acquisition costs	14	**P8,948,805**	P7,651,595
Property and equipment - net		**454,701**	571,832
Other assets		**899,899**	708,069
		P10,303,405	P8,931,496

Insurance Risk

The Company issues contracts that transfer insurance risk. This section summarizes the risks and the way the Company manages them.

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The main risks that the Company is exposed to are as follows:

- *Mortality Risk* - risk of loss due to policyholder death experience being different from expected.
- *Morbidity Risk* - risk of loss due to policyholder health and disability experience being different from expected.
- *Investment Return Risk* - risk of loss from actual return being different from expected.
- *Expense Risk* - risk of loss from expense experience being different from expected.
- *Lapse Risk* - risk of loss due to policyholder experiences (lapses and surrenders) being different from expected.

The Company manages these risks through its underwriting strategy and reinsurance agreements. The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of the type of risk and level of insured benefits. This is largely achieved through the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. The retention limit of the Company varies per product type.

For contracts where death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

Concentration of Insurance Risk

The table below sets out the concentration of legal policy reserves by type of life insurance contract (in thousands):

	Note	2019	2018
Whole and term life		**P3,719,087**	P3,701,668
Endowment		**1,009,695**	988,121
Term		**(43,745)**	(34,047)
Accident		**19,582**	25,796
Group		**15,884**	17,003
Variable		**385,371**	395,019
Riders and others products		**249,002**	240,545
	16	**P5,354,876**	P5,334,105

Classification by Attained Age

The table below presents the concentration of legal policy reserves by attained age as at December 31, 2019 and 2018. For individual insurance, exposure is concentrated on age brackets of 55 - 59 in 2019 and 2018.

	2019 Individual		2018 Individual	
Attained Age	Exposure '000	Concentration (%)	Exposure '000	Concentration (%)
<20	P244,526	4.58%	P269,059	5.06%
20 - 24	161,238	3.02%	171,656	3.23%
25 - 29	187,933	3.52%	188,579	3.55%
30 - 34	214,627	4.02%	228,298	4.29%
35 - 39	258,407	4.84%	294,200	5.53%
40 - 44	538,170	10.08%	587,739	11.05%
45 - 49	730,908	13.69%	758,026	14.26%
50 - 54	760,272	14.24%	789,994	14.86%
55 - 59	825,942	15.47%	798,584	15.02%
60 - 64	646,018	12.10%	575,646	10.83%
65 - 69	408,433	7.65%	351,282	6.61%
70 - 74	245,594	4.60%	203,312	3.82%
75 - 79	84,356	1.58%	71,414	1.34%
80 +	32,568	0.61%	29,313	0.55%
Total	P5,338,992	100.00%	P5,317,102	100.00%

For group insurance, exposure is concentrated on age bracket 35 - 39 in 2019 and 2018.

	2019 Group			
	Gross of Reinsurance		Net Reinsurance	
Attained Age	Exposure '000	Concentration (%)	Exposure '000	Concentration (%)
20 - 24	P110	0.693%	P111	0.80%
25 - 29	713	4.486%	713	5.15%
30 - 34	701	4.414%	700	5.06%
35 - 39	8,942	56.296%	6,901	49.85%
40 - 44	832	5.235%	832	6.01%
45 - 49	1,130	7.115%	1,128	8.15%
50 - 54	1,035	6.517%	1,035	7.48%
55 - 59	1,378	8.678%	1,379	9.96%
60 +	1,043	6.566%	1,044	7.54%
Total	P15,884	100.00%	P13,843	100.00%

	2018 Group			
	Gross of Reinsurance		Net Reinsurance	
Attained Age	Exposure '000	Concentration (%)	Exposure '000	Concentration (%)
20 - 24	P93	0.54%	P93	0.64%
25 - 29	362	2.13%	362	2.48%
30 - 34	404	2.38%	404	2.77%
35 - 39	13,632	80.17%	11,222	76.90%
40 - 44	398	2.34%	398	2.73%
45 - 49	434	2.55%	434	2.97%
50 - 54	421	2.48%	421	2.88%
55 - 59	824	4.85%	824	5.65%
60 +	435	2.56%	435	2.98%
Total	P17,003	100.00%	P14,593	100.00%

Key assumptions

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

(a) *Risk-free Discount Rates* refer to the rates used in determining the value of life insurance liabilities. The value of life insurance liabilities is determined as the sum of the present value of future benefits and expenses, less the present value of future gross premiums arising from the policy discounted at the appropriate risk-free discount rate. The risk-free discount rates are based on the Bloomberg Valuation reference rates for peso and international yield curve from Bloomberg, with matching duration.

(b) *Mortality and Morbidity Assumptions.* Mortality refers to the rate at which death occurs for a defined group of people while morbidity refers to the rate at which accident or sickness, and recovery there from, for a defined group of people. For the purpose of liability valuation, expected future cash flows are determined using best estimate mortality and morbidity assumptions with due regard to significant recent experience and appropriate margin for adverse deviation from the expected experience.

(c) *Lapse Assumptions* refer to the rate at which a life insurance policy is surrendered or terminated as a result of premium holidays, partial withdrawals or failure to pay the premium due. For the purpose of liability valuation, expected future cash flows are determined using best estimate lapse assumptions with due regard to significant recent experience and appropriate margin for adverse deviation from the expected experience.

(d) *Expense Assumptions* refer to the expected future administrative and maintenance costs related to the issuance and maintenance of a life insurance policy with consideration of inflation. For the purpose of liability valuation, expected future cash flows are determined using best estimate expense assumptions with due regard to significant recent experience and appropriate margin for adverse deviation from the expected experience.

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on the Company's income before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these variables are nonlinear.

		2019	2018
	Changes in Assumptions/ Variables	Impact on Income before Income Tax and Equity Increase (Decrease)	Impact on Income before Income Tax and Equity Increase (Decrease)
		(Amounts in millions)	
Mortality and morbidity	+5%	(P38.81)	(P45.49)
	-5%	39.26	47.55
Valuation interest rate	+ 100 basis points	236.98	535.04
	- 100 basis points	(263.54)	(687.00)
Expense assumption	+10%	(92.49)	(98.26)
	-10%	81.24	88.16
Lapse rates	+10%	(13.51)	25.92
	-10%	15.53	(27.97)

The method used for deriving sensitivity information and significant assumptions did not change from previous years.

The analysis detailing the impact of changes in market interest rate to the fair value of the Company's investment in fixed-rate debt instrument is disclosed in the Currency Risk section.

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's 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 Company 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 Company invests in equity and debt instruments as dictated by the Company's investment management strategy. Asset allocation is determined by the Company's Fund Manager, Eastspring Investments (Singapore) Limited (Eastspring), which manages the distribution of assets to achieve the investment objectives. Divergence from target asset allocations and the composition of the Company's portfolio is monitored by the Investment Committee.

For unit-linked contracts, the Company does not retain the price, currency, credit, or interest rate risk for these contracts as contractual arrangements are such that the linked fund policyholders bear the risks and rewards of the fund's investment performance.

There has been no change to the Company's exposure to investment risk or the manner in which it manages and measures the risk since prior financial year.

Financial risk

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

- Credit risk
- Liquidity risk
- Market risk

There has been no change to the Company's exposure to financial risks (i.e. credit risk, liquidity risk and market risk) or the manner in which it manages and measures the risks since prior financial year.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. The Company is exposed to credit risk primarily through its cash and cash equivalents, investments and loans granted to policyholders. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date.

The Company's concentration of credit risk arises from its investments in government securities since the said investments amounted to P61.96 billion (90.22%) and P58.70 billion (91.61%) of the Company's total financial assets as at December 31, 2019 and 2018, respectively (see Notes 8 and 11).

The table below provides information regarding the credit risk exposure of the Company as at December 31, 2019 and 2018 by classifying assets according to the Company's credit grading of counterparties.

2019

	Note	Neither Past Due nor Impaired				
		Investment High-grade	Non-investment Grade - Satisfactory	Total Financial Assets Neither Past Due nor Impaired	Past Due and Impaired	Total
Cash in bank and cash equivalents		P2,689,178	P -	P2,689,178	P -	P2,689,178
Interest receivable		124,710	-	124,710	-	124,710
Coverage debt receivable	12	-	723,482	723,482	224,523	948,005
Financial Assets at FVPL	8	10,647,249	-	10,647,249	-	10,647,249
Premiums due from policyholders		-	15,449	15,449	-	15,449
Policy loans receivable	10	-	370,089	370,089	8,533	378,622
Reinsurance assets		-	57,221	57,221	-	57,221
Other assets (excluding withholding tax receivables, software development costs, nonrefundable deposits and prepayments)		-	491,922	491,922	3,891	495,813
Assets Held to Cover Linked Liabilities						
Cash and cash equivalents	11	1,085,715	-	1,085,715	-	1,085,715
Interest receivables	11	321,498	-	321,498	-	321,498
Receivable from life fund	11	210,758	-	210,758	-	210,758
Investment in debt securities	11	51,682,405	-	51,682,405	-	51,682,405
Other assets	11	138,461	-	138,461	-	138,461
		P66,899,974	P1,658,163	P68,558,137	P236,947	P68,795,084

2018

	Note	Neither Past Due nor Impaired				
		Investment High-grade	Non-investment Grade - Satisfactory	Total Financial Assets Neither Past Due nor Impaired	Past Due and Impaired	Total
Cash in bank and cash equivalents		P1,975,896	P -	P1,975,896	P -	P1,975,896
Interest receivable		124,896	-	124,896	-	124,896
Coverage debt receivable	12	-	436,595	436,595	164,616	601,211
Financial Assets at FVPL	8	9,265,366	-	9,265,366	-	9,265,366
Premiums due from policyholders		-	14,881	14,881	-	14,881
Policy loans receivable	10	-	373,587	373,587	14,875	388,462
Reinsurance assets		-	27,353	27,353	-	27,353
Other assets (excluding withholding tax receivables, software development costs, nonrefundable deposits and prepayments)		-	287,437	287,437	3,187	290,624
Assets Held to Cover Linked Liabilities						
Cash and cash equivalents	11	1,044,988	-	1,044,988	-	1,044,988
Interest receivables	11	325,820	-	325,820	-	325,820
Receivable from life fund	11	213,633	-	213,633	-	213,633
Investment in debt securities	11	49,668,150	-	49,668,150	-	49,668,150
Other assets	11	130,738	-	130,738	-	130,738
		P62,749,487	P1,139,853	P63,889,340	P182,678	P64,072,018

The Company has no past due but not impaired financial assets as at December 31, 2019 and 2018.

The Company 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.

Past Due and Impaired - This pertains to the allowance for impairment losses that the Company recognizes due to the uncertainty of the collectability of the Company's receivables.

In compliance with the Insurance Code, the Company extends loans to its policyholders only up to the cash surrender value of their policy, pursuant to the provisions of the policy contract.

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 Company monitors the credit ratings of the brokers to further mitigate this risk.

A substantial portion of the Company's total investments, including cash in bank, are held by Standard Chartered Bank, a reputable financial institution with high credit rating, under a custodianship agreement.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

To effectively manage liquidity risk, the Company ensures that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unnecessary costs or risking damage to the Company's reputation. Further, the Company's policy is to maintain sufficient liquidity to meet normal operating requirements.

The tables below summarize the maturity profile of the financial liabilities of the Company based on remaining contractual obligations or on the estimated timing of net cash flows as at December 31, 2019 and 2018:

2019

	Note	Carrying Amount	Contractual Cash Flow		
			Within One Year	Beyond One Year	Total
Technical provision for linked liabilities	11	P89,868,377	P89,868,377	P -	P89,868,377
Claims payable	17	604,483	604,483	-	604,483
Reinsurance payable	18	126,206	126,206	-	126,206
Accounts payable, accrued expenses and other liabilities*		3,905,774	3,905,774	-	3,905,774
Lease liabilities	27	934,882	202,188	732,694	934,882
Assets Held to Cover Linked Liabilities					
Liability to life fund and other linked funds	11	37,164,436	37,164,436	-	37,164,436
Accrued expenses	11	143,665	143,665	-	143,665
Trade payable	11	177,074	177,074	-	177,074
		P132,924,897	P132,192,203	P732,694	P132,924,897

**Excluding premium suspense account, premium deposit fund, retirement liability and liabilities to government agencies.*

2018

	Note	Carrying Amount	Contractual Cash Flow Within One Year	Beyond One Year	Total
Technical provision for linked liabilities	11	P81,905,744	P81,905,744	P -	P81,905,744
Claims payable	17	498,438	498,438	-	498,438
Reinsurance payable	18	98,220	98,220	-	98,220
Accounts payable, accrued expenses and other liabilities*		3,300,679	3,300,679	-	3,300,679
Assets Held to Cover Linked Liabilities					
Liability to life fund and other linked funds	11	34,643,540	34,643,540	-	34,643,540
Accrued expenses	11	105,568	105,568	-	105,568
Trade payable	11	278,667	278,667	-	278,667
		P120,830,856	P120,830,856	P -	P120,830,856

**Excluding premium suspense account, premium deposit fund, retirement liability and liabilities to government agencies.*

(c) Market Risk

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

The Company's market risk is managed on a daily basis by the Fund manager in accordance with policies and procedures in place.

The Company's overall market positions are monitored, at least, on a quarterly basis by the Investment Committee of the Company.

Details of the nature of the Company investment portfolio at the reporting dateare disclosed in Notes 8 and 11 to the separate financial statements.

Currency Risk

Currency risk is the risk that changes in foreign exchange rates will affect the fair values or cash flow of a recognized financial instrument. The Company may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Company is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Company's assets or liabilities denominated in currencies other than in Philippine peso.

The Company's main exposure to fluctuations in foreign currency exchange rates arise through the following assets denominated in U.S. dollar:

	2019	2018
Short-term time deposits	$4,650	$3,958
Investments	391,050	342,617
	395,700	$346,575
Foreign exchange rate to the Philippine peso used*	50.64	52.58
	P20,038,248	P18,222,914

**Exchange rate used is based on Bankers Association of the Philippines foreign exchange rate as at December 28, 2019 and December 29, 2018.*

A 1% (2018: 3%) strengthening of U.S. dollar against Philippine peso as at December 31, 2019, with all other variables remaining constant, would have affected the measurement of financial instruments denominated in U.S. dollar and increased profit before tax and equity by P.20 billion (2018: P0.55 billion). A 1% (2018: 3%) weakening of the U.S. dollar in relation to the Philippine peso, with all other variables held constant, would have an equal but opposite effect on the Company's profit before tax and equity.

In 2019 and 2018, the Company determined the reasonably possible change in foreign currency exchange rates based on the historical fluctuation of the assets denominated in U.S. dollar.

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.

Significant portion of the Company's investments is composed mainly of interest-bearing debt instruments carried at fair value. As a result, the Company is subject to exposure to fair value interest rate risk.

The Company does not carry debt instrument with variable interest rate and, thus, is not exposed to cash flow interest rate risk.

Fair value interest rate risk is mitigated by the Company's Fund Manager by constructing a portfolio of debenture instruments with diversified maturities. Any excess cash of the Company is invested in short-term time deposits with original terms of three months or less.

The analysis below details the impact of changes in market interest rate (stated in basis points or bps) to the fair value of the Company's investment in fixed-rate debt instruments. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The table below sets out the impact of changes in market interest rate to the fair value of the Company's investments classified as General Assets:

Currency	Changes in variables	2019 +100 bps	2019 -100 bps	2018 +100 bps	2018 -100 bps
Philippine peso		**(P724,000)**	**P825,553**	(P539,231)	P612,613
U.S. dollar		**(67,867)**	**80,732**	(59,694)	71,170
Fair value sensitivity		**(P791,867)**	**P906,285**	(P598,925)	P683,783

**In 2018, the Company used 50bps in its sensitivity analysis. However, this was changed to 100bps in 2019 to be consistent with the valuation interest risk assumption in insurance risk as these assets are held to back up the Company's insurance liabilities.*

Currency	Changes in variables	2019 +100 bps	2019 -100 bps	2018 +100 bps	2018 -100 bps
Philippine peso		**(P1,202,253)**	**P1,335,845**	(P1,043,033)	P1,149,691
U.S. dollar		**(587,567)**	**672,185**	(598,527)	684,949
Fair value sensitivity		**(P1,789,820)**	**P2,008,030**	(P1,641,560)	P1,834,640

In 2019 and 2018, the Company determined the reasonably possible change in interest rate based on the historical percentage changes in weighted average yield rates of outstanding investments of the Company.

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 Company's equity investments are mainly composed of the investments in equity securities under "Assets Held to Cover Linked Liabilities" amounting to P73.92 billion and P65.55 billion (see Note 11) as at December 31, 2019 and 2018, respectively. However, any fair value changes in these equity investments has corresponding increase or decrease in "Technical Provisions for Linked Liabilities" and will not affect the equity and profit before income tax of the Company. Thus, the Company has insignificant exposure to equity price risk.

Moreover, any fair value changes in these equity investments will affect the net asset value of the investment account of the policyholders which is the basis of the policy administration fees charged to the fund (see Note 21).

6. Fair Value Measurements and Disclosures

The fair value of the following financial assets and financial liabilities approximate their carrying amounts at the end of each accounting period due to their short-term nature:

- Cash and cash equivalents;
- Interest receivables;
- Coverage debt receivables;
- Premiums due from policyholders;
- Policy loans receivables;
- Reinsurance assets;
- Other assets except for withholding tax receivables, software development costs, non-refundable deposits and prepayments;
- Cash and cash equivalents, interest receivables, receivable from life fund and other assets under assets held to cover linked liabilities;
- Claims payable;
- Reinsurance payable;
- Accounts payable, accrued expenses and other liabilities except for liabilities payable to government agencies, premium suspense account, premium deposit fund and retirement liability; and
- Liability to life and other linked funds, accrued expenses, and trade payableunder assets held to cover linked liabilities.

The recurring fair values of financial assets at FVPL including those under assets held to cover linked liabilities, AFS financial assets, and technical provisions for linked liabilities are determined by reference to quoted market prices, at the close of business on the reporting date.

Fair Value Hierarchy

The table below analyzes 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).

	Note	2019		
		Level 1	Level 2	Total
Financial assets				
Financial assets at FVPL	*8*	**P10,647,249**	**P -**	**P10,647,249**
AFS financial assets	*8*	**17,061**	**-**	**17,061**
Financial assets at FVPL under assets held to cover linked liabilities	*11*	**125,597,455**	**(335)**	**125,597,120**

	Note	2018		
		Level 1	Level 2	Total
Financial assets				
Financial assets at FVPL	*8*	P9,265,366	P -	P9,265,366
AFS financial assets	*8*	14,361	-	14,361
Financial assets at FVPL under assets held to cover linked liabilities	*11*	115,216,495	1,845	115,218,340

The Company has no financial instruments categorized under Level 3. Also, there has been no transfer between levels in 2019 and 2018.

7. Cash and Cash Equivalents

	2019	2018
Cash on hand and in banks	**P1,350,490**	P1,244,026
Short-term placements	**1,339,418**	732,578
	P2,689,908	P1,976,604

Short-term placements are Philippine peso and U.S. dollar time deposits with various financial institutions with maturities ranging from overnight to thirty-two days and interest ranging from 0.80% to 2.30% and 0.20% to 2.10% per annum in 2019 and 2018, respectively.

Interest income recognized in profit or loss which is presented under "Investment gain (loss) - net" amounted to P22.75 and P16.55 million in 2019 and 2018, respectively.

8. Investments

Reconciliation of the carrying amount of the investments at the beginning and end of the year is shown below.

December 31, 2019	*Note*	AFS Financial Assets	Financial Assets at FVPL	Total Investments
Cost at January 1, 2019		**P11,590**	**P10,349,879**	**P10,361,469**
Unrealized gains (losses) at January 1, 2019		**2,771**	**(1,084,513)**	**(1,081,742)**
Fair value at January 1, 2019		**14,361**	**9,265,366**	**9,279,727**
Fair value gain (loss) recognized in:				
Profit or loss	*22*	**-**	**1,588,222**	**1,588,222**
Other comprehensive income		**1,700**	**-**	**1,700**
Foreign exchange loss	*22*	**-**	**(21,483)**	**(21,483)**
Purchases		**1,000**	**2,647,487**	**2,648,487**
Proceeds from disposal of financial assets		**-**	**(2,849,903)**	**(2,849,903)**
Gain on disposal of financial assets	*22*	**-**	**17,560**	**17,560**
Fair value at December 31, 2019	*5, 6*	**P17,061**	**P10,647,249**	**P10,664,310**
Cost at December 31, 2019		**P12,590**	**P10,165,023**	**P10,177,613**
Unrealized gains (losses) at December 31, 2019		**P4,471**	**P482,226**	**P486,697**

December 31, 2018	*Note*	AFS Financial Assets	Financial Assets at FVPL	Total Investments
Cost at January 1, 2018		P11,590	P9,916,785	P9,928,375
Unrealized gains (losses) at January 1, 2018		101	(191,202)	(191,101)
Fair value at January 1, 2018		11,691	9,725,583	9,737,274
Fair value gain (loss) recognized in:				
Profit or loss	22	-	(946,334)	(946,334)
Other comprehensive income		2,670	-	2,670
Foreign exchange gain	22	-	53,023	53,023
Purchases		-	1,945,103	1,945,103
Proceeds from disposal of financial assets		-	(1,491,151)	(1,491,151)
Loss on disposal of financial assets	22	-	(20,858)	(20,858)
Fair value at December 31, 2018	5, 6	P14,361	P9,265,366	P9,279,727
Cost at December 31, 2018		P11,590	P10,349,879	P10,361,469
Unrealized gains (losses) at December 31, 2018		P2,771	(P1,084,513)	(P1,081,742)

The Company's investments consist of the following:

	Note	2019	2018
Government bonds	*5, 6*	**P10,280,996**	P9,029,425
Corporate debt securities	*5, 6*	**148,284**	143,470
Quasi government bonds	*5, 6*	**102,794**	92,471
Unit investment trust fund	*5, 6, 26*	**115,175**	-
Equity securities	*6*	**17,061**	14,361
		P10,664,310	P9,279,727

Interest rates range from 00.000% to 15.000% in 2019 and 2018.

In December 17, 2019, the Company invested in five (5) Unit Investment Trust Funds (UITF) of its wholly-owned subsidiary, Pru Life UK Asset Management and Trust Corporation (PAMTC). These funds are PruInvest Peso Liquid Fund, PruInvest USD Liquid Fund, PruInvest USD Global Market Balanced Fund of Funds, PruInvest USD Global Technology Equity Feeder Fund and PruInvest USD High Yield Asian Bond Feeder Fund (see Note 26).

The rollforward analysis of the fair value reserve on AFS financial assets is as follows:

	2019	2018
Balance at beginning of year	**P2,771**	P101
Fair value gain	**1,700**	2,670
Balance at end of year	**P4,471**	P2,771

9. Investment in Subsidiary

The Monetary Board of the Bangko Sentral ng Pilipinas (BSP), in its Resolution No. 778 dated May 11, 2018, has approved the establishment of PAMTC. PAMTC was incorporated and registered with the Philippine SEC on November 26, 2018, primarily to carry and engage in trust business activities, other fiduciary business and investment management activities; to have and exercise all authority and powers, to do and perform all acts, and to transact all business which may legally be done by trust corporations organized under and in accordance with the General Banking Law and its Implementing Rules and Regulations and such other applicable laws, rules and regulations on trust corporations, and to do all other things incident thereto and necessary and proper in connection with said purposes as may be determined by the Monetary Board of the BSP. On March 12, 2019, the BSP issued the Certificate of Authority to Operate to PAMTC.

PAMTC's registered address is at the 2/F Uptown Parade 2, 36th Street, Fort Bonifacio, Taguig City Fourth District, Philippines.

The movements in this account are as follows:

	2019	2018
Balance at beginning of year	**P341,803**	P -
Investments during the year	**-**	360,248
Share in loss of the subsidiary	**(60,708)**	(18,445)
Share in other comprehensive income of the subsidiary	**555**	-
Balance at end of year	**P281,650**	P341,803

The key financial information of the subsidiary as at and for the year ended December 31, 2019 is as follows:

	2019	2018
Total assets	**P334,332**	P360,604
Total liabilities	**52,682**	18,801
Net assets	**281,650**	341,803
Net loss	**60,708**	18,445
Other comprehensive income	**555**	-

10. Policy Loans Receivables

	Note	2019	2018
Policy loans receivables		P378,622	P388,462
Allowance for impairment losses		(8,533)	(14,875)
	5	P370,089	P373,587

Policy loans receivables account pertains to the outstanding balances of loans granted to policyholders, fully secured by the cash surrender value of the underlying insurance policy at the time of issuance. These may be in the form of a cash loan applied by the policyholder or automatic policy loan to cover premiums due on the policy.

The Company provides an allowance for policy loans and the related capitalized interest periodically to reflect the estimated realizable value of the receivables as at each reporting date.

Provision for impairment losses on policy loans receivables amounting to P0.57 million and P3.81 million in 2019 and 2018, respectively, were recognized as expense under "Others" in profit or loss.

The rollforward analysis of the allowance for impairment losses in policy loans receivables is as follows:

	2019	2018
Balance at beginning of year	P14,875	P11,069
Provision for impairment losses	570	3,806
Reversals taken up to profit or loss	(6,912)	-
Balance at end of year	P8,533	P14,875

11. Assets Held to Cover Linked Liabilities

The IC approved on September 11, 2002 the Company's license to sell variable unit-linked insurance policies, a life insurance product that is linked to investment funds (see Note 1). The premium of this product is divided into two parts: the insurance portion and the investment portion. The investment portion of the premium, net of withdrawals, is recognized as "Costs on premiums of variable insurance" in the profit or loss and invested in a separately identifiable fund. The fund is valued regularly and is divided into units which represent the unit-linked policyholder's share in the fund. The value of the fund divided by the number of units is called the unit price. An amount equal to the "Assets held to cover linked liabilities" (representing the managed funds) is shown under the "Technical provisions for linked liabilities" account in the separate statement of financial position, a representation that the funds belong to the unit-linked policyholders.

Linked funds is a line of business in which the Company issues a contract where the benefit amount is directly linked to the fair value of the investments held in the particular segregated fund. Although the underlying assets are registered in the name of the Company and the linked fund contract holder has no direct access to the specific assets, the contractual arrangements are such that the linked fund policyholders bear the risks and rewards of the fund's investment performance. The Company derives fee income from linked funds, which is included in "Policy administration fees" in profit or loss.

Separate financial statements are prepared for the linked funds. Linked fund assets are carried at recurring fair value. Fair values are determined using the valuation method discussed in Note 6.

Assets held to cover linked liabilities are composed of:

	Note	2019	2018
Cash and cash equivalents	5	P1,085,715	P1,044,988
Interest receivables	5	321,498	325,820
Receivable from life fund	5	210,758	213,633
Investments in treasury notes and other funds	6	125,597,120	115,218,340
Other assets	5	138,461	130,738
Liability to other funds and other linked funds	5	(37,164,436)	(34,643,540)
Accrued expense	5	(143,665)	(105,568)
Trade payable	5	(177,074)	(278,667)
Net assets		P89,868,377	P81,905,744

Investments in treasury notes and other funds are composed of:

	Note	2019	2018
Investments in treasury notes	5	P35,541,799	P34,380,903
Investments in shares of stocks		53,034,766	46,268,481
Investment in other funds:			
Investment in bond fund	5	16,140,606	15,287,247
Investment in equity fund		20,880,284	19,279,864
Non-deliverable forward contract		(335)	1,845
Total investments	6	P125,597,120	P115,218,340

Total premiums and costs from the unit-linked product for the years ended December 31, 2019 and 2018 are as follows:

	Note	2019	2018
Link premiums	20	P26,779,590	P21,830,639
Costs on premiums of variable insurance		(5,571,893)	(6,991,661)
Surrenders		(10,387,159)	(6,909,387)
Net linked premiums		P10,820,538	P7,929,591

12. Coverage Debt Receivables

	Note	2019	2018
Coverage debt receivables		P948,005	P601,211
Allowance for impairment losses		(224,523)	(164,616)
	5	P723,482	P436,595

Coverage debt receivables pertain to policy charges billed against the investment account of unit-linked policyholders.

These receivables normally arise from policy charges covering mortality risk, taxes and administrative fees due from new unit-linked policyholders who have not accumulated enough investments to cover these fees.

The Company provides an allowance for uncollectible coverage debt charges for lapsed and terminated policies.

Provision for impairment losses on coverage debt receivables amounting to P59.91 million and P26.51 million in 2019 and 2018, respectively, were recognized in profit or loss.

The rollforward analysis of the allowance for impairment losses on coverage debt receivables is as follows:

	2019	2018
Balance at beginning of year	P164,616	P138,103
Provision for impairment losses	59,907	26,513
Balance at end of year	P224,523	P164,616

13. Property and Equipment

The movements in this account are as follows:

2019

	Computer Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Condominium Unit	Leasehold Improvements	Office Improvement in Progress	Total
Gross Carrying Amount							
Beginning balance	P239,457	P170,920	P102,222	P10,027	P804,697	P93,248	P1,420,571
Additions	58,984	17,133	32,232	-	41,471	71,486	221,306
Disposals	(6,061)	(6,178)	(15,332)	-	(21,359)	-	(48,930)
Reclassification	-	8,672	-	-	39,044	(126,323)	(78,607)
Ending balance	292,380	190,547	119,122	10,027	863,853	38,411	1,514,340
Accumulated Depreciation and Amortization							
Beginning balance	173,655	105,200	52,027	6,821	442,029	-	779,732
Depreciation and amortization	43,772	27,065	20,445	414	151,489	-	243,185
Disposals	(6,010)	(5,350)	(14,359)	-	(21,257)	-	(46,976)
Ending balance	211,417	126,915	58,113	7,235	572,261	-	975,941
Carrying Amount							
Beginning balance	P65,802	P65,720	P50,195	P3,206	P362,668	P93,248	P640,839
Carrying Amount							
Ending balance	P80,963	P63,632	P61,009	P2,792	P291,592	P38,411	P538,399

The office improvement in progress amounting to P78.61 million which pertains to loan to agents, software maintenance and various office purchases and expenses was reclassified to advances to agents, development cost, other assets and office expenses.

Property and equipment with carrying amount of P1.95 million were disposed and sold during the year with proceeds amounting to P1.88 million resulting to a net loss of P0.76 million.

2018

	Computer Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Condominium Unit	Leasehold Improvements	Office Improvement in Progress	Total
Gross Carrying Amount							
Beginning balance	P211,515	P168,203	P88,438	P10,027	P631,564	P39,228	P1,148,975
Additions	28,705	15,791	22,347	-	173,205	54,020	294,068
Disposals	(763)	(13,074)	(8,563)	-	(72)	-	(22,472)
Ending balance	239,457	170,920	102,222	10,027	804,697	93,248	1,420,571
Accumulated Depreciation and Amortization							
Beginning balance	138,250	92,445	41,644	6,407	318,066	-	596,812
Depreciation and amortization	36,168	23,986	18,882	414	123,963	-	203,413
Disposals	(763)	(11,231)	(8,499)	-	-	-	(20,493)
Ending balance	173,655	105,200	52,027	6,821	442,029	-	779,732
Carrying Amount							
Beginning balance	P73,265	P75,758	P46,794	P3,620	P313,498	P39,228	P552,163
Carrying Amount							
Ending balance	P65,802	P65,720	P50,195	P3,206	P362,668	P93,248	P640,839

Property and equipment with carrying amount of P1.98 million were disposed and sold during the year with proceeds amounting to P1.52 million resulting to a net loss of P0.46 million.

14. Deferred Acquisition Costs

	Note	2019	2018
Beginning balance		**P7,651,595**	P6,498,363
Movements during the year:			
Deferred expenses		**2,300,864**	2,036,563
Amortization of deferred acquisition costs		**(1,003,654)**	(883,331)
		1,297,210	1,153,232
Ending balance	5	**P8,948,805**	P7,651,595

15. Other Assets

	Note	2019	2018
Receivable from unit linked fund		**P298,988**	P183,589
Prepayments		**337,182**	265,843
Software development costs - net		**177,226**	178,175
Nonrefundable deposits		**119,367**	116,145
Advances to employees and agents		**148,514**	79,694
Due from related parties	26	**30,126**	18,547
Others		**174,309**	133,185
		1,285,712	975,178
Allowance for impairment losses on advances to employees and agents		**(3,891)**	(3,187)
		P1,281,821	P971,991

Receivable from unit linked fund pertains to the amount to be received by the Company from Pru Link funds as reimbursement for the settlement of withdrawals or surrenders made from unit-linked policies.

Prepayments consist of prepaid rent, insurance, and licenses.

Software development costs consist of costs for the development of major enhancements in the policy administration system used by the Company. These assets are amortized on a straight-line basis over five (5) years.

Nonrefundable deposits consist mainly of security lease deposits that can be applied at the end of the lease term.

Advances to employees and agents are collected through payroll deductions or through expense liquidation.

Others consist mainly of corporate give away inventories, gifts, income tax withheld and prudential guarantees.

The rollforward analysis for allowance for impairment losses on advances to employees and agents are as follows:

	2019	2018
Balance at beginning of year	**P3,187**	P5,118
Provision for impairment losses	**1,408**	2,030
Reversals taken up to profit or loss	**(704)**	(3,961)
Balance at end of year	**P3,891**	P3,187

The Company collected advances to employees and agents that have been previously written off amounting to P0.70 million and P3.96 million in 2019 and 2018, respectively.

The movements of software development costs in 2019 and 2018 are as follows:

	2019	2018
Gross Carrying Amount		
Beginning balance	**P503,585**	P463,529
Acquisitions	**42,191**	40,056
Write-off	**-**	-
Ending balance	**545,776**	503,585
Accumulated Amortization		
Beginning balance	**325,410**	294,709
Amortization	**43,140**	36,469
Write-off	**-**	(5,768)
Ending balance	**368,550**	325,410
Net Carrying Amount		
Beginning balance	**P178,175**	P168,820
Ending balance	**P177,226**	P178,175

16. Legal Policy Reserves

Reconciliation of the carrying amount of the liability at the beginning and end of the year is shown below:

	Note	2019	2018
Beginning balance		P5,334,105	P5,952,236
Gross change in reserves:			
New business		130,150	71,493
Net premiums written		134,754	108,675
Liabilities released for payments on death, surrenders and other terminations		(541,673)	(523,591)
Accretion of interest		153,739	281,836
Other movements		(258,478)	128,389
Total Gross Change in Reserves	23	(381,508)	66,802
Remeasurement on life insurance reserve		402,279	(684,933)
Ending balance	5	P5,354,876	P5,334,105

The appropriated retained earnings for negative reserves amounted to P58.75 million and P44.06 million in 2019 and 2018, respectively.

17. Claims Payable

Reconciliation of the carrying amount of the liability at the beginning and end of the year is shown below:

	Note	2019	2018
Beginning balance:			
Notified payable		P405,290	P367,999
IBNR		93,148	80,521
		498,438	448,520
Cash paid for claims settled during the year		(928,263)	(736,204)
Increase in liabilities		1,034,308	786,122
Ending balance		P604,483	P498,438
Notified claims payable		P456,174	P405,290
IBNR		148,309	93,148
	5	P604,483	P498,438

18. Reinsurance Payable

Reconciliation of the carrying amount of the liability at the beginning and end of the year is shown below:

	Note	2019	2018
Beginning balance		P98,220	P84,386
Premium ceded to reinsurers	20	403,869	445,144
Paid during the year		(375,883)	(431,310)
Ending balance	5	P126,206	P98,220

19. Accounts Payable, Accrued Expenses and Other Liabilities

The account consists of the following:

	Note	2019	2018
Accrued expenses		P1,565,287	P871,255
Dividends payable to policyholders		1,133,897	1,086,498
Agent's commission payable		462,816	534,995
Premium suspense account		455,591	352,951
Provident fund payable		306,450	252,929
Due to unit-linked funds		210,954	213,643
Due to related parties	26	101,087	244,268
Withholding tax payable		53,628	41,784
Premium tax payable		49,036	41,053
Premium deposit fund		41,650	48,293
Retirement liability	24	19,313	8,777
Other liabilities		144,315	130,164
		P4,544,024	P3,826,610

Dividends payable to policyholders pertains to supplementary discretionary returns through participation in the surplus of the Company arising from participating business.

Accrued expenses primarily consist of performance and incentive bonuses payable.

Agent's commission payable pertains to unpaid commissions.

Premium suspense account pertains to amounts received from the policyholders who are in the process of policy application and unidentified collections. These collections will be applied to premiums due.

Provident fund payable represents the retirement fund for agents.

Due to related parties account includes payables to Eastspring, Prudential Services Asia (PSA) and Prudential Holdings Limited (PHL) (see Note 26).

Due to unit-linked fund pertains to the investment portion of premiums received from the policyholders that are yet to be invested in the separately identifiable funds.

Premium deposit fund represents advance payment from policyholders which will be used for payment of any future unpaid premiums under the policy. The fund earns interest which is credited to the fund. The accumulated fund shall not exceed the total future premium payments under the policy.

20. Net Premiums

Gross premiums on insurance contracts:

	Note	2019	2018
Unit-linked insurance	11	P26,779,590	P21,830,639
Group life insurance		331,022	393,346
Ordinary life insurance		212,105	212,154
Accident and health		46,278	42,149
		P27,368,995	P22,478,288

Reinsurer's share of gross premiums on insurance contracts:

	Note	2019	2018
Unit-linked insurance		P136,974	P138,377
Group life insurance		256,552	296,314
Ordinary life insurance		10,343	10,453
	18	P403,869	P445,144

Net premiums on insurance contracts:

	2019	2018
Unit-linked insurance	P26,642,616	P21,692,262
Group life insurance	74,470	97,032
Ordinary life insurance	201,762	201,701
Accident and health	46,278	42,149
	P26,965,126	P22,033,144

21. Policy Administration Fees

Policy administration fees are charged against the daily net asset value of the investment account of the policyholders based on the following rates per annum as specified in the policy document:

	2019	2018
Managed Fund	1.79%	1.79%
Bond Fund (Philippine peso)	1.53%	1.53%
Bond Fund (U.S. dollar)	1.53%	1.53%
Growth Fund	2.25%	2.25%
Equity Fund	2.25%	2.25%
Proactive Fund	2.25%	2.25%
Money Market Fund	0.50%	0.50%
Asian Local Bond Fund	1.80%	1.80%
Asia Pacific Equity Fund	2.05%	2.05%
Global Emerging Fund	2.05%	2.05%
Cash Flow Fund (U.S. dollar)	1.95%	1.95%
Cash Flow Fund (Philippine peso)	1.95%	1.95%
Asian Balanced Fund	1.95%	1.95%
Global Market Navigator Fund	2.25%	-

Policy administration fees amounted to P1.84 billion and P1.69 billion in 2019 and 2018, respectively.

22. Investment Gain (Loss)

The account consists of the following:

	Note	2019	2018
Interest income		P549,727	P522,277
Foreign exchange (loss) gain	8	(21,483)	53,023
Gain (loss) on disposal of investments	8	17,560	(20,858)
Final withholding tax		(108,674)	(95,991)
Unrealized gain (loss) on valuation of investments	8	1,588,222	(946,334)
Investment management expense		(317,690)	(300,794)
		P1,707,662	(P788,677)

23. Benefits and Claims

Gross benefits and claims on insurance contracts:

	2019		
	Gross Benefits and Claims	**Reinsurers' Share of Gross Benefits and Claims**	**Net**
Unit-linked insurance	**P10,906,997**	**(P62,206)**	**P10,844,791**
Ordinary life insurance	**279,075**	**(2,163)**	**276,912**
Group life insurance	**21,608**	**-**	**21,608**
Accident and health	**5,006**	**-**	**5,006**
	P11,212,686	**(P64,369)**	**P11,148,317**

	2018		
	Gross Benefits and Claims	Reinsurers' Share of Gross Benefits and Claims	Net
Unit-linked insurance	P7,189,322	(P27,013)	P7,162,309
Ordinary life insurance	274,401	(3,438)	270,963
Group life insurance	9,336	-	9,336
Accident and health	4,517	-	4,517
	P7,477,576	(P30,451)	P7,447,125

Gross change in increase in legal policy reserves:

	Note	**2019**	2018
Unit-linked insurance		**(P9,647)**	P21,782
Ordinary life insurance		**(375,744)**	39,240
Group life insurance		**998**	5,937
Accident and health		**2,885**	(157)
	16	**(P381,508)**	P66,802

24. Retirement Plan

As discussed in Note 3, the Company maintains a DC plan with minimum DB guarantee and is accounted for as a DB plan. As at December 31, 2019, the DB liability is more than the DC liability.

The Company's latest actuarial valuation date was as of December 31, 2019.

The following tables show reconciliation from the opening balances to the closing balances for net defined benefit liability and its components.

	2019		
	DBO	**FVPA**	**Net Defined Benefit Liability (Note19)**
Balance at January 1, 2019	**P425,868**	**P417,091**	**P8,777**
Included in Profit or Loss			
Current service cost	**76,150**	**-**	**76,150**
Interest cost	**31,180**	**30,855**	**325**
	107,330	**30,855**	**76,475**
Included in Other Comprehensive Income			
Remeasurements loss:			
Actuarial loss arising from:			
Financial assumptions	**16,970**	**-**	**16,970**
Experience adjustment	**19,526**	**-**	**19,526**
Return on plan assets excluding interest income	**-**	**13,311**	**(13,311)**
	36,496	**13,311**	**23,185**
Others			
Contributions paid by the employer	**-**	**89,124**	**(89,124)**
Benefits paid	**(28,163)**	**(28,163)**	**-**
Transfers	**(13,121)**	**(13,121)**	**-**
	(41,284)	**47,840**	**(89,124)**
Balance at December 31, 2019	**P528,410**	**P509,097**	**P19,313**

	2018		
	DBO	FVPA	Net Defined Benefit Liability (Note19)
Balance at January 1, 2018	P385,250	P370,597	P14,653
Included in Profit or Loss			
Current service cost	85,092	-	85,092
Interest cost	21,390	22,348	(958)
	106,482	22,348	84,134
Included in Other Comprehensive Income			
Remeasurements gain:			
Actuarial gain arising from:			
Financial assumptions	(11,767)	-	(11,767)
Experience adjustment	(29,621)	-	(29,621)
Return on plan assets excluding interest income	-	(36,602)	36,602
	(41,388)	(36,602)	(4,786)
Others			
Contributions paid by the employer	-	85,224	(85,224)
Benefits paid	(24,476)	(24,476)	-
	(24,476)	60,748	(85,224)
Balance at December 31, 2018	P425,868	P417,091	P8,777

The retirement expense under "Salaries, allowances and employees' benefits" account in profit or loss amounted to P76.48 million and P84.13 million in 2019 and 2018, respectively.

The Company's plan assets consist of the following:

	2019	2018
Cash and cash equivalents	**P20,344**	P41
Receivables	**16,515**	3,421
Government securities	**258,014**	243,975
Deposit instruments	**-**	20,196
Unit investments trust funds	**39,260**	1,013
Investment in mutual funds	**102,592**	83,465
Corporate bonds	**72,372**	65,399
Trust fee payable	**-**	(419)
	P509,097	P417,091

The expected contribution to the defined benefit retirement plan in 2020 is P84.03 million.

The following were the principal actuarial assumptions at the reporting date:

	2019	2018
Discount rate	**5.00%**	7.00%
Future salary growth	**6.00%**	6.00%

The weighted-average duration of the defined benefit obligation is 15.70 years and 14.21 years in December 31, 2019 and 2018, respectively.

Maturity analysis of the benefit payments:

2019

	Carrying amount	Contractual cash flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Retirement liability	P528,410	P489,029	P30,292	P143,537	P315,200

2018

	Carrying amount	Contractual cash flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Retirement liability	P425,868	P427,184	P27,894	P115,115	P284,175

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the percentages shown below:

	Defined Benefit Obligation	
	Increase	Decrease
Discount rate (1% movement)	(3.10%)	6.06%
Future salary growth (1% movement)	5.91%	(3.10%)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

The asset allocation of the plan is set and reviewed from time to time by the Plan Trustees taking into account the membership profile, the liquidity requirements of the plan and risk appetite of the plan sponsor. This also considers the expected benefit cash flows to be matched with asset durations.

25. Income Taxes

The components of the Company's income tax expense in profit or loss are as follows:

	2019	2018
Current tax expense	**P -**	P16,517
Deferred tax expense	**594,343**	515,254
	P594,343	P531,771

The reconciliation of the income tax expense computed at statutory tax rate to the income tax shown in profit or loss is as follows:

	2019	2018
Income before income tax expense	**P5,532,644**	P1,825,879
Income tax using the domestic corporation tax rate	**P1,659,793**	P547,764
Additions to (reduction in) income tax resulting from:		
Non-deductible expenses	**32,010**	18,820
Other income subjected to final tax	**(260,417)**	(216,023)
Non-taxable gain from disposal of investments	**(25,085)**	(19,382)
Interest income subjected to final tax	**(385,900)**	(385,846)
(Non-taxable gain) Non-deductible loss on valuation of investments	**(466,664)**	274,430
Deductible NOLCO	**(290,832)**	-
Effect of unrecognized deferred tax assets	**237,532**	101,478
Effect of reversal of deferred tax asset	**205,180**	-
MCIT benefit offset against current tax	**(111,274)**	-
Expired recognized NOLCO	**-**	194,013
Expired MCIT	**-**	16,517
	P594,343	P531,771

Deferred tax assets have not been fully recognized because it is not probable that future taxable profit will be available against which the Company can utilize the benefits from. The unrecognized deferred tax assets as at December 31, 2019 and 2018 are as follows:

	2019		2018	
	Tax Base	Deferred Tax Assets	Tax Base	Deferred Tax Assets
NOLCO	**P -**	**P -**	P285,510	P85,653
Accrued expenses	**1,584,601**	**475,380**	880,033	264,010
Agent's Commission	**462,816**	**138,845**	534,995	160,499
Provident fund	**306,450**	**91,935**	252,929	75,879
IBNR	**148,309**	**44,493**	93,148	27,944
MCIT	**3,976**	**3,976**	115,250	115,250
Remeasurement on life insurance reserve	**656,795**	**197,039**	254,516	76,355
Others	**63,905**	**19,171**	-	-
	P3,226,852	**P970,839**	P2,416,381	P805,590

Below is the movement of the deferred tax assets and deferred tax liability recognized as at December 31, 2019 and 2018.

2019

	Beginning Balance	Amount Charged to Profit or Loss	Amount Recognized in Other Comprehensive Income	Ending Balance
NOLCO	**P205,180**	**(P205,180)**	**P -**	**P -**
Retirement liability	**(18,952)**	**-**	**6,956**	**(11,996)**
Deferred acquisition costs	**(2,295,479)**	**(389,163)**	**-**	**(2,684,642)**
Deferred tax liabilities - net	**(P2,109,251)**	**(P594,343)**	**P6,956**	**(P2,696,638)**

2018

	Beginning Balance	Amount Charged to Profit or Loss	Amount Recognized in Other Comprehensive Income	Ending Balance
NOLCO	P374,464	(P169,284)	P -	P205,180
Retirement liability	(17,516)	-	(1,436)	(18,952)
Deferred acquisition costs	(1,949,509)	(345,970)	-	(2,295,479)
Deferred tax liabilities - net	(P1,592,561)	(P515,254)	(P1,436)	(P2,109,251)

The details of the Company's MCIT available for offsetting against its current tax liabilities and remaining available MCIT available for offsetting against future tax liabilities are as follows:

Year Incurred	Amount	Application	Remaining Balance	Date of Expiration
2016	P25,046	P25,046	P -	December 31, 2019
2017	40,811	40,811	-	December 31, 2020
2018	49,393	45,417	3,976	December 31, 2021
	P115,250	P111,274	P3,976	

The carry-forward benefits of NOLCO which are offset against taxable income are as follows:

Year Incurred	Amount	Write-off/Application	Remaining Balance	Date of Expiration
2016	P612,929	P612,929	P -	December 31, 2019
2017	113,581	113,581	-	December 31, 2020
2018	242,932	242,932	-	December 31, 2021
	P969,442	P969,442	P -	

26. Related Party Transactions

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. The key management personnel (KMP) of the Company are also considered to be related parties.

The Company's KMP are composed of the senior management and directors.

The following are the significant related party transactions by the Company:

Category/Transaction	Year	Note	Amount of the Transaction	Due to Related Parties (Note 19)	Due from Related Parties (Note 15)	Investments in UITF (Note 8)	Terms	Conditions
Eastspring (Under Common Control)								
• Investment management	**2019**	*a*	**P301,128**	**P76,462**	**P -**	**P -**	**30 days; noninterest - bearing**	**Unsecured**
	2018	*a*	285,079	69,452	-	-	30 days; noninterest - bearing	Unsecured
PSA (Under Common Control)								
• IT service costs	**2019**	*b*	**247,591**	**3,291**	**-**	**-**	**30 days; noninterest - bearing**	**Unsecured**
	2018	*b*	199,156	147,726	-	-	30 days; noninterest - bearing	Unsecured
PHL (Under Common Control)								
• Allocation of expenses	**2019**	*c*	**143,089**	**21,334**	**-**	**-**	**30 days; noninterest - bearing**	**Unsecured**
	2018	*c*	137,476	27,090	-	-	30 days; noninterest - bearing	Unsecured
Prudence Foundation Limited (Under Common Control)								
• Allocation of expenses	**2019**	*d*	**-**	**-**	**-**	**-**	**30 days; noninterest -bearing**	**Unsecured**
	2018	*d*	8,357	-	-	-	30 days; noninterest -bearing	Unsecured
PAMTC								
• Allocation of expenses	**2019**	*e*	**53,557**	**-**	**29,920**	**-**	**30 days; noninterest -bearing**	**Unsecured; not impaired**
	2018	*e*	-	-	18,547	-	30 days; noninterest -bearing	Unsecured; not impaired
• Shared service fee	**2019**	**e**	**206**	**-**	**206**	**-**	**30 days; noninterest- bearing**	**Unsecured; not impaired**
• Investments in PAMTC's UITFs	**2019**	**8**	**115,000**	**-**	**-**	**115,175**	**Noninterest- bearing**	**Unsecured**
TOTAL	**2019**			**P101,087**	**P30,126**	**P115,175**		
TOTAL	2018			P244,268	P18,547	P -		

Outstanding receivables from and payables to related parties which are expected to be settled in cash, are included under "Other assets" (see Note 15) and "Accounts payable, accrued expenses and other liabilities" (see Note 19) accounts, respectively.

a. In the normal course of business, the Company has an investment management services agreement with Eastspring, whereby the latter shall act as investment advisor to the Company on the management of both the Company's investments and the investment funds (see Note 11) in consideration for a quarterly service fee as may be mutually agreed upon on an annual basis.

b. The Company entered into a Service Level Agreement with PSA to provide infrastructure services aligned to agreed service hours and delivery performance targets. The services involve system availability and operation, service desk, network availability, back-up and recovery, change management, disaster recovery plans and system capacity and resource monitoring.

c. These pertain to advances made by PHL on behalf of the Company for the expenses covering software maintenance, training for regional agency leaders and agents' conference. These are netted against the advances made by the Company on behalf of PHL for the settlement of certain administration costs.

d. Transactions with Prudence Foundation Limited (PFL) pertain to various advances made by the Company on behalf of PFL for activities related to corporate social responsibilities in the Philippines.

e. Transactions with PAMTC pertain to various advances made by the Company on behalf of PAMTC for the cost incurred during the set-up of the latter. The Company also entered into a Shared Services Agreement with PAMTC, whereby the Company shall outsource labor services to PAMTC in consideration for a monthly fee for the labor and overhead charges.

The entities from a to d above are wholly-owned subsidiaries of Prudential while PAMTC, is wholly-owned by the Company.

Compensation of KMP

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including director, whether executive or otherwise, of the Company.

The KMP compensation is as follows:

	2019	2018
Short-term employee benefits	**P156,879**	P167,696
Post-employment benefits	**1,164**	11,357
	P158,043	P179,053

These expenses are recorded under "Salaries, allowances and employees' benefits" in profit or loss.

27. Lease

As a Lessee

Property and equipment comprise of owned and leased assets that do not meet the definition of investment property.

	Note	2019
Property and equipment owned	*13*	**P538,399**
Right-of-use assets, except for investment property		**884,089**
		P1,422,488

The Company leases its head office, branches and parking space. Information about leases for which the Company is a lessee is presented below.

Right-of-Use Assets

	2019
Balance at January 1	**P1,047,515**
Additions	**68,803**
Depreciation	**(232,229)**
Balance at December 31	**P884,089**

Lease Liabilities

	Note	2019
Balance at January 1		**P1,047,515**
Additions		**68,803**
Interest		**74,641**
Payments		**(256,077)**
Balance at December 31	*5*	**P934,882**

	2019
Maturity analysis - contractual undiscounted cash flows	
Less than one year	**P266,216**
One to five years	**816,101**
More than five years	**-**
Total undiscounted lease liabilities at December 31	**1,082,317**
Lease liabilities included in the separate statement of financial position at December 31	**934,882**
Current	**202,188**
Non-current	**732,694**

Amounts Recognized in Profit and Loss

	2019
2019 - Leases under PFRS 16	
Depreciation of right-of-use assets	P232,229
Interest expense related to lease liabilities	74,641
Expenses relating to short-term leases including VAT on lease payments	71,785
2018 - Operating leases under PAS 17	
Rent expense	352,202

Amount Recognized in the Statement of Cash Flows

	2019
Total cash outflow for leases	P256,077

Extension Options
Extension options are included in the Company's lease of its head office. On November 6, 2014, the Company entered into a lease contract with Mega World Corporation for office space at Uptown Bonifacio Tower 1 for a period of five (5) years commencing on September 15, 2015 subject to a 5.00% escalation effective on the third year of the lease term and compounded annually thereafter at the same rate. The extension option of this lease is exercisable by the Company by notice to the lessor not later than one hundred and eighty (180) days prior to the expiration of the initial lease term.

Leases for branches are for a period of 3 to 5 years. None of the leases include contingent rentals and restrictions.

28. Equity

The details of this account are as follows:

	2019	2018
Authorized		
Par value per share	P100	P100
Number of shares	5,000,000	5,000,000
Issued and Outstanding		
Number of shares	5,000,000	5,000,000
Capital stock	P500,000	P500,000
Additional paid-in capital	462,000	462,000
Total paid-up capital	P962,000	P962,000

On March 14, 2019, the BOD of the Company declared cash dividends amounting to P1.18 billion or P235.29 per share. This was approved by the IC on May 3, 2019 and was paid on May 22, 2019.

On September 5, 2019, additional cash dividends were declared by the BOD of the Company amounting to P1.88 billion. Due to the requirement of the IC's to use the Company's 2018 Annual Synopsis as basis for the dividend remittance, the Company notified IC on October 25, 2019 that it will reduce its declared dividends to P1.00 billion or P200.00 per share. On October 30, 2019, the IC released CL No. 2019-60 which provides, among other things, that the declaration of dividends shall require no prior approval or clearance from the IC and that a post-distribution reportorial requirement shall be reported to the IC within thirty (30) days after dividend declaration or distribution. CL No. 2016-90 shall be made effective immediately. On November 14, 2019, the cash dividends of P1.00 billion was paid and on November 27, 2019, the corresponding post-distribution reportorial requirements were received by the IC. On December 10, 2019, the BOD approved to reduce the cash dividends declared in September 5, 2019 to P1.00 billion.

On March 22, 2018, the BOD of the Company declared cash dividends amounting to P1.18 billion or P235.29 per share. This was approved by the IC on April 13, 2018 and was paid on May 21, 2018.

As at December 31, 2019, the Company's unappropriated retained earnings of P11.88 billion is in excess of its paid-up capital of P962 million. However, the Company plans to use the excess retained earnings to comply with the increasing capital and new regulatory requirements by the IC, as well as the Company's plan for new investment initiatives. The Company, being an insurance company, has special circumstances due to special reserve requirements of the IC, thus, exempted from prohibition of retaining surplus profits in excess of one hundred (100%) percent of paid-in capital stock, under Section 43 of the Corporation Code. The exemption provision indicates that "when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies."

29. Contingent Liabilities

In the normal course of the Company's operations, there are outstanding contingent liabilities which are not reflected in the separate financial statements. The management of the Company does not anticipate losses that will materially affect the separate financial statements as a result of these contingencies.

30. Event After the Reporting Period

On March 11, 2020, the World Health Organization declared the Coronavirus Disease (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 affected countries.

On March 16, 2020, Proclamation No. 929, Series of 2020, declared a state of calamity throughout the Philippines for a period of six (6) months and an Enhanced Community Quarantine was imposed throughout the entire Luzon until April 12, 2020, unless earlier lifted or extended as circumstances may warrant.

The COVID-19 coronavirus pandemic is affecting insurance companies in many ways. In addition to customer, people and operational considerations, volatile markets have affected investment portfolios. Stock markets have declined in value and bond yields are at record lows which might result to possible impairment in investment portfolios.

While implications in insurance liabilities will be mixed depending on the specific types of coverage provided and the accounting policies applied under PFRS 4. Impact will be on liabilities for reported claims and incurred but not reported claims with knock-on effects for assumptions about reinsurance recoveries and future claims. This will also affect the assumptions use in accounting for insurance liabilities, including the liability adequacy test, and balance sheets and capital ratios.

Likewise, the Company expects negative impact on premiums and policy administration fees, higher surrenders and withdrawals, and likely increase in management expenses and software development costs (i.e. digital workflow tools) due to the business interruption.

As part of closely monitoring the situation, the Company performed a stress-test to determine the possible impact of COVID-19 on liquidity and solvency and established feasible mitigating actions to manage the same. Based on the stress-test, the Company will still likely to expect a higher liquidity coverage ratio and solvency position over the minimum IC prescribed thresholds over a twelve-month period. Other financial impact could occur, though such potential impact will begin to manifest few months after the issuance of these financial statements. Thus, the Company has not yet quantified the overall potential impact of COVID-19 to these financial statements.

On the other hand, the IC through its various circular letters encouraged insurance companies to adopt and implement a relax claims management policies relative to processing and payment of COVID-19 related claims, to launch initiatives that aim to provide additional benefits or free insurance coverage to affected customers or stakeholders, to formulate and implement relief and assistance programs to aid the sales agents who earn on a commission basis for the duration of the COVID-19 emergency, and to launch initiatives that aim to sell the existing insurance products by utilizing information and communication technologies or any other technology via remote communication.

31. Supplementary Information Required by the Bureau of Internal Revenue (BIR) based on Revenue Regulation No. 15-2010

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the separate financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the notes to the separate financial statements which were prepared in accordance with PFRSs.

The following is the tax information required for the taxable year ended December 31, 2019 (expressed in whole amounts):

A. Documentary Stamp Tax

On others	P32,972,914

B. Withholding Taxes

Creditable withholding taxes	P514,007,248
Final withholding taxes	636,665,708
Tax on compensation and benefits	191,795,682
	P1,342,468,638

C. All Other Taxes (Local and National)

Premiums tax	P115,785,074
License and permit fees	39,783,814
Fringe benefits tax	38,346,636
Real estate taxes	109,474
	P194,024,998

D. Tax Contingencies

The Company has no deficiency tax assessment or any tax case, litigation, and/or prosecution in courts or bodies outside the BIR as at December 31, 2019.

Combined financial statements

PRU LIFE INSURANCE CORPORATION OF U.K.
PRULINK OPERATED BY THE LINKED FUND

COMBINED FINANCIAL STATEMENTS
December 31, 2019 and 2018

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Pru Life Insurance Corporation of U.K.
9/F Uptown Place Tower 1
1 East 11th Drive, Uptown Bonifacio
Taguig City 1634, Metro Manila
Philippines

Report on the Audit of the Financial Statements

Opinion

We have audited the combined financial statements of Prulink operated by the Linked Fund (the Funds) of Pru Life Insurance Corporation of U.K. (the Company), which comprise the combined statements of assets and accountabilities as at December 31, 2019 and 2018, and the combined statements of changes in net assets and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined assets and accountabilities of the Funds as at December 31, 2019 and 2018, and its combined changes in net assets and its combined cash flows for the years then ended in accordance with the basis of preparation set out in Note 2 to the combined financial statements.

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Combined Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the combined financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 to the combined financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Company in presenting the combined financial statements which is based on the financial statements of the individual linked funds. As a result, the combined financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with the 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.

In preparing the combined financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in

accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

R.G. MANABAT & CO.

TIRESO RANDY F. LAPIDEZ
Partner
CPA License No. 0092183
IC Accreditation No. SP-2017/016-R, Group A, valid until August 26, 2020
SEC Accreditation No. 1472-AR-1, Group A, valid until July 2, 2021
Tax Identification No. 162-411-175
BIR Accreditation No. 08-001987-34-2017
Issued September 4, 2017; valid until September 3, 2020
PTR No. MKT 8116769
Issued January 2, 2020 at Makati City

March 26, 2020
Makati City, Metro Manila

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, 2019 (Amounts in Thousands)

	Note	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Money Market Fund	Proactive Fund	Asian Lo-cal Bond Fund	Asia Pacific Equity Fund	Global Emerging Market Fund	Cash Flow Fund	Asian Balanced Fund	Global Market Navigator Fund	Combined
ASSETS															
Cash and cash equivalents	*8*	P10,318	P29,876	P17,009	P95,625	P723,650	P19,668	P59,894	P45	P38	P176	P123,388	P518	P5,510	P1,085,715
Interest receivables	*8*	2	183,546	109,608	18	27,529	784	11	-	-	-	-	-	-	321,498
Receivable from life fund	*2, 8*	1,019	1,178	-	25,825	82,402	2	24,147	362	956	171	67,838	61	6,797	210,758
Investments at fair value through profit or loss	*2, 5*	5,660,824	19,428,941	6,839,343	13,690,142	49,770,482	252,949	17,669,924	502,769	1,178,751	724,753	9,687,810	89,432	101,000	125,597,120
Other assets	*8*	12,000	-	24,883	-	40,500	-	-	20,044	20,938	4,700	9,026	4,557	1,813	138,461
		5,684,163	19,643,541	6,990,843	13,811,610	50,644,563	273,403	17,753,976	523,220	1,200,683	729,800	9,888,062	94,568	115,120	127,353,552
LIABILITIES															
Liability to life fund and other linked funds	*2, 8*	(18,351)	(16,143,020)	(41,413)	(2,349)	(20,895,926)	(5,436)	(30,460)	(4,463)	(18,567)	(2,968)	(452)	(31)	(1,000)	(37,164,436)
Accrued expenses	*8*	(147)	(6,632)	(2,353)	(459)	(25,494)	(41)	(1,415)	(1,707)	(2,281)	(1,382)	(101,516)	(39)	(199)	(143,665)
Trade payable	*8*	-	(12,000)	-	(40,500)	(35,454)	-	-	(43)	(38)	(176)	(80,213)	(2,582)	(6,068)	(177,074)
		(18,498)	(16,161,652)	(43,766)	(43,308)	(20,956,874)	(5,477)	(31,875)	(6,213)	(20,886)	(4,526)	(182,181)	(2,652)	(7,267)	(37,485,175)
NET ASSETS		P5,665,665	P3,481,889	P6,947,077	P13,768,302	P29,687,689	P267,926	P17,722,101	P517,007	P1,179,797	P725,274	P9,705,881	P91,916	P107,853	P89,868,377

See Notes to the Combined Financial Statements.

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, 2018 (Amounts in Thousands)

	Note	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Global Emerging Market Fund	Cash Flow Fund	Asian Balanced Fund	Combined
ASSETS														
Cash and cash equivalents	*8*	P6,461	P58,871	P17,925	P76,318	P658,982	P75,632	P34,989	P13	P1,125	P134	P114,033	P505	P1,044,988
Interest receivables	*8*	1	180,722	130,585	10	11,967	2,531	4	-	-	-	-	-	325,820
Receivable from life fund	*2, 8*	1,603	679	-	30,243	98,426	1	16,842	-	160	315	65,307	57	213,633
Investments at fair value through profit or loss	*2, 5*	5,577,127	18,672,804	7,270,179	12,256,893	44,221,160	195,666	16,733,091	629,300	1,251,266	762,502	7,580,888	67,464	115,218,340
Other assets	*8*	5,000	-	13,310	-	36,995	-	-	1,451	3,145	3,195	67,378	264	130,738
		5,590,192	18,913,076	7,431,999	12,363,464	45,027,530	273,830	16,784,926	630,764	1,255,696	766,146	7,827,606	68,290	116,933,519
LIABILITIES														
Liability to life fund and other linked funds	*2, 8*	(8,478)	(15,313,092)	(32,406)	(2,625)	(19,279,851)	(286)	-	(377)	(1,897)	(998)	(3,467)	(63)	(34,643,540)
Accrued expenses	*8*	(90)	(3,999)	(1,576)	(269)	(14,292)	(30)	(838)	(2,440)	(2,488)	(1,517)	(77,904)	(125)	(105,568)
Trade payable	*8*	-	-	-	-	(117,837)	-	-	(10)	(623)	(131)	(159,697)	(369)	(278,667)
		(8,568)	(15,317,091)	(33,982)	(2,894)	(19,411,980)	(316)	(838)	(2,827)	(5,008)	(2,646)	(241,068)	(557)	(35,027,775)
NET ASSETS		P5,581,624	P3,595,985	P7,398,017	P12,360,570	P25,615,550	P273,514	P16,784,088	P627,937	P1,250,688	P763,500	P7,586,538	P67,733	P81,905,744

See Notes to the Combined Financial Statements.

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, 2019 (Amounts in Thousands)

	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Global Emerging Market Fund	Cash Flow Fund	Asian Balanced Fund	Global Market Navigator Fund	Combined
Net assets at beginning of year	P5,581,624	P3,595,985	P7,398,017	P12,360,570	P25,615,550	P273,514	P16,784,088	P627,937	P1,250,688	P763,500	P7,586,538	P67,733	P -	P81,905,744
Net additions (withdrawals) to the fund for creation of units	(712,947)	(737,318)	(1,101,925)	630,394	3,108,496	(14,742)	(726,819)	(135,216)	(158,106)	(92,170)	1,764,455	18,897	106,180	1,949,179
	4,868,677	2,858,667	6,296,092	12,990,964	28,724,046	258,772	16,057,269	492,721	1,092,582	671,330	9,350,993	86,630	106,180	83,854,923
FUND INCOME														
Unrealized appreciation of investment at fair value through profit or loss	-	2,705,611	386,398	-	1,293,033	4,305	-	6,957	89,607	58,442	390,031	5,507	2,078	4,941,969
Interest income	224	1,039,174	338,702	1,571	10,212	3,533	1,868	-	-	-	88	-	3	1,395,375
Gain (loss) on sale of investment at fair value through profit or loss	-	(55,319)	38,326	-	720,697	4,230	-	27,438	22,274	10,821	475,033	1,315	(23)	1,244,792
Dividend income	-	-	-	-	868,056	-	-	-	-	-	9,711	-	-	877,767
Profit (loss) from interfund investments	803,296	(2,567,917)	-	796,149	(758,449)	-	1,726,921	-	-	-	-	-	-	-
	803,520	1,121,549	763,426	797,720	2,133,549	12,068	1,728,789	34,395	111,881	69,263	874,863	6,822	2,058	8,459,903
FUND EXPENSES														
Management fees	(6,487)	(301,131)	(112,411)	(20,068)	(1,167,863)	(1,399)	(63,583)	(10,109)	(24,666)	(15,319)	(165,394)	(1,536)	(384)	(1,890,350)
Distribution expense	-	-	-	-	-	-	-	-	-	-	(352,149)	-	-	(352,149)
Tax expense	(45)	(197,196)	(30)	(314)	(2,043)	(1,515)	(374)	-	-	-	(2,432)	-	(1)	(203,950)
	(6,532)	(498,327)	(112,441)	(20,382)	(1,169,906)	(2,914)	(63,957)	(10,109)	(24,666)	(15,319)	(519,975)	(1,536)	(385)	(2,446,449)
Net increase in net assets from operations for the year	796,988	623,222	650,985	777,338	963,643	9,154	1,664,832	24,286	87,215	53,944	354,888	5,286	1,673	6,013,454
NET ASSETS AT END OF YEAR	P5,665,665	P3,481,889	P6,947,077	P13,768,302	P29,687,689	P267,926	P17,722,101	P517,007	P1,179,797	P725,274	P9,705,881	P91,916	P107,853	P89,868,377

See Notes to the Combined Financial Statements.

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, 2018 (Amounts in Thousands)

	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Global Emerging Market Fund	Cash Flow Fund	Asian Balanced Fund	Combined
Net assets at beginning of year	P6,690,483	P4,620,384	P8,842,058	P12,676,720	P24,387,763	P426,457	P18,965,819	P802,186	P1,454,318	P800,116	P6,387,449	P26,336	P86,080,089
Net additions (withdrawals) to the fund for creation of units	(562,176)	(744,500)	(1,699,663)	1,336,448	4,730,116	(157,833)	(49,473)	(193,068)	(31,453)	43,129	1,435,599	46,259	4,153,385
	6,128,307	3,875,884	7,142,395	14,013,168	29,117,879	268,624	18,916,346	609,118	1,422,865	843,245	7,823,048	72,595	90,233,474
FUND (LOSS) INCOME													
Unrealized (depreciation) appreciation of investment at fair value through profit or loss	-	(1,592,053)	(27,900)	-	(7,344,671)	(133)	-	8,190	(176,678)	(75,158)	(26,281)	(3,498)	(9,238,182)
Interest income	113	1,067,938	413,531	786	6,297	3,594	669	-	-	-	4	-	1,492,932
Gain (loss) on sale of investment at fair value through profit or loss	-	(395,094)	(3,175)	-	968,241	4,689	-	23,360	33,983	12,572	220,232	(284)	864,524
Dividend income	-	-	-	-	720,076	-	-	-	-	-	-	-	720,076
Profit (loss) from interfund investments	(540,085)	1,076,526	-	(1,635,238)	3,170,263	-	(2,071,466)	-	-	-	-	-	-
	(539,972)	157,317	382,456	(1,634,452)	(2,479,794)	8,150	(2,070,797)	31,550	(142,695)	(62,586)	193,955	(3,782)	(6,160,650)
FUND EXPENSES													
Management fees	(6,688)	(299,208)	(126,788)	(17,989)	(1,021,276)	(1,645)	(61,327)	(12,731)	(29,482)	(17,159)	(139,691)	(1,080)	(1,735,064)
Distribution expense	-	-	-	-	-	-	-	-	-	-	(290,773)	-	(290,773)
Tax expense	(23)	(138,008)	(46)	(157)	(1,259)	(1,615)	(134)	-	-	-	(1)	-	(141,243)
	(6,711)	(437,216)	(126,834)	(18,146)	(1,022,535)	(3,260)	(61,461)	(12,731)	(29,482)	(17,159)	(430,465)	(1,080)	(2,167,080)
Net decrease in net assets from operations for the year	(546,683)	(279,899)	255,622	(1,652,598)	(3,502,329)	4,890	(2,132,258)	18,819	(172,177)	(79,745)	(236,510)	(4,862)	(8,327,730)
NET ASSETS AT END OF YEAR	P5,581,624	P3,595,985	P7,398,017	P12,360,570	P25,615,550	P273,514	P16,784,088	P627,937	P1,250,688	P763,500	P7,586,538	P67,733	P81,905,744

See Notes to the Combined Financial Statements.

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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, 2019 (Amounts in Thousands)

	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pa-cific Equity-Fund	Global Emerging Market Fund	Cash Flow Fund	Asian Balanced Fund	Global Market Navigator Fund	Combined
CASH FLOWS FROM OPERATING ACTIVITIES														
Net increase in net assets from operations for the year	P796,988	P623,222	P650,985	P777,338	P963,643	P9,154	P1,664,832	P24,286	P87,215	P53,944	P354,888	P5,286	P1,673	P6,013,454
Adjustments for:														
Unrealized depreciation of investment at fair value through profit or loss	-	(2,705,611)	(668,562)	-	(1,293,033)	(4,305)	-	(27,699)	(138,238)	(88,342)	(789,712)	(9,197)	(2,078)	(5,726,777)
Interest income	(224)	(1,039,174)	(338,702)	(1,571)	(10,212)	(3,533)	(1,868)	-	-	-	(88)	-	(3)	(1,395,375)
(Gain) loss on sale of investment at fair value through profit or loss	-	55,319	(38,326)	-	(720,697)	(4,230)	-	(27,438)	(22,274)	(10,821)	(475,033)	(1,315)	23	(1,244,792)
Dividend income	-	-	-	-	(868,056)	-	-	-	-	-	(9,711)	-	-	(877,767)
Foreign exchange loss	-	-	282,866	-	-	-	-	20,742	48,631	29,900	399,681	3,690	-	785,510
Profit (loss) from interfund investments	(803,296)	2,567,917	-	(796,149)	758,449	-	(1,726,921)	-	-	-	-	-	-	-
Operating loss before working capital changes	(6,532)	(498,327)	(111,739)	(20,382)	(1,169,906)	(2,914)	(63,957)	(10,109)	(24,666)	(15,319)	(519,975)	(1,536)	(385)	(2,445,747)
Decrease (increase) in:														
Receivable from life fund	584	(499)	-	4,418	16,024	(1)	(7,305)	(362)	(796)	144	(2,531)	(4)	(6,797)	2,875
Other assets	(7,000)	-	(11,573)	-	(3,505)	-	-	(18,593)	(17,793)	(1,505)	58,352	(4,293)	(1,813)	(7,723)
Increase (decrease) in:														
Liability to life fund and other linked funds	9,873	829,928	9,007	(276)	1,616,075	5,150	30,460	4,086	16,670	1,970	(3,015)	(32)	1,000	2,520,896
Accrued expenses	57	2,633	777	190	11,202	11	577	(733)	(207)	(135)	23,612	(86)	199	38,097
Trade payable	-	12,000	-	40,500	(82,383)	-	- -	33	(585)	45	(79,484)	2,213	6,068	(101,593)
Net additions (withdrawals) to the fund for creation of units	(712,947)	(737,318)	(1,101,925)	630,394	3,108,496	(14,742)	(726,819)	(135,216)	(158,106)	(92,170)	1,764,455	18,897	106,180	1,949,179
Net cash provided by (used in) operating activities	(715,965)	(391,583)	(1,215,453)	654,844	3,496,003	(12,496)	(767,044)	(160,894)	(185,483)	(106,970)	1,241,414	15,159	104,452	1,955,984

Forward

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	Note	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Global Emerging Market Fund	Cash Flow Fund	Asian Balanced Fund	Global Market Navigator Fund	Combined
CASH FLOWS FROM INVESTING ACTIVITIES															
Net (disposals) acquisitions of investments		P719,599	(P673,762)	P855,560	(P637,100)	(P4,294,041)	(P48,748)	P790,088	P160,926	P184,396	P107,012	(P1,241,858)	(P15,146)	(P98,945)	(P4,192,019)
Interest received		223	1,036,350	359,679	1,563	10,164	5,280	1,861	-	-	-	88	-	3	1,415,211
Dividends received		-	-	-	-	852,542	-	-	-	-	-	9,711	-	-	862,253
Net cash (used in) provided by investing activities		719,822	362,588	1,215,239	(635,537)	(3,431,335)	(43,468)	791,949	160,926	184,396	107,012	(1,232,059)	(15,146)	(98,942)	(1,914,555)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		3,857	(28,995)	(214)	19,307	64,668	(55,964)	24,905	32	(1,087)	42	9,355	13	5,510,510	41,429
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		6,461	58,871	17,925	76,318	658,982	75,632	34,989	13	1,125	134	114,033	505	-	1,044,988
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS		-	-	(702)	-	-	-	-	-	-	-	-	-	-	(702)
CASH AND CASH EQUIVALENTS AT END OF YEAR	*8*	P10,318	P29,876	P17,009	P95,625	P723,650	P19,668	P59,894	P45	P38	P176	P123,388	P518	P5,510	P1,085,715

See Notes to the Combined Financial Statements.

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, 2018 (Amounts in Thousands)

	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific EquityFund	Global Emerging Market Fund	Cash Flow Fund	Asian Balanced Fund	Combined
CASH FLOWS FROM OPERATING ACTIVITIES													
Net (decrease) increase in net assets from operations for the year	(P546,683)	(P279,899)	P255,622	(P1,652,598)	(P3,502,329)	P4,890	(P2,132,258)	P18,819	(P172,177)	(P79,745)	(P236,510)	(P4,862)	(P8,327,730)
Adjustments for:													
Unrealized depreciation of investment at fair value through profit or loss	-	1,592,053	414,133	-	7,344,671	133	-	25,242	243,152	115,666	429,021	7,082	10,171,153
Interest income	(113)	(1,067,938)	(413,531)	(786)	(6,297)	(3,594)	(669)	-	-	-	(4)	-	(1,492,932)
(Gain) loss on sale of investment at fair value through profit or loss	-	395,094	3,175	-	(968,241)	(4,689)	-	(23,360)	(33,983)	(12,572)	(220,232)	284	(864,524)
Dividend income	-	-	-	-	(720,076)	-	-	-	-	-	-	-	(720,076)
Foreign exchange gain	-	-	(387,185)	-	-	-	-	(33,432)	(66,474)	(40,508)	(402,740)	(3,584)	(933,923)
Profit (loss) from interfund investments	540,085	(1,076,526)	-	1,635,238	(3,170,263)	-	2,071,466	-	-	-	-	-	-
Operating loss before working capital changes	(6,711)	(437,216)	(127,786)	(18,146)	(1,022,535)	(3,260)	(61,461)	(12,731)	(29,482)	(17,159)	(430,465)	(1,080)	(2,168,032)
Decrease (increase) in:													
Receivable from life fund	(1,475)	(20)	-	(14,405)	(29,559)	(1)	(10,400)	-	2,214	(167)	(45,343)	203	(98,953)
Other assets	7,000	-	(13,310)	-	(26,995)	-	1,000	5,776	(477)	210	(67,378)	660	(93,514)
Increase (decrease) in:													
Liability to life fund and other linked funds	(722)	1,650,374	(1,124)	2,625	(5,285,596)	271	(25,602)	(7,362)	(403)	(1,243)	3,467	(943)	(3,666,258)
Accrued expenses	38	905	(12,300)	125	1,721	(7)	271	(119)	(457)	(99)	11,770	83	1,931
Trade payable	-	-	-	(10,000)	104,837	-	-	(207)	(2,851)	130	77,324	(5,632)	163,601
Net additions (withdrawals) to the fund for creation of units	(562,176)	(744,500)	(1,699,663)	1,336,448	4,730,116	(157,833)	(49,473)	(193,068)	(31,453)	43,129	1,435,599	46,259	4,153,385
Net cash (used in) provided by operating activities	(564,046)	469,543	(1,854,183)	1,296,647	(1,528,011)	(160,830)	(145,665)	(207,711)	(62,909)	24,801	984,974	39,550	(1,707,840)

Forward

Combined financial statements

	Note	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Global Emerging Market Fund	Cash Flow Fund	Asian Balanced Fund	Combined
CASH FLOWS FROM INVESTING ACTIVITIES														
Net (disposals) acquisitions of investments		P566,568	(P1,587,609)	P1,418,752	(P1,263,110)	P188,836	P8,362	P104,965	P206,480	P59,664	(P24,695)	(P956,236)	(P45,187)	(P1,323,210)
Interest received		112	1,052,421	431,429	778	6,278	1,250	669	-	-	-	4	-	1,492,941
Dividends received		-	-	-	-	742,207	-	-	-	-	-	-	-	742,207
Net cash provided by (used in) investing activities		566,680	(535,188)	1,850,181	(1,262,332)	937,321	9,612	105,634	206,480	59,664	(24,695)	(956,232)	(45,187)	911,938
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		2,634	(65,645)	(4,002)	34,315	(590,690)	(151,218)	(40,031)	(1,231)	(3,245)	106	28,742	(5,637)	(795,902)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		3,827	124,516	20,975	42,003	1,249,672	226,850	75,020	1,244	4,370	28	85,291	6,142	1,839,938
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS		-	-	952	-	-	-	-	-	-	-	-	-	952
CASH AND CASH EQUIVALENTS AT END OF YEAR	*8*	P6,461	P58,871	P17,925	P76,318	P658,982	P75,632	P34,989	P13	P1,125	P134	P114,033	P505	P1,044,988

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
(Amounts 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 there under that may 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 thirteen 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.

The Funds is composed of the following:

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 on 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 United States (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 emphasis on strong capital growth, through investments in fixed income securities, money market instruments and with a greater focus of investment in shares of stocks listed on 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 on the PSE.

f. Money Market Fund - a fund which 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.

g. Proactive Fund - a fund which 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 on PSE.

h. Asian Local Bond Fund - a fund which 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. This fund is structured as a feeder fund which invests in the Asian Local Bond Fund of Eastspring Investments (Singapore) Limited (formerly known as Prudential Asset Management Singapore).

i. Asia Pacific Equity Fund - a fund which aims to maximize long-term total return by investing primarily in equity and equity-related securities of companies, which are incorporated, listed on or have their area of primary activity in the Asia Pacific excluding Japan Region.

j. Global Emerging Market Fund - a fund structured as a feeder fund and invests in the Eastspring Investments - Global Emerging Markets Dynamic Fund, which aims to generate long-term capital growth through a concentrated portfolio of equities, equity-related securities and bonds. This fund invests primarily in securities of companies which are incorporated, or listed on, 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. This fund may also invest in depository receipts including American Depositary Receipts and Global Depositary Receipts, preference shares and warrants.

k. Cash Flow Fund - a fund which seeks to provide investors with regular payouts and capital growth by investing into Luxembourg domiciled Eastpring Investments - U.S. High Yield Bond, Asian Bond Fund, World Value Equity Fund, North American Value Fund, Asian Equity Income Fund and iShares Select Dividend Exchange Traded Funds. Under the Cash Flow Fund is the Cash Flow Fund - Peso Hedged Share Class which seeks to provide investors with regular income and capital growth by investing in a diversified portfolio consisting primarily of high yield bonds and other fixed income/debt securities denominated in U.S. dollars, issued in the U.S. market rated below BBB- as well as fixed income/debt securities issued by Asian entities or their subsidiaries. This fund may in addition, at the fund manager's discretion, invest up to 20% of its assets in dividend yielding equities. It aims to provide investors with a return correlated to the base currency performance of the fund, by reducing the effect of exchange rate fluctuations between the base and hedged currency.

l. Asian Balanced Fund - a fund which aims to maximize total return in the medium to long-term by investing primarily in equities or equity-related securities of companies, which are incorporated, listed in or have their area of primary activity in the Asia Pacific (i.e. Japan region) as well as fixed income and debt securities issued by Asian entities or their subsidiaries. The fund will be investing in dollar-denominated and Luxembourg-domiciled Eastspring Asian Société d'investissement à Capital Variable Funds.

m. Global Market Navigator Fund - a fund which aims to achieve positive absolute returns over the medium-term through the implementation of an actively managed investment strategy in a diversified range of global assets including cash, equities, bonds and currencies. Exposure to each of the asset classes will be primarily through exchange traded funds, index futures, direct equity and bonds (including high yield bonds, ABS and MBS), swaps, options and foreign exchange forwards, each of which may be traded through recognized exchanges or via the over-the-counter markets.

Investment activities of the Funds are managed by Eastspring Investments (Singapore) Limited (see Note 6), an entity under common control with the Company, the valuation and unit pricing calculation is done by Standard Chartered Bank (SCB) in accordance with the Prudential Corporation Asia (PCA) mandate.

The Company's registered address is located at the 9/F Uptown Place Tower 1, 1 East 11th Drive, Uptown Bonifacio, Taguig City 1634, Metro Manila, Philippines.

2. Basis of Preparation

Basis of Accounting

The combined financial statements have been prepared to present the combined statements of assets and accountabilities, 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 linked funds.

The combined financial statements of the Funds were authorized for issue by the Board of Directors of the Company on March 19, 2020.

Basis of Measurement

The combined 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 have been prepared on the historical cost basis, except for investments at fair value through profit or loss (FVPL) which is measured at fair value.

Basis of Combination

The 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.

The interfund investments under "Investments at fair value through profit or loss" account not eliminated as at December 31 are as follows:

	Note	2019	2018
Proactive Fund invested at Bond Fund (Peso)	*5, 8*	**P8,864,821**	P8,358,402
Managed Fund invested at Bond Fund (Peso)	*5, 8*	**4,536,802**	4,466,954
Growth Fund invested at Equity Fund	*5*	**10,951,159**	9,795,002
Proactive Fund invested at Equity Fund	*5*	**8,805,103**	8,374,689
Growth Fund invested at Bond Fund (Peso)	*5, 8*	**2,738,983**	2,461,891
Managed Fund invested at Equity Fund	*5*	**1,124,022**	1,110,173
		P37,020,890	P34,567,111

The interfund liabilities taken up as part "Liability to life fund and other linked funds" account not eliminated as at December 31 are as follows:

	2019	2018
Liability of Bond Fund (Peso) to Proactive Fund	**P8,864,821**	P8,358,402
Liability of Bond Fund (Peso) to Managed Fund	**4,536,802**	4,466,954
Liability of Equity Fund to Growth Fund	**10,951,159**	9,795,002
Liability of Equity Fund to Proactive Fund	**8,805,103**	8,374,689
Liability of Bond Fund (Peso) to Growth Fund	**2,738,983**	2,461,891
Liability of Equity Fund to Managed Fund	**1,124,022**	1,110,173
	P37,020,890	P34,567,111

Receivable from life fund pertains to the investment portion of the premiums received by the Company from unit-linked policyholders that has not yet been transferred to the Funds. The combined balance of "Receivable from Life Fund" account as presented in the combined statement of assets and accountabilities amounted to P210.76 million and P213.63 million as at December 31, 2019 and 2018, respectively (see Note 8).

Liability to life fund and other linked funds includes amount advanced by the Company to settle investment withdrawals and surrenders by unit-linked policyholders. The combined balance of "Liability to life fund and other linked funds" account as presented in the combined statement of assets and accountabilities amounted to P37.16 billion and P34.64 billion as at December 31, 2019 and 2018, respectively (see Note 8).

Functional and Presentation Currency

The combined financial statements are presented in Philippine peso, which is the Funds' functional currency. All financial information presented in Philippine peso have been rounded off to the nearest thousands (P000s), except when otherwise indicated. Transactions in foreign currencies pertain to foreign denominated cash and cash equivalents and acquisitions and disposals of financial assets at FVPL that are translated to the functional currency using the foreign currency exchange rate prevailing at the date of transaction. These cash and cash equivalents and financial assets at FVPL are translated to Philippine peso using the foreign currency closing exchange rate prevailing at the reporting date. The resulting foreign currency exchange differences are included in unrealized appreciation (depreciation) of financial assets at FVPL.

Use of Estimates and Judgments

The preparation of the combined financial statements require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the combined financial statements are described in Note 4.

3. Summary of Significant Accounting Policies

The Funds consistently applied to the individual funds the following accounting policies to all periods presented in these combined financial statements, except for the changes in accounting policies as discussed below.

Adoption of Interpretation

The Funds have adopted the interpretation starting January 1, 2019 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of this interpretation did not have any significant impact on the Funds' combined financial statements.

Effective January 1, 2019

- Philippine Interpretation International Financial Reporting Interpretations Committee 23, *Uncertainty over Income Tax Treatments*, clarifies how to apply the recognition and measurement requirements in Philippine Accounting Standards (PAS) 12, *Income Taxes*, when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the combined financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty – either the most likely amount or the expected value.

The interpretation also requires the reassessment of judgements and estimates applied if facts and circumstances change – e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

Financial Instruments

Derivative Financial Assets

Derivative financial instruments are initially recognized at fair value on the date when the derivative contract is entered into and are subsequently remeasured at fair value. A derivative is reported as an asset when fair value is positive and as a liability when fair value is negative.

The Cash Flow Fund - Peso Hedged Share Class holds derivative financial instrument to manage its foreign currency risk exposures through non-deliverable forward (NDF) contracts.

Non-derivative Financial Assets

The Funds initially recognizes loans and receivables on the date that they originated. All other financial assets, including assets 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 classifies non-derivative financial assets into the following categories: financial assets at FVPL, available-for-sale (AFS) financial assets, held-to-maturity (HTM) investments and loans and receivables.

As at December 31, 2019 and 2018, the Funds has no investments classified as AFS financial assets and HTM investments.

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 manages 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 combined statements of changes in net assets as incurred. Financial assets at FVPL are measured at fair value and changes therein, which takes into account any dividend income, are recognized in combined statements of changes in net assets.

The Funds' held for trading account consists of traded government and corporate debt securities, equity securities listed in the PSE and investments in mutual funds. These financial assets are measured at fair value and changes therein are recognized in the combined statements of changes in net assets. Investments at FVPL amounted to P125.60 billion and P115.22 billion as at December 31, 2019 and 2018, respectively (see Note 5).

The fair value for financial instruments traded in active markets at each reporting date is based on the quoted market price, dealer price quotations or net asset value of these financial assets, without any deduction for transaction costs.

b. 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.

The Funds' combined financial assets classified as loans and receivables comprise cash and cash equivalents, interest receivables and receivable from life fund and other assets. As at December 31, 2019 and 2018, the Funds' combined loans and receivables amounted to P1.76 billion and P1.72 billion, respectively (see Note 8).

Cash and cash equivalents comprise cash balances and all deposits with maturities of three (3) months or less from the acquisition date that are subject to an insignificant risk of changes in value and are used by the Funds in the management of its short-term commitments.

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.

Financial Assets Measured at Amortized Cost

The Funds considers evidence of impairment for financial assets measured at amortized cost at both a specific asset and collective level. All individually significant financial 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. Financial 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 financial assets measured at amortized cost. 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 financial asset does not exceed its carrying amount had no impairment loss has been recognized.

Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount presented in the combined statement of net assets and accountabilities when, and only when, the Funds currently has an enforceable legal right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under PFRSs, such as in the case of any realized gains or losses arising from the Funds' trading activities.

Derecognition of Financial Assets

The Funds derecognizes a financial asset (or, where a part of a financial asset or part of a group of similar financial assets) when:

- the right to receive cash flows from the asset has expired;
- the Funds retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the Funds has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Funds has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor is transferred control of the asset, the asset recognized to the extent of the Funds continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Funds could be required to pay.

Non-derivative Financial Liabilities

Financial liabilities are recognized when, and only when, the Funds becomes a party to the contractual provisions of the financial instrument. The Funds determines the classification of financial liabilities at initial recognition.

The Funds initially recognizes financial liabilities on the date they are originated. Financial liabilities are initially recognized at fair value plus transaction costs for all financial liabilities not carried at FVPL.

The Funds classifies 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 method.

The Funds' other financial liabilities comprise of liability to life fund and other linked funds, accrued expenses and trade payable. As at December 31, 2019 and 2018, the Funds' other financial liabilities amounted to P37.49 billion and P35.03 billion, respectively (see Note 8).

Derecognition of Financial Liabilities

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

Revenue Recognition

Under PFRS 15, *Revenue from Contracts with Customers* revenue is measured based on the consideration in a contract with customer. The Company has no revenue accounted under PFRS 15.

Revenue Out of Scope of PFRS 15
Investment Income

Investment income consists of fair value changes of investments at FVPL (net of final tax), interest income from all interest-bearing investments, dividend income from stock investments and gain (loss) on sale of investment at FVPL.

Interest income for all interest-bearing financial instruments, including financial assets at FVPL, is recognized in the combined statement of changes in net assets using the effective interest method.

Gain (loss) on sale of investment at FVPL is recognized upon sale of investments when the consideration received is higher or lower than the recorded cost of the investments.

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

Profit (Loss) from Interfund Investments

Profit (loss) from interfund investments consists of fair value changes and realized gain or loss from interfund investments.

Determining whether the Funds is Acting as Principal or an Agent

The Funds assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or agent:

- whether the Funds has primary responsibility for providing the services; and
- whether the Funds has discretion in establishing prices;

If the Funds has determined it is acting as a principal, the Funds recognizes revenue on gross basis with the amount remitted to the other party being accounted as part of cost and expenses. If the Funds has determined it is acting as an agent, only the net amount retained is recognized as revenue.

The Funds has determined it is acting as principal in its revenue arrangements.

Expense Recognition

All expenses, including management fees, custodian fees and distribution expenses are recognized when incurred.

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.

Contingent Liabilities

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 Standards and Amendments to Standards Not Yet Adopted

A number of new and amendments to standards are effective for annual periods beginning January 1, 2020. However, the Funds has not applied these new standards and amendments to standards in preparing these combined financial statements. The Company is currently assessing the potential impact of these on its combined financial statements.

To be Adopted January 1, 2020

- Amendments to References to Conceptual Framework in PFRSs sets out amendments to PFRSs, their accompanying documents and PFRSs practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:

  - a new chapter on measurement;
  - guidance on reporting financial performance;
  - improved definitions of an asset and a liability, and guidance supporting these definitions; and
  - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some PFRSs, their accompanying documents and PFRSs practice statements contain references to, or quotations from, the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010.

  The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

  These amendments are effective for annual reporting periods beginning on or after January 1, 2020.

- Definition of Material (Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';
  (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;
  (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
  (d) clarifying the explanatory paragraphs accompanying the definition; and
  (e) aligning the wording of the definition of material across PFRS and other publications.

  The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

  The amendments apply for annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

- Interest Rate Benchmark Reform (Amendments to PFRS 9, *Financial Instruments*, PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 7, *Financial Instruments: Disclosures*). The amendments provide temporary exceptions to all hedging relationships directly affected by interest rate benchmark reform – the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark rate such as that resulting from the recommendations set out in the Financial Stability Board's July 2014 report 'Reforming Major Interest Rate Benchmarks'. The exceptions relate to the following requirements:

- The highly probable requirement. When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.

- Prospective assessments. When performing prospective assessments, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

- PAS 39 retrospective assessment. An entity is not required to undertake the PAS 39 retrospective assessment for hedging relationships directly affected by the reform. However, the entity must comply with all other PAS 39 hedge accounting requirements, including the prospective assessment.

- Separately identifiable risk components. For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

An entity shall cease applying the exceptions when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows or the hedging relationship is discontinued. End of application does not apply to the test for separately identifiable risk components.

Specific disclosure requirements apply to hedging relationships affected by the amendments including information about the significant interest rate benchmarks, extent of risk exposure directly affected by the reform, how the entity manages the process to transition to alternative benchmark rates, significant assumptions and judgements made in applying the exceptions, and the nominal amount of the hedging instruments in those hedging relationships.

To be Adopted January 1, 2023

- *PFRS 9* (2014). PFRS 9 (2014) replaces PAS 39 and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  Applying PFRS 9 with PFRS 4 *Insurance Contracts* (Amendments to PFRS 4) provide a temporary exemption from PFRS 9, where an entity is permitted to defer application of PFRS 9 in 2018 and continue to apply PAS 39 if it has not applied PFRS 9 before and its activities are predominantly connected with insurance. The Company is permitted to apply the temporary exemption for annual reporting periods beginning before January 1, 2023. Accordingly, the Funds availed the temporary exemption and deferred application of PFRS 9.

- *Prepayment Features with Negative Compensation (Amendments to PFRS 9).* The amendments cover the following areas:

  - *Prepayment features with Negative Compensation.* The amendment clarifies that a financial asset with a prepayment feature could be eligible for measurement at amortized cost or fair value through other comprehensive income irrespective of the event or circumstance that causes the early termination of the contract, which may be within or beyond the control of the parties, and a party may either pay or receive reasonable compensation for that early termination.

    The amendment is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. Retrospective application is required, subject to relevant transitional reliefs.

  - *Modification of Financial Liabilities.* The amendment to the Basis for Conclusions on PFRS 9 clarifies that the standard provide an adequate basis for an entity to account for modifications and exchanges of financial liabilities that do not result in derecognition and the treatment is consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset - i.e., the amortized cost of the modified financial liability is recalculated by discounting the modified contractual cash flows using the original effective interest rate and any adjustment is recognized in profit or loss.

  If the initial application of PFRS 9 results in a change in accounting policy for these modifications or exchanges, then retrospective application is required, subject to relevant transition reliefs.

4. Use of Estimates and Judgments

The Funds makes 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.

Judgment

In the process of applying the Funds' accounting policies, management has made the following judgment, apart from those involving estimation, which has the most significant effects or amounts recognize in the combined financial statements.

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 operates. It is the currency that mainly influences the income and costs arising from the Funds' operations.

Estimates

Fair Value Estimation
The fair value of financial instruments traded in active markets (such as investments at FVPL) is based on quoted market prices or quoted prices for similar assets or liabilities 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.

As at December 31, 2019 and 2018, the Funds' financial instruments carried at fair value are classified as Level 1 and Level 2 in the fair value hierarchy.

Combined financial statements

5. Investments at Fair Value through Profit or Loss

This account as at December 31 consists of:

		2019													
	Note	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Global Emerging Market Fund	Cash Flow Fund	Asian Balanced Fund	Global Market Navigator Fund	Combined
Investment in shares of stocks		P -	P -	P -	P -	P44,339,321	P -	P -	P -	P997,787	P614,737	P1,187,602	P53,347	P98,921	P47,291,715
Accumulated fair value gain		-	-	-	-	5,431,161	-	-	-	180,964	110,016	16,992	1,839	2,079	5,743,051
	8	-	-	-	-	49,770,482	-	-	-	1,178,751	724,753	1,204,594	55,186	101,000	53,034,766
Investment in bond funds		3,345,092	-	-	2,405,999	-	-	7,678,292	-	-	-	-	-	-	13,429,383
Accumulated fair value gain		1,191,710	-	-	332,984	-	-	1,186,529	-	-	-	-	-	-	2,711,223
	2, 8	4,536,802	-	-	2,738,983	-	-	8,864,821	-	-	-	-	-	-	16,140,606
Investment in equity funds		1,053,953	-	-	9,283,573	-	-	8,386,842	-	-	-	-	-	-	18,724,368
Accumulated fair value gain		70,069	-	-	1,667,586	-	-	418,261	-	-	-	-	-	-	2,155,916
	2, 8	1,124,022	-	-	10,951,159	-	-	8,805,103	-	-	-	-	-	-	20,880,284
Investment in debt securities		-	18,684,267	6,243,940	-	-	248,636	-	400,893	-	-	7,536,349	32,172	-	33,146,257
Accumulated fair value gain		-	744,674	595,403	-	-	4,313	-	101,876	-	-	947,202	2,074	-	2,395,542
	8	-	19,428,941	6,839,343	-	-	252,949	-	502,769	-	-	8,483,551	34,246	-	35,541,799
Accumulated fair value gain - NDF	*8*	-	-	-	-	-	-	-	-	-	-	(335)	-	-	(335)
		P5,660,824	P19,428,941	P6,839,343	P13,690,142	P49,770,482	P252,949	P17,669,924	P502,769	P1,178,751	P724,753	P9,687,810	P89,432	P101,000	P125,597,120

Combined financial statements

5. Investments at Fair Value through Profit or Loss

This account as at December 31 consists of:

		2018												
	Note	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Global Emerging Market Fund	Cash Flow Fund	Asian Balanced Fund	Combined
Investment in shares of stocks		P -	P -	P -	P -	P40,064,170	P -	P -	P -	P1,207,739	P740,300	P -	P38,220	P42,050,429
Accumulated fair value gain (loss)		-	-	-	-	4,156,990	-	-	-	43,527	22,202	-	(4,667)	4,218,052
	8	-	-	-	-	44,221,160	-	-	-	1,251,266	762,502	-	33,553	46,268,481
Investment in bond funds		3,852,459	-	-	2,512,958	-	-	8,423,143	-	-	-	-	-	14,788,560
Accumulated fair value gain (loss)		614,495	-	-	(51,067)	-	-	(64,741)	-	-	-	-	-	498,687
	2, 8	4,466,954	-	-	2,461,891	-	-	8,358,402	-	-	-	-	-	15,287,247
Investment in equity funds		1,039,380	-	-	8,374,342	-	-	8,088,657	-	-	-	-	-	17,502,379
Accumulated fair value gain		70,793	-	-	1,420,660	-	-	286,032	-	-	-	-	-	1,777,485
	2, 8	1,110,173	-	-	9,795,002	-	-	8,374,689	-	-	-	-	-	19,279,864
Investment in debt securities		-	20,633,741	7,357,764	-	-	195,659	-	556,372	-	-	7,296,377	33,698	36,073,611
Accumulated fair value (loss) gain		-	(1,960,937)	(87,585)	-	-	7	-	72,928	-	-	282,666	213	(1,692,708)
	8	-	18,672,804	7,270,179	-	-	195,666	-	629,300	-	-	7,579,043	33,911	34,380,903
Accumulated fair value gain - NDF	*8*	-	-	-	-	-	-	-	-	-	-	1,845	-	1,845
		P5,577,127	P18,672,804	P7,270,179	P12,256,893	P44,221,160	P195,666	P16,733,091	P629,300	P1,251,266	P762,502	P7,580,888	P67,464	P115,218,340

6. Management Fees

Management fees are charged against the daily net asset value of the investment account of the policyholders based on the following rates per annum as specified in the policy contract:

	2019	2018
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%
Proactive Fund	2.25%	2.25%
Money Market Fund	0.50%	0.50%
Asian Local Bond Fund	1.80%	1.80%
Asia Pacific Equity Fund	2.05%	2.05%
Global Emerging Market Fund	2.05%	2.05%
Cash Flow Fund	1.95%	1.95%
Asian Balanced Fund	1.95%	1.95%
Global Market Navigator Fund	2.25%	-

7. Number of Units and Unit Prices

As at December 31, the Funds' number of units issued are as follows:

	2019	2018
Managed Fund	1,708,468	1,931,619
Bond Fund (Peso)	1,237,228	1,506,745
Bond Fund (Dollar)	48,181	56,134
Growth Fund	3,461,119	3,303,020
Equity Fund	12,988,078	11,654,246
Proactive Fund	7,965,391	8,292,641
Money Market Fund	245,347	259,027
Asian Local Bond Fund	9,209	11,734
Asia Pacific Equity Fund	21,836	24,918
Global Emerging Market Fund	13,054	14,847
Cash Flow Fund (Dollar)	162,469	151,104
Cash Flow Fund (Peso Hedged Share Class)	1,689,080	496,441
Asian Balanced Fund	1,785	1,401
Global Market Navigator Fund	107,006	-
	29,658,251	27,703,877

The corresponding December 31 unit prices are as follows:

	2019	2018
Unit price in Philippine peso		
Managed Fund	P3.31623	P2.88961
Bond Fund (Peso)	2.81427	2.38659
Growth Fund	3.97799	3.74220
Equity Fund	2.28576	2.19796
Proactive Fund	2.22489	2.02397
Money Market Fund	1.09202	1.05593
Unit price in U.S. dollar		
Bond Fund (Dollar)	$2.84757	$2.49966
Asian Local Bond Fund	1.10876	1.01496
Asia Pacific Equity Fund	1.06707	0.95197
Global Emerging Market Fund	1.09728	0.97533
Cash Flow Fund (Dollar)	0.96451	0.89207
Cash Flow Fund (Peso Hedged Share Class)	1.04865	0.96379
Asian Balanced Fund	1.01673	0.91704
Global Market Navigator Fund	1.00791	-

The corresponding published unit prices as of the last working day of the year are as follows:

	December 27, 2019	December 28, 2018
Unit price in Philippine peso		
Managed Fund	P3.31611	P2.88932
Bond Fund (Peso)	2.81393	2.38615
Growth Fund	3.97875	3.74267
Equity Fund	2.28633	2.19837
Proactive Fund	2.22512	2.02404
Money Market Fund	1.09178	1.05572
Unit price in U.S. dollar		
Bond Fund (Dollar)	$2.84930	$2.49760
Asian Local Bond Fund	1.10387	1.01100
Asia Pacific Equity Fund	1.07356	0.94698
Global Emerging Market Fund	1.10023	0.97451
Cash Flow Fund (Dollar)	0.96520	0.89000
Cash Flow Fund (Peso Hedged Share Class)	1.04561	0.95748
Asian Balanced Fund	1.01954	0.91351
Global Market Navigator Fund	1.00970	-

Combined financial statements

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 exist 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 invests in equity and debt instruments as dictated by the Funds' investment management strategy. Asset allocation is determined by the Funds' 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.

There has been no change to the Funds' exposure to investment risk or the manner in which it manages and measures the risk since prior financial year.

Financial risk

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

- Credit risk
- Liquidity risk
- Market risk

There has been no change to the Funds' exposure to financial risks (i.e. credit risk, liquidity risk and market risks) or the manner in which it manages and measures the risks since prior financial year.

(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 Funds is exposed to credit risk primarily through its cash and cash equivalents, interest receivables, receivable from life fund, investment in debt securities and other assets. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date.

The Funds' investment in debt securities classified as investments at FVPL consists primarily of government securities. As these are direct obligations of their respective governments, these are generally considered to be free of credit risk.

The Funds' concentration of credit risk arises from its investments in government securities since the said investments amounted to P51.68 billion as at December 31, 2019 and P49.67 billion as at December 31, 2018 which are 40.58% and 42.48% of its total assets, respectively.

The table below provides information regarding the credit risk exposure of the Funds as at December 31, 2019 and 2018 by classifying assets according to the Funds' credit grading of counterparties.

2019

	Note	Neither Past Due nor Impaired: Investment High-grade	Neither Past Due nor Impaired: Non-investment Grade - Satisfactory	Neither Past Due nor Impaired: Total Financial Assets Neither Past Due nor Impaired	Past Due but not impaired	Total
Cash and cash equivalents	3	P1,085,715	P -	P1,085,715	P -	P1,085,715
Interest receivables	3	321,498	-	321,498	-	321,498
Receivable from life fund	2,3	210,758	-	210,758	-	210,758
Investment in bond funds	2,5	16,140,606	-	16,140,606	-	16,140,606
Investment in debt securities	5	35,541,799	-	35,541,799	-	35,541,799
Other assets	3	138,461	-	138,461	-	138,461
		P53,438,837	P -	P53,438,837	P -	P53,438,837

2018

	Note	Neither Past Due nor Impaired: Investment High-grade	Neither Past Due nor Impaired: Non-investment Grade - Satisfactory	Neither Past Due nor Impaired: Total Financial Assets Neither Past Due nor Impaired	Past Due but not impaired	Total
Cash and cash equivalents	3	P1,044,988	P -	P1,044,988	P -	P1,044,988
Interest receivables	3	325,820	-	325,820	-	325,820
Receivable from life fund	2,3	213,633	-	213,633	-	213,633
Investment in bond funds	2,5	15,287,247	-	15,287,247	-	15,287,247
Investment in debt securities	5	34,380,903	-	34,380,903	-	34,380,903
Other assets	3	130,738	-	130,738	-	130,738
		P51,383,329	P -	P51,383,329	P -	P51,383,329

The Funds has no past due but not impaired financial assets as at December 31, 2019 and 2018.

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.

Past Due and Impaired - This pertains to the allowance for the impairment losses that the Funds recognizes due to the uncertainty of the collectability of the Funds' receivable.

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 SCB, Philippine Branch pursuant to a custodianship agreement entered into by the Funds with SCB, a reputable financial institution with high credit rating.

(b) Liquidity Risk

The Funds is exposed to the liquidity risk of meeting policyholders' redemptions at any time. The Funds 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 has limited exposure to liquidity risk.

The tables below summarize the maturity profile of the financial liabilities of the Funds based on remaining contractual obligations or on the estimated timing of net cash flows as at December 31, 2019 and 2018.

2019

	Note	Less than 1 year	1-2 years	>2-3 years	>3-4 years	>4-5 years	More than 5 years	Total
Liability to life fund and other linked funds	2	P37,164,436	P -	P -	P -	P -	P -	P37,164,436
Accrued expenses		143,665	-	-	-	-	-	143,665
Trade payable		177,074	-	-	-	-	-	177,074
	3	P37,485,175	P -	P -	P -	P -	P -	P37,485,175

2018

	Note	Less than 1 year	1-2 years	>2-3 years	>3-4 years	>4-5 years	More than 5 years	Total
Liability to life fund and other linked funds	2	P34,643,540	P -	P -	P -	P -	P -	P34,643,540
Accrued expenses		105,568	-	-	-	-	-	105,568
Trade payable		278,667	-	-	-	-	-	278,667
	3	P35,027,775	P -	P -	P -	P -	P -	P35,027,775

(c) Market Risk

Market risk embodies the potential for both losses 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 Funds' investment objective (see Note 1). The Funds' market risk is managed on a daily basis by the Funds' 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, the Funds' functional currency. Consequently, the Funds is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Funds' assets or liabilities denominated in currencies other than Philippine peso.

The Funds' most significant exposure to fluctuations in foreign currency exchange rates its assets denominated in U.S. dollar:

	2019	2018
Short-term time deposits	$336	$340
Investments	377,681	333,085
	$378,017	$333,425
Foreign exchange rate to the Philippine peso used*	P50.64	52.58
	P19,142,781	P17,531,487

**Exchange rate used is based on Bankers Association of the Philippines foreign exchange rate as at December 27, 2019 and December 28, 2018.*

A 1% and 3% strengthening of Philippine peso against the U.S. dollar as at December 31, 2019 and 2018, with all variables remain constant, would have affected the measurement of profit before tax and equity by P191.41 million and P525.95 million, respectively. A 1% and 3% weakening of the Philippine peso in relation to the U.S. dollar as at December 31, 2019 and 2018, respectively, 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 FVPL is interest-bearing. As a result, the Funds is subject to exposure to fair value interest rate risk. The Funds does 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' 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 time deposits with the term to maturity of up to three (3) or six (6) 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	
	100 Basis Points	**100 Basis Points**
December 31, 2019	***Increase***	***Decrease***
Currency		
Philippine peso	**(P1,202,253)**	**P1,335,845**
US dollar	**(587,567)**	**672,185**
Fair value sensitivity	**(P1,789,820)**	**P2,008,030**

	Changes in variables	
	100 Basis Points	100 Basis Points
December 31, 2018	*Increase*	*Decrease*
Currency		
Philippine peso	(P1,043,033)	P1,149,691
US dollar	(598,527)	684,949
Fair value sensitivity	(P1,641,560)	P1,834,640

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 amounting to P73.92 billion and P65.55 billion as at December 31, 2019 and 2018, respectively (see Note 5). The value of these equity securities fluctuates upon changes in market conditions.

Equity price risk is managed by the Funds' manager by constructing a diversified equity portfolio.

All of the Funds' equity investments are listed in the PSE. An 8% and 7% increase in stock prices would have increased profit before income tax and equity by P5.91 billion and P4.59 billion as at December 31, 2019 and 2018, respectively. An equal change in the opposite direction would have decreased profit before income tax and equity 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 accountabilities. 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, liability to life funds and other linked funds, accrued expenses, and trade payable, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

The recurring fair values of financial assets at FVPL are determined by reference to quoted market prices, at the close of business on the reporting date.

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, 2019		
	Note	**Level 1**	**Level 2**	**Total**
Financial Assets				
Investments at FVPL	*5*	**P125,597,455**	**(P335)**	**P125,597,120**

		December 31, 2018		
	Note	Level 1	Level 2	Total
Financial Assets				
Investments at FVPL	*5*	P115,216,495	P1,845	P115,218,340

The Funds has no financial instruments categorized under Level 3. Also, there has been no transfer between levels in 2019 and 2018.

9. Event After the Reporting Period
On March 11, 2020, the World Health Organization declared the Coronavirus Disease (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 affected countries.

On March 16, 2020, Proclamation No. 929, Series of 2020, declared a state of calamity throughout the Philippines for a period of six (6) months and an Enhanced Community Quarantine was imposed throughout the entire Luzon until April 12, 2020, unless earlier lifted or extended as circumstances may warrant.

The COVID-19 coronavirus pandemic is affecting companies in many ways. In addition to customer, people and operational considerations, volatile markets and exchange rate movements have affected investment portfolios. Stock markets have declined in value and bond yields are at record lows which might result to changes in cashflow forecasts and higher uncertainty and elevated risk.

Fair value measurements also reflect a greater uncertainty in making economic and financial forecasts in the near term, due to the difficulty in forecasting the magnitude and duration of the economic impact of COVID-19.

The Company is closely monitoring the situation and believes that financial impact will begin to manifest few months after the issuance of these financial statements. Thus, the Company has not yet quantified the overall potential impact of COVID-19 to these financial statements.

Combined financial statements

Market review

Global equities rose strongly during 2019, with equity markets around the world capping off the year at multi-year or all-time highs, buoyed by hopes for the "phase one" US-China trade deal and the cancellation of the additional US tariffs on goods scheduled to take effect on 15 December. Sentiment going into the end of the year was further supported by the easing of geopolitical risk and uncertainty that had dominated markets for much of 2019, notably on Brexit, with the confirmation of a Conservative Party majority government in December's UK general election.

Rate cuts by global central banks, including by the US Federal Reserve ("Fed") and the European Central Bank, provided an additional positive backdrop for investors during the period, with fears of a recession receding during the latter part of the year as the global economic growth outlook improved.

US equities rallied and, whilst the ongoing US-China trade war caused several bouts of volatility throughout the year, accommodative policies from the Fed, as well as broadly positive economic data, led the market higher. The US was amongst the best performing regions, led by strong gains from technology stocks. European equities were also boosted by monetary policy easing, as well as the results of the UK general election, ending some of the prolonged Brexit uncertainty that had been hanging over the region.

The announcement of the "phase one" US-China trade deal in December further supported sentiment previously depressed due to the impact of the global trade tensions on Europe's trade-dependent economies. Asia and emerging markets posted positive absolute returns, although they broadly underperformed relative to developed markets for the period as a whole. Taiwan and China were the clear outperformers, driven by the strong performance of technology stocks, as well as stimulus measures by the Chinese government.

The markets were further boosted by the renewed trade optimism towards the end of the period which also buoyed returns for the wider region.

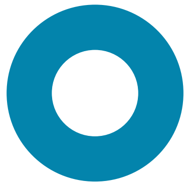
Philippines equities ended higher in 2019, recovering from the previous year's loss. The Philippines Stock Exchange Index (PSEi) rose by 4.7% in local currency terms.
The Philippines Peso strengthened in 2019, appreciating by 3.6% against the greenback. Most of the gains came in the first half of the calendar year.

Inflation remained benign at 1.3% in November, below the central bank's 2-4% target. The central bank kept key policy rates unchanged in December after easing by 75 basis points earlier in the year. The central bank also reduced reserve requirement for banks by 400 basis points in 2019, of which the last 100 basis points took effect in December.

Source:
[1] MSCI, Bloomberg, Philippines Statistics Authority

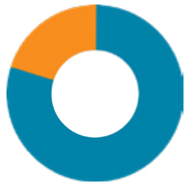
Fund objectives

PhP-denominated funds



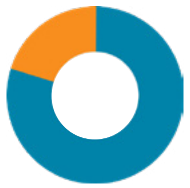
PRULink Bond Fund

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 Peso Cash Flow Fund Hedged Share Class

The Fund seeks to provide investors with regular payout by investing in a diversified portfolio consisting primarily of high yield bonds and other fixed income/debt securities denominated in US dollars, issued in the US market rated below BBB-, as well as fixed income/debt securities issued by Asian entities or their subsidiaries. The Fund may in addition, at the Fund Manager's discretion, invest up to twenty percent (20%) of its assets in dividend yielding equities.

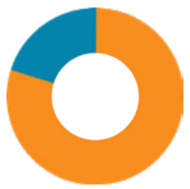


PRULink Managed Fund

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 Equity Fund

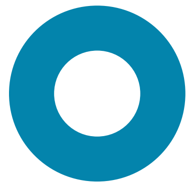
The Fund seeks to optimize medium to long-term capital growth through investments in shares of stocks listed in the Philippines.

PRULink Global Market Navigator Fund

The Fund is a peso-denominated multi-asset fund that aims to give you better return potential by investing in a diversified pool of global assets, including equities, bonds, currencies, and cash.

Bonds
Equities
Other assets

USD-denominated funds

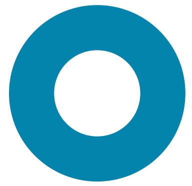


PRULink US Dollar Bond Fund

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 USD.

PRULink Asian Local Bond Fund

The Fund is structured as a feeder fund which invests in the Eastspring Investments – Asian Local Bond Fund (EI-Asian Local Bond Fund). The EI-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 Cash Flow Fund

The Fund seeks to provide investors with regular payout by investing in a diversified portfolio consisting primarily of high yield bonds and other fixed income/debt securities denominated in US dollars, issued in the US market rated below BBB-, as well as fixed income/debt securities issued by Asian entities or their subsidiaries. The Fund may, in addition, at the Fund Manager's discretion, invest up to twenty percent (20%) of its assets in dividend yielding equities.

PRULink Asian Balanced Fund

The Fund aims to maximize total return in the medium to long term by primarily investing in equities/equity-related securities of companies, which are incorporated, listed in, or have their area of primary activity in the Asia Pacific region (excluding Japan) as well as fixed income/debt securities issued by Asian entities or their subsidiaries. The Fund is invested in three US dollar-denominated and Luxembourg-domiciled Asian SICAV funds of Eastspring Investments, namely, Asia Pacific Equity Fund, Asian Local Bond Fund, and Asian Bond Fund.

PRULink Asia Pacific Equity Fund

The Fund is structured as a feeder fund which invests in the Eastspring Investments – Asia Pacific Equity Fund, that 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 Depositary Receipts and Global Depositary Receipts, debt securities convertible into common shares, preference shares, and warrants.

PRULink Global Emerging Markets Dynamic Fund

The Fund is structured as a feeder fund which invests in the Eastspring Investments – Global Emerging Markets Dynamic Fund, that aims to generate long-term capital growth through a concentrated portfolio of equities, equity related securities and bonds. This Fund will invest 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. This Fund may also invest in depository receipts including American Depositary Receipts and Global Depositary Receipts, preference shares, and warrants.

Fund performance review

PRULink Bond Fund
PRULink Peso Cash Flow Fund Hedged Share Class
PRULink Managed Fund
PRULink Proactive Fund
PRULink Growth Fund
PRULink Equity Fund
PRULink Global Market Navigator Fund
PRULink US Dollar Bond Fund
PRULink Asian Local Bond Fund
PRULink Cash Flow Fund
PRULink Asian Balanced Fund
PRULink Asia Pacific Equity Fund
PRULink Global Emerging Markets Dynamic Fund

PRULink Bond Fund

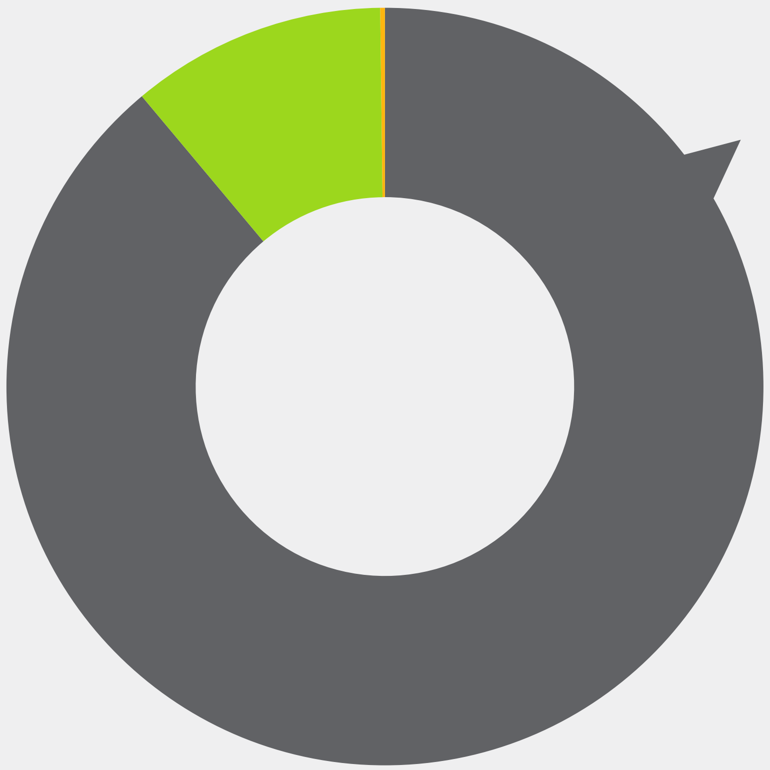
The Philippine bond market rebounded in 2019, with the representative Markit iBoxx ALBI Philippine Index rallying by nearly 19%, more than making up for the losses in the previous year. This came against the backdrop of easier monetary policy as trade tensions took a toll on global economic growth and inflation struggled to make headway. The Philippine domestic government bond yield curve bull steepened, with the benchmark 10-year yield falling by 270 bps to 4.34% during the year.

Core government bond yields were generally lower in 2019 as major central banks shifted decidedly to a more dovish stance. While economic activity in the US appeared to hold up, data elsewhere started pointing to weakening growth, particularly in China and the Eurozone. Exacerbating this was escalating trade tensions as the US took a progressively hard-line stance against its major trading partners. As global headwinds built, the Federal Reserve cut policy rates thrice, reversing most of its monetary policy normalisation in 2018. The announcement of an interim China-US Phase 1 trade deal at the year-end, however, revived risk appetite and pared the gains in government bonds.

The Philippine economy felt the brunt of the global trade tensions in 2019, with exports a key drag on the country's GDP growth, even as domestic demand remained firm. As a result, Bangko Sentral ng Pilipinas (BSP) also unwound some of its previous policy tightening, cutting rates thrice by a total of 75 bps. This was its first rate-cut cycle in seven years and brought its key overnight borrowing rate down to 4%. Additionally, the BSP lowered reserve requirement ratios for domestic lenders to boost liquidity in the financial system. Towards the year-end, however, nascent signs of economic recovery appeared in Asia. Philippine GDP growth accelerated to 6.0% YoY in the third quarter and 6.4% YoY in the fourth quarter, a result of growth in services and increased government spending following the approval of the 2019 Budget.

From a Fund perspective, performance was largely attributable to the overall duration overweight positioning, and helped by the non-benchmark exposure to corporate bonds

Asset allocation



91.5%
Government bond

8.4%
Corporate bond

0.1%
Cash and others

Performance

17.93%
Actual year-on-year

6.17%
Since inception
(per annum)

PhP **2.81393**
Unit price
as of Jan 2, 2020

Top five holdings

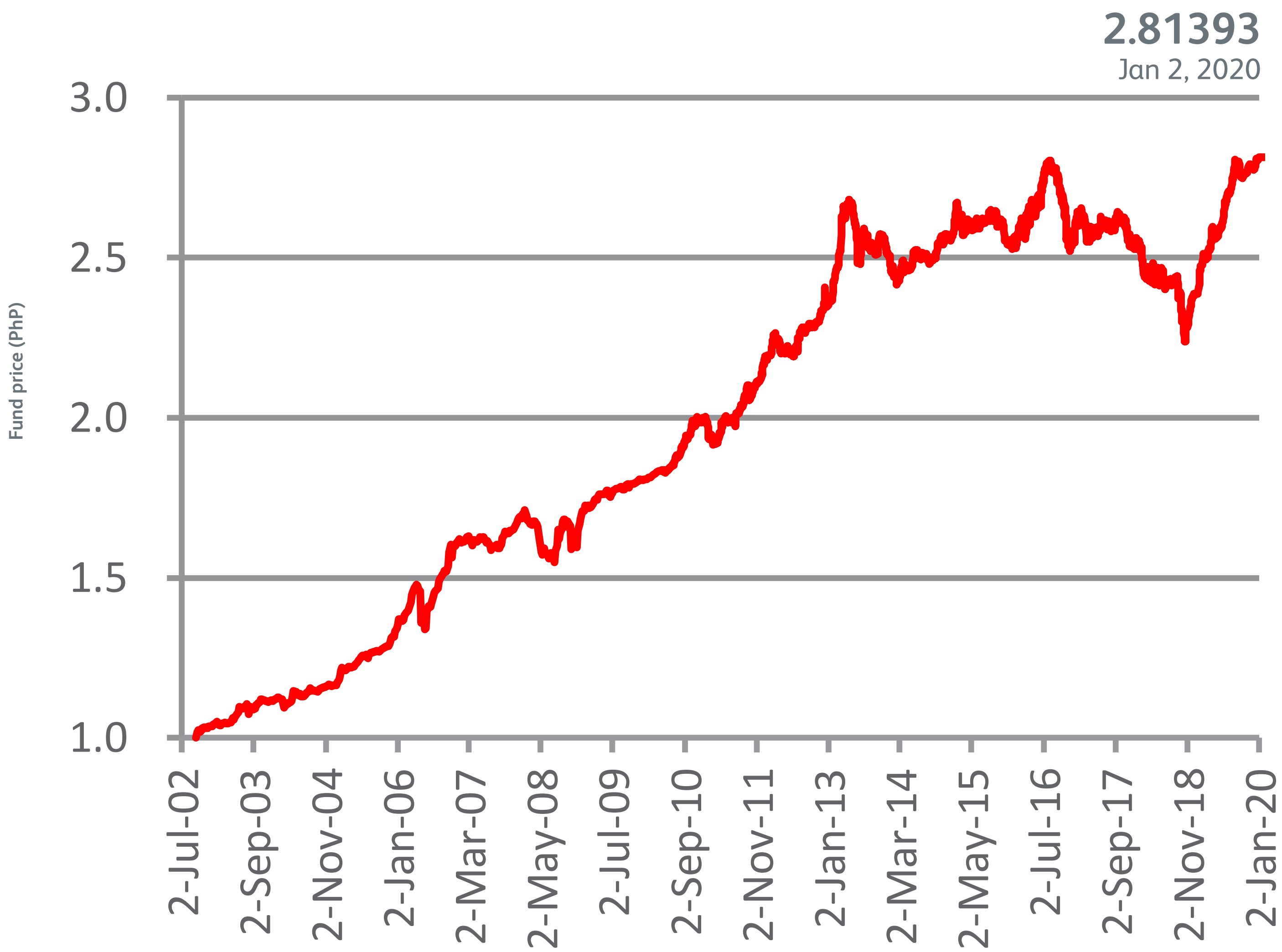
PHILIPPINES (REPUBLIC OF) 8% 07/19/2031	7.8%
PHILIPPINES (REPUBLIC OF) 8.125% 12/16/2035	6.3%
PHILIPPINES (REPUBLIC OF) 6.125% 10/24/2037	5.2%
PHILIPPINES (REPUBLIC OF) 5.875% 03/01/2032	4.2%
PHILIPPINE GOVERNMENT BOND 6.25% 03/12/2024	4.2%

Notes:
The fund returns are net of Annual Management Charge. Past performance is not necessarily indicative of the future or likely performance of the fund.

Highest and lowest unit price achieved

Initial (24 Sep 02) 1.00000
Highest (02 Jan 20) 2.81393
Lowest (24 Sep 02) 1.00000

Performance chart



PRULink Peso Cash Flow Fund Hedged Share Class

Global equities rose strongly during 2019, with equity markets around the world capping off the year at multi-year or all-time highs, buoyed by hopes for the "phase one" US-China trade deal and the cancellation of the additional US tariffs on goods scheduled to take effect on 15 December. Sentiment going into the end of the year was further supported by the easing of geopolitical risk and uncertainty that had dominated markets for much of 2019, notably on Brexit, with the confirmation of a Conservative Party majority government in December's UK general election. Rate cuts by global central banks, including by the US Federal Reserve ("Fed") and the European Central Bank, provided an additional positive backdrop for investors during the period, with fears of a recession receding during the latter part of the year as the global economic growth outlook improved.

US equities rallied and, whilst the ongoing US-China trade war caused several bouts of volatility throughout the year, accommodative policies from the Fed, as well as broadly positive economic data, led the market higher. The US was amongst the best performing regions, led by strong gains from technology stocks. European equities were also boosted by monetary policy easing, as well as the results of the UK general election, ending some of the prolonged Brexit uncertainty that had been hanging over the region. The announcement of the "phase one" US-China trade deal in December further supported sentiment previously depressed due to the impact of the global trade tensions on Europe's trade-dependent economies. Asia and emerging markets posted positive absolute returns, although they broadly underperformed relative to developed markets for the period as a whole. Taiwan and China were the clear outperformers, driven by the strong performance of technology stocks, as well as stimulus measures by the Chinese government. The markets were further boosted by the renewed trade optimism towards the end of the period which also buoyed returns for the wider region.

Bond markets posted broadly positive returns during the period. Both sovereign bonds and higher risk credits delivered strong absolute returns for the year as a whole, driven by periods of strong relative outperformance for both sectors which reflected the various instances of risk-on and risk-off sentiment during 2019, including around the twists and turns in the US-China trade war. During the first part of the year, investors grew increasingly worried about the prospect of an impending recession and the impact of the US-China trade war. The US Treasury yield curve inverted – with three-month Treasury bills yielding more than 10-year Treasury bonds – with longer term Treasuries posting strong gains as investors fretted about slowing global growth. As the year progressed, increasingly accommodative central banks, including a policy shift by the Fed, renewed optimism around growth and a near-term resolution to the US-China trade negotiations lent support to riskier credit, and saw investors shun safe-haven Treasuries, particularly going into the final quarter of the year. Solid US economic data and the Fed's projection that interest rates would remain on hold during 2020 provided further support for higher yielding credit and put further upward pressure on Treasury yields towards the end of the period.

The Fund posted a positive absolute return in 2019 but mildly underperformed the reference index on a net basis. The Fund outperformed on a gross basis. The Manager added value from asset allocation whilst underlying security selection was also positive.

Performance during 2019 has benefited from the broadly defensive positioning for the period as a whole, although risk exposure was tactically managed. The Manager increased exposure to the Asian USD Bond portfolio at the expense of US High Yield Bonds towards the middle of the year, which was beneficial to performance around the risk-off episodes driven by investor fears of an impending recession. The Manager increased risk going into the end of the year, adding back US High Yield exposure, as well as re-introducing equities, as markets recovered on the back of decreasing trade tensions and the renewed optimism around growth. Security selection within both of the underlying fixed income portfolios was also very positive and strongly supported returns.

Asset allocation

87.0%
Bond

12.4%
Equity

0.6%
Cash and others

Performance

9.20%
Actual year-on-year

3.41%
Since inception
(per annum)

PhP 1.04561
Unit price
as of Jan 2, 2020

Top five holdings

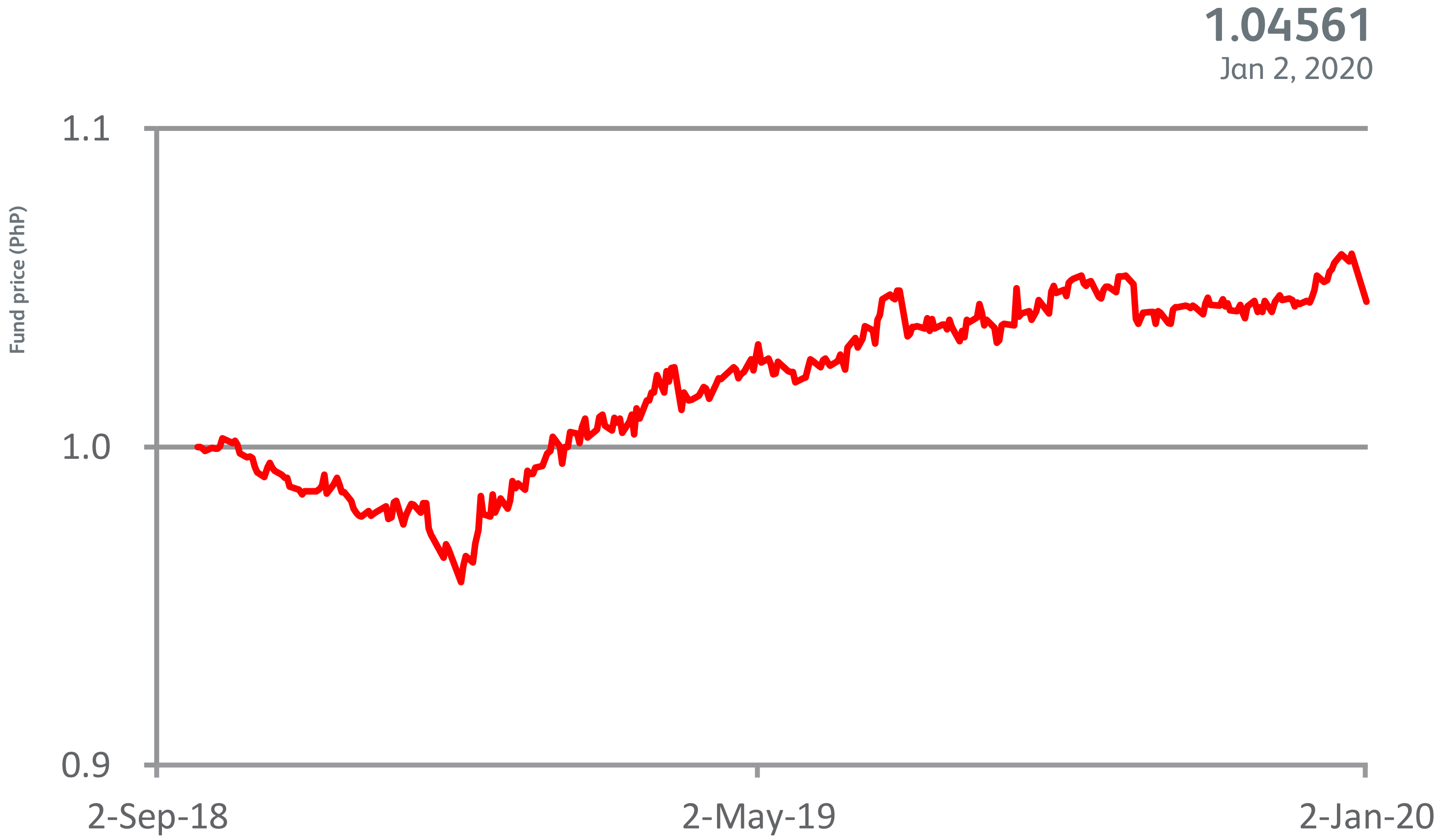
EASTSPRING INVESTMENTS US HIGH YIELD BOND - D CLASS	54.9%
EASTSPRING INVESTMENTS ASIAN BOND - D CLASS USD	32.2%
ISHARES SELECT DIVIDEND ETF	6.2%
EASTSPRING INVESTMENTS ASIAN EQUITY INC - D CLASS	6.1%
USD CASH (Alpha Committed)	0.6%

Notes:
The fund returns are net of Annual Management Charge. Past performance is not necessarily indicative of the future or likely performance of the fund.

Highest and lowest unit price achieved

Initial (03 Sep 18) 1.00000
Highest (27 Dec 19) 1.06063
Lowest (02 Jan 19) 0.95748

Performance chart



PRULink Managed Fund

The Fund posted a positive absolute return in 2019 but underperformed the reference index on a net and gross basis. Asset allocation was mildly negative for the period as whole. Security selection within both the underlying equities and underlying bond portfolios was negative and was the main drag on relative returns.

Broadly for 2019, the Fund has held a very minor equity overweight for the period as a whole although the weighting has been close to neutral much of the time. This was on the expectation for domestic equities to outperform bonds on the more dovish monetary policy backdrop. The domestic equity market ended higher in 2019, recovering from the previous year's loss. The Philippines Stock Exchange Index (PSEi) rose by 4.7% in local currency terms.

For the underlying equity portfolio, the overweight to LT Group, as well as the underweights to SM Investments and JG Summit, weighed on relative performance. LT Group's share price fell on concerns ahead of the upcoming excise tax hike in 2020. However, the company reported strong quarterly results on the back of higher contribution from its tobacco and banking segments. Shares in SM Investments rose over the year, hurting relative performance. The Fund's exposure to the stock was capped at 10% to ensure portfolio diversification, while its weight in the PSEi was close to 16%. The underweight in JG Summit, which outperformed over the year, also hurt relative performance.

The domestic bond market, rebounded in 2019, with the representative Markit iBoxx ALBI Philippine Index rallying by nearly 19%, more than making up for the losses in the previous year. This came against the backdrop of easier monetary policy as trade tensions took a toll on global economic growth and inflation struggled to make headway. For the underlying bond portfolio, performance was largely attributable to the overall duration overweight positioning, helped by the non-benchmark exposure to corporate bonds.

Asset allocation

80.1%
Bond

19.8%
Equity

0.1%
Cash and others

Performance

14.77%
Actual year-on-year

7.18%
Since inception
(per annum)

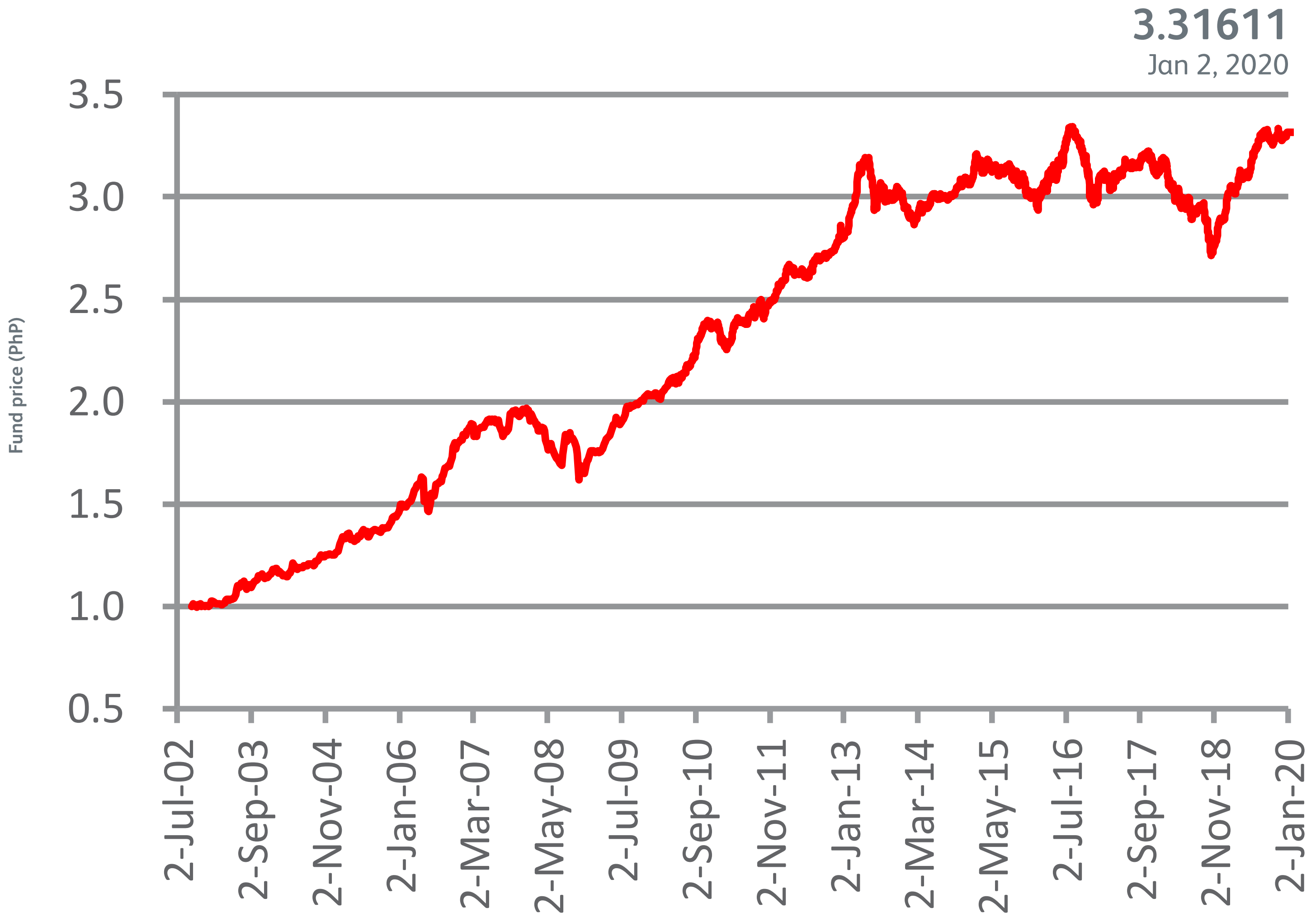
PhP 3.31611
Unit price
as of Jan 2, 2020

Highest and lowest unit price achieved

Initial (24 Sep 02) 1.00000
Highest (11 Aug 16) 3.34119
Lowest (23 Oct 02) 0.99568

Notes:
The fund returns are net of Annual Management Charge. Past performance is not necessarily indicative of the future or likely performance of the fund.

Performance chart



PRULink Proactive Fund

The Fund posted a positive absolute return in 2019 but underperformed the reference index on a net and gross basis. Asset allocation was negative for the period as whole. Security selection within both the underlying equities and underlying bond portfolios was negative and was the main drag on relative returns.

Broadly for 2019, the Fund has held a very minor equity overweight for the period as a whole although the weighting has been close to neutral much of the time. This was on the expectation for domestic equities to outperform bonds on the more dovish monetary policy backdrop. The domestic equity market ended higher in 2019, recovering from the previous year's loss. The Philippines Stock Exchange Index (PSEi) rose by 4.7% in local currency terms.

For the underlying equity portfolio, the overweight to LT Group, as well as the underweights to SM Investments and JG Summit, weighed on relative performance. LT Group's share price fell on concerns ahead of the upcoming excise tax hike in 2020. However, the company reported strong quarterly results on the back of higher contribution from its tobacco and banking segments. Shares in SM Investments rose over the year, hurting relative performance. The Fund's exposure to the stock was capped at 10% to ensure portfolio diversification, while its weight in the PSEi was close to 16%. The underweight in JG Summit, which outperformed over the year, also hurt relative performance.

The domestic bond market, rebounded in 2019, with the representative Markit iBoxx ALBI Philippine Index rallying by nearly 19%, more than making up for the losses in the previous year. This came against the backdrop of easier monetary policy as trade tensions took a toll on global economic growth and inflation struggled to make headway. For the underlying bond portfolio, performance was largely attributable to the overall duration overweight positioning, helped by the non-benchmark exposure to corporate bonds.

► Asset allocation

50.0%
Equity

49.8%
Bond

0.2%
Cash and others

► Performance

9.93%
Actual year-on-year

7.63%
Since inception
(per annum)

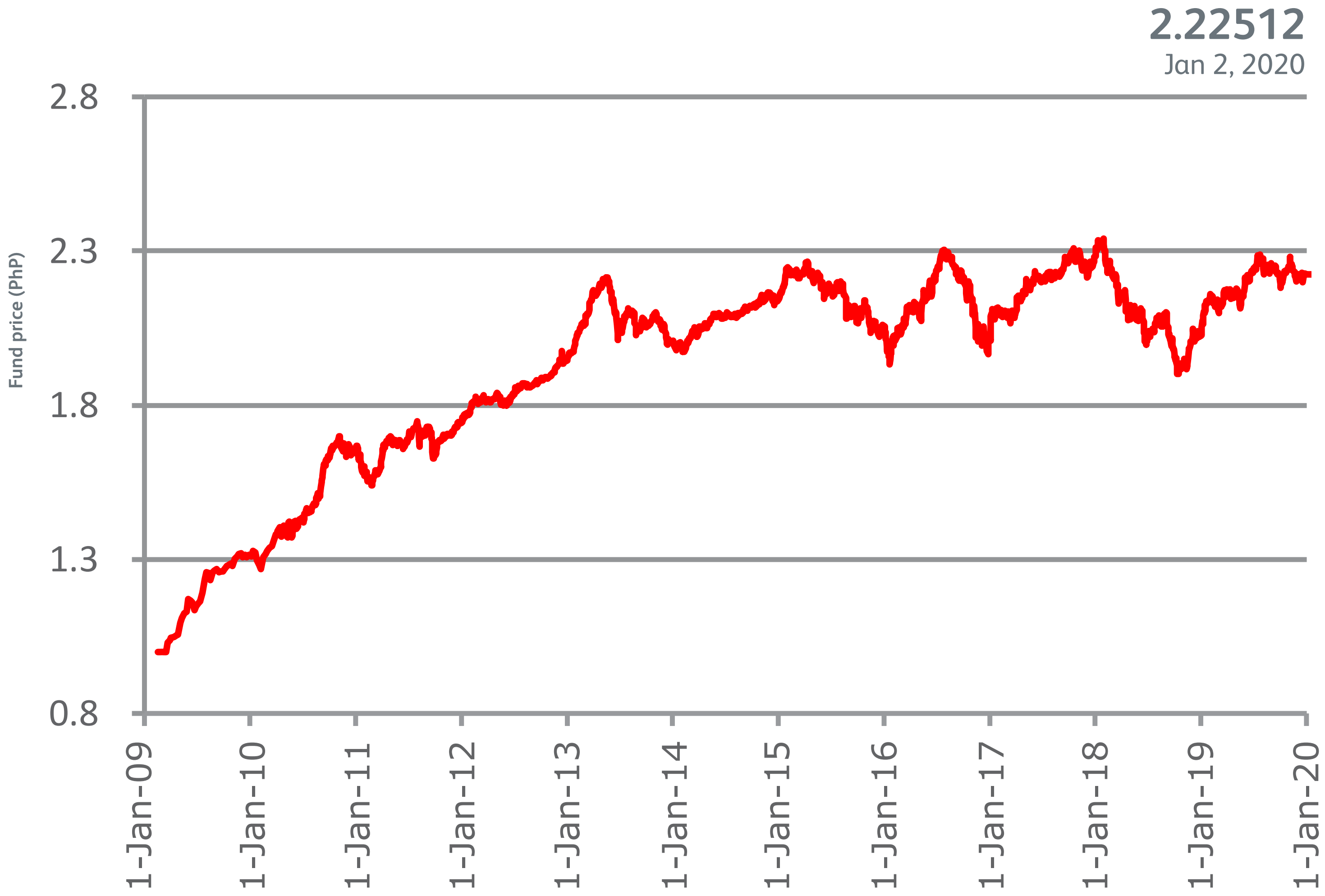
PhP 2.22512
Unit price
as of Jan 2, 2020

► Highest and lowest unit price achieved

Initial (17 Feb 2009) 1.00000
Highest (30 Jan 2018) 2.34008
Lowest (03 Mar 2009) 0.99950

Notes:
The fund returns are net of Annual Management Charge. Past performance is not necessarily indicative of the future or likely performance of the fund.

► Performance chart



PRULink Growth Fund

The Fund posted a positive absolute return in 2019 but underperformed the reference index on a net and gross basis. Asset allocation was mildly negative for the period as whole. Security selection within both the underlying equities and underlying bond portfolios was negative and was the main drag on relative returns.

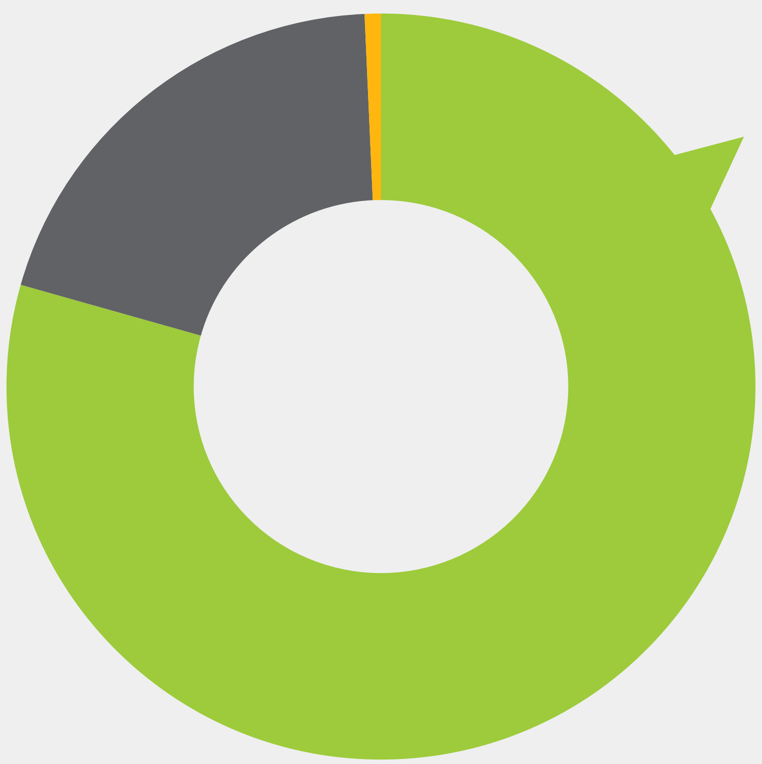
Broadly for 2019, the Fund has held a very minor equity overweight for the period as a whole although the weighting has been close to neutral much of the time. This was on the expectation for domestic equities to outperform bonds on the more dovish monetary policy backdrop. The domestic equity market ended higher in 2019, recovering from the previous year's loss. The Philippines Stock Exchange Index (PSEi) rose by 4.7% in local currency terms.

For the underlying equity portfolio, the overweight to LT Group, as well as the underweights to SM Investments and JG Summit, weighed on relative performance. LT Group's share price fell on concerns ahead of the upcoming excise tax hike in 2020. However, the company reported strong quarterly results on the back of higher contribution from its tobacco and banking segments. Shares in SM Investments rose over the year, hurting relative performance. The Fund's exposure to the stock was capped at 10% to ensure portfolio diversification, while its weight in the PSEi was close to 16%. The underweight in JG Summit, which outperformed over the year, also hurt relative performance.

The domestic bond market, rebounded in 2019, with the representative Markit iBoxx ALBI Philippine Index rallying by nearly 19%, more than making up for the losses in the previous year. This came against the backdrop of easier monetary policy as trade tensions took a toll on global economic growth and inflation struggled to make headway.

For the underlying bond portfolio, performance was largely attributable to the overall duration overweight positioning, helped by the non-benchmark exposure to corporate bonds

Asset allocation



79.7%
Equity

19.9%
Bond

0.4%
Cash and others

Performance

6.31%
Actual year-on-year

10.02%
Since inception
(per annum)

PhP 3.97875
Unit price
as of Jan 2, 2020

Highest and lowest unit price achieved

Initial (25 Jul 2005) 1.00000
Highest (30 Jan 18) 4.45577
Lowest (28 Oct 2008) 0.99584

Notes:
The fund returns are net of Annual Management Charge. Past performance is not necessarily indicative of the future or likely performance of the fund.

Performance chart

3.97875
Jan 2, 2020

PRULink Equity Fund

Philippines equities ended higher in 2019, recovering from the previous year's loss. The Philippines Stock Exchange Index (PSEi) rose by 4.7% in local currency terms. The Philippines Peso strengthened in 2019, appreciating by 3.6% against the greenback. Most of the gains came in the first half of the calendar year.

Inflation remained benign at 1.3% in November, below the central bank's 2-4% target. The central bank kept key policy rates unchanged in December after easing by 75 basis points earlier in the year. The central bank also reduced reserve requirement for banks by 400 basis points in 2019, of which the last 100 basis points took effect in December.

The overweights to Vista Land & Lifescape and Filinvest Land, as well as the underweights to Jollibee Foods, contributed to relative performance over the year.

Vista Land & Lifescape's share price benefited from a generally positive sentiment over the real estate sector, especially in the first half, while its ongoing share buyback also provided support. Share price in Jollibee Foods came under pressure as its acquisition of loss-making Coffee Bean & Tea Leaf for US$350 million is expected to have an adverse impact on near-term profitability. Filinvest Land's share price outperformed over the year. The developer's posted solid results, while sentiment was also helped by a sharp drop in bond yields.

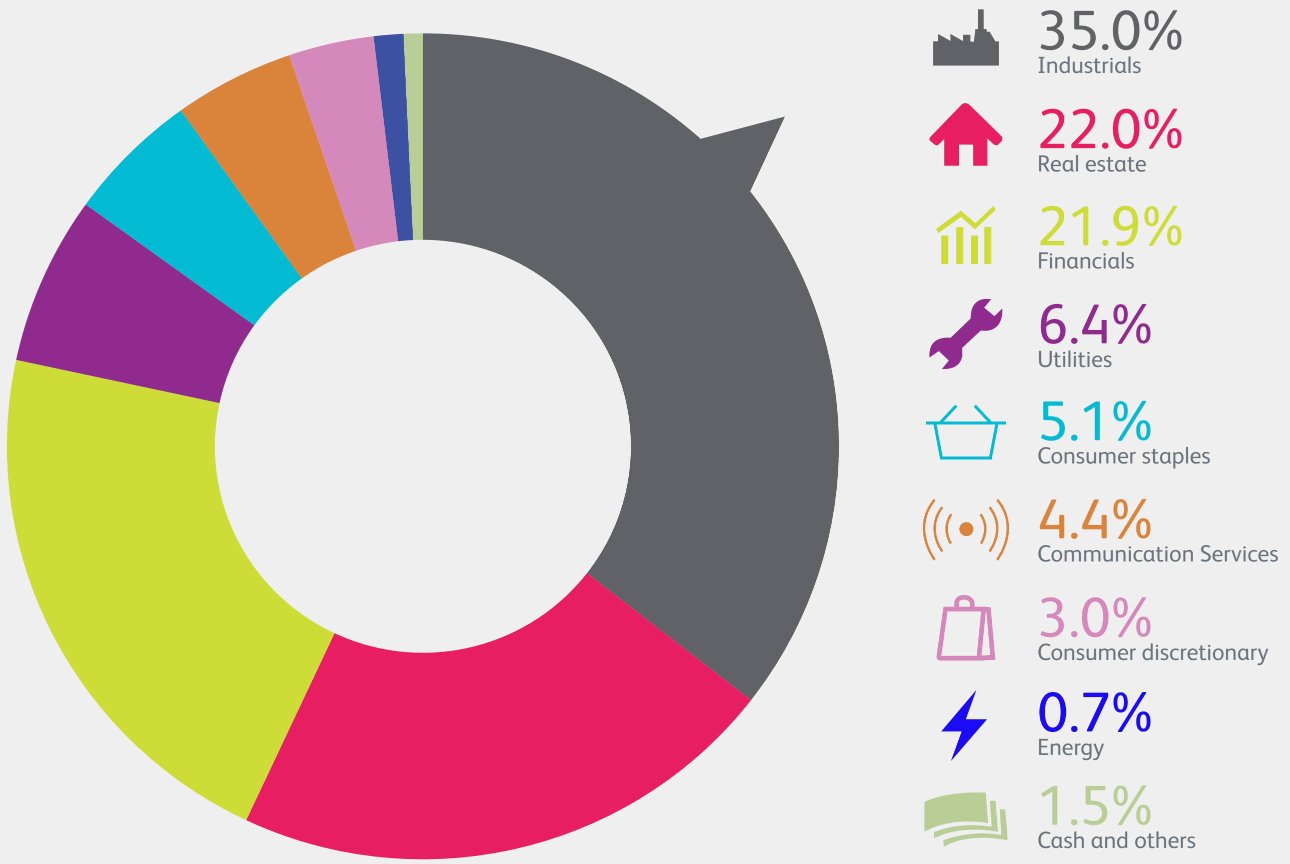
The overweight to LT Group, as well as the underweights to SM Investments and JG Summit, weighed on relative performance.

LT Group's share price fell on concerns ahead of the upcoming excise tax hike in 2020. However, the company reported strong quarterly results on the back of higher contribution from its tobacco and banking segments.

Shares in SM Investments rose over the year, hurting relative performance. The Fund's exposure to the stock was capped at 10% to ensure portfolio diversification, while its weight in the PSEi was close to 16%.

The underweight in JG Summit, which outperformed over the year, also hurt relative performance.

Sector allocation



Performance

4.00%
Actual year-on-year

7.01%
Since inception
(per annum)

PhP 2.28633
Unit price
as of Jan 2, 2020

Top five holdings

SM INVESTMENTS CORP	9.7%
SM PRIME HOLDINGS INC.	9.1%
AYALA LAND INC.	9.1%
BDO UNIBANK INC	7.7%
JG SUMMIT HOLDINGS INC.	5.7%

Notes:
The fund returns are net of Annual Management Charge. Past performance is not necessarily indicative of the future or likely performance of the fund.

Highest and lowest unit price achieved

Initial (23 Oct 2007) 1.00000
Highest (30 Jan 18) 2.66632
Lowest (28 Oct 2008) 0.42505

Performance chart

PRULink Global Market Navigator Fund

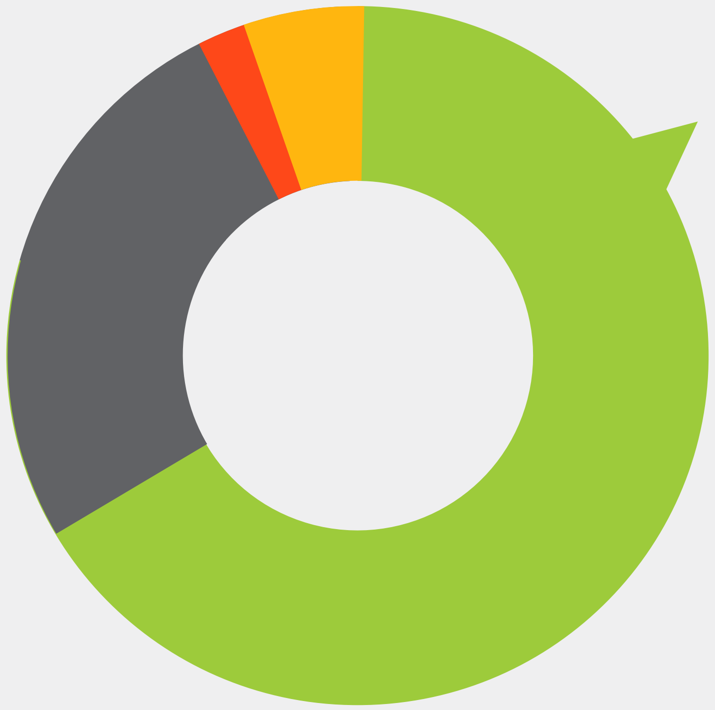
Global equities rose strongly during 2019, with equity markets around the world capping off the year at multi-year or all-time highs, buoyed by hopes for the "phase one" US-China trade deal and the cancellation of the additional US tariffs on goods scheduled to take effect on 15 December. Sentiment going into the end of the year was further supported by the easing of geopolitical risk and uncertainty that had dominated markets for much of 2019, notably on Brexit, with the confirmation of a Conservative Party majority government in December's UK general election. Rate cuts by global central banks, including by the US Federal Reserve ("Fed") and the European Central Bank, provided an additional positive backdrop for investors during the period, with fears of a recession receding during the latter part of the year as the global economic growth outlook improved. US equities rallied and, whilst the ongoing US-China trade war caused several bouts of volatility throughout the year, accommodative policies from the Fed, as well as broadly positive economic data, led the market higher. The US was amongst the best performing regions, led by strong gains from technology stocks. European equities were also boosted by monetary policy easing, as well as the results of the UK general election, ending some of the prolonged Brexit uncertainty that had been hanging over the region. The announcement of the "phase one" US-China trade deal in December further supported sentiment previously depressed due to the impact of the global trade tensions on Europe's trade-dependent economies. Asia and emerging markets posted positive absolute returns, although they broadly underperformed relative to developed markets for the period as a whole. Taiwan and China were the clear outperformers, driven by the strong performance of technology stocks, as well as stimulus measures by the Chinese government. The markets were further boosted by the renewed trade optimism towards the end of the period which also buoyed returns for the wider region.

Bond markets posted broadly positive returns during the period. Both sovereign bonds and higher risk credits delivered strong absolute returns for the year as a whole, driven by periods of strong relative outperformance for both sectors which reflected the various instances of risk-on and risk-off sentiment during 2019, including around the twists and turns in the US-China trade war. During the first part of the year, investors grew increasingly worried about the prospect of an impending recession and the impact of the US-China trade war. The US Treasury yield curve inverted – with three-month Treasury bills yielding more than 10-year Treasury bonds – with longer term Treasuries posting strong gains as investors fretted about slowing global growth. As the year progressed, increasingly accommodative central banks, including a policy shift by the Fed, renewed optimism around growth and a near-term resolution to the US-China trade negotiations lent support to riskier credit, and saw investors shun safe-haven Treasuries, particularly going into the final quarter of the year. Solid US economic data and the Fed's projection that interest rates would remain on hold during 2020 provided further support for higher yielding credit and put further upward pressure on Treasury yields towards the end of the period.

The Fund posted a positive absolute return over the final three months of 2019 (the vehicle was incepted in September 2019).

The Fund's broad overweight exposure to equities during the quarter was positive amid the outperformance of the asset class relative to fixed income assets as markets recovered on the back of decreasing trade tensions and the renewed optimism around growth. Within fixed income, the credit bias was very positive, with the reduction in sovereign bond exposure and overall reduction in duration beneficial in an environment where duration sold off and investors favoured credit risk.

Asset allocation



60.7% Equity
30.6% Bond
2.5% Non Tradiotional Assets
6.2% Cash and others

Performance

N.A
Actual year-on-year

N.A
Since inception
(per annum)

Php 1.00970
Unit price
as of Jan 2, 2020

Top five holdings

EASTSPRING INV ASIAN HY BD D USD	15.5
ISHARES CORE S&P 500 UCIT ETF	10.4
US TREASURY NOTE 1.5% 10/31/2021	6.7
XTRACKERS USD HIGH YLD CORPORATE BOND UCITS ETF D1	3.5
ISHARES CORE MSCI JAPAN IMI UCITS	3.4

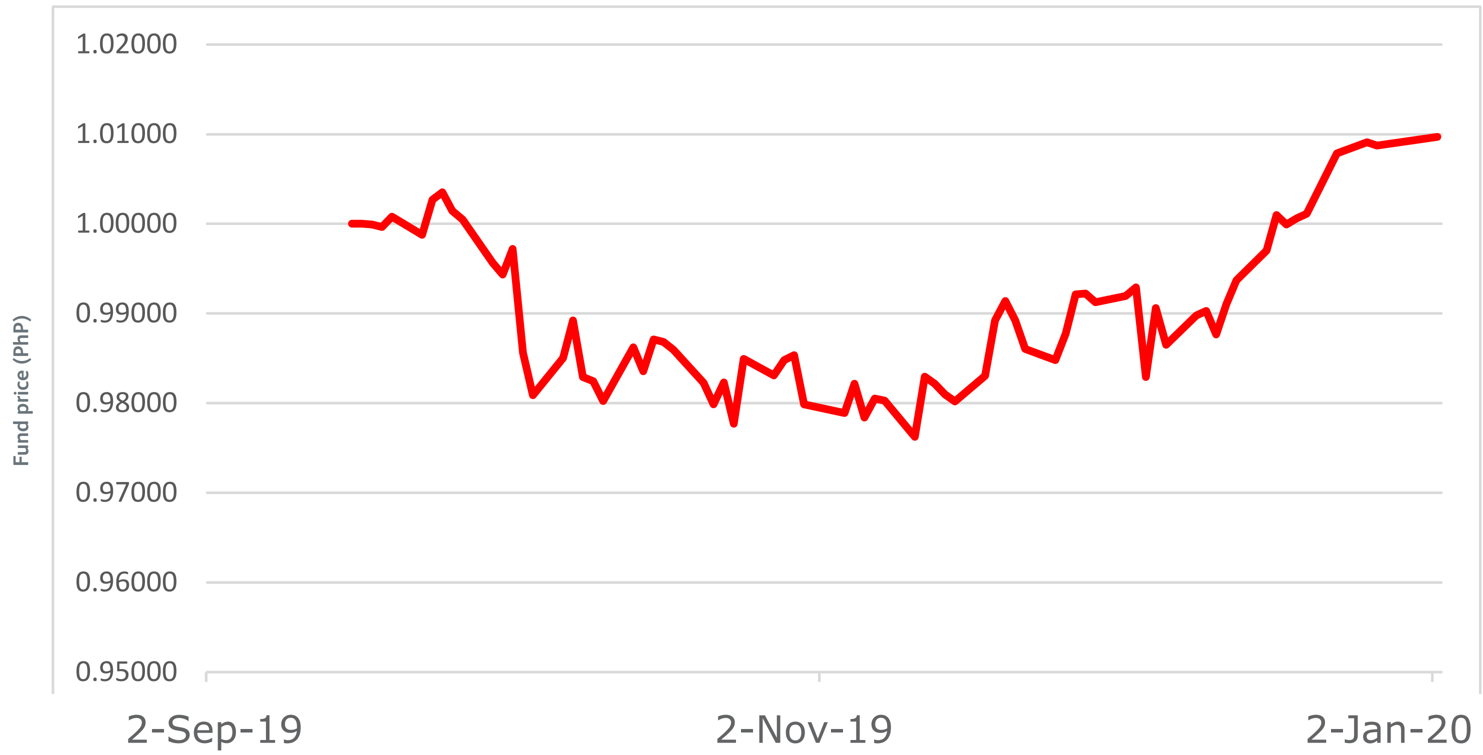
Notes:
The fund returns are net of Annual Management Charge. Past performance is not necessarily indicative of the future or likely performance of the fund.

Highest and lowest unit price achieved

Initial (01 Apr 2014) 1.00000
Highest (02 Jan 20) 1.00970
Lowest (11 Nov 19) 0.97624

Performance chart

1.00970
Jan 2, 2020



PRULink US Dollar Bond Fund

In 2019, the Philippine USD-denominated sovereign bond market rebounded from the marginal decline seen in the previous year. The JPMorgan EMBI Global Philippine Index rose by 15.5% (in USD terms), with performance lifted by significant falls in US risk-free rates and a narrowing of sovereign credit spreads.

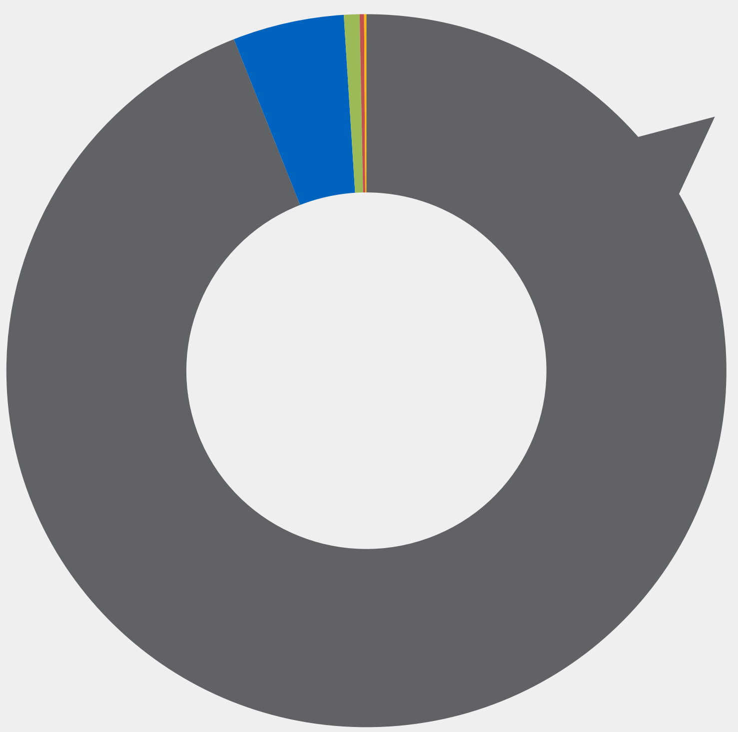
Core government bond yields were generally lower in 2019 as major central banks shifted decidedly to a more dovish stance. While economic activity in the US appeared to hold up, data elsewhere started pointing to weakening growth, particularly in China and the Eurozone. Exacerbating this was escalating trade tensions as the US took a progressively hard-line stance against its major trading partners. As global headwinds built, the Federal Reserve (Fed) cut policy rates thrice, reversing most of its monetary policy normalisation in 2018. Towards the end of 2019, however, bond yields started trending higher as Beijing and Washington softened their stance and moved closer towards an initial trade deal, reviving risk appetite in turn. With US economic data pointing to continued resilience, the Fed also dialled back further rate cut expectations. The benchmark 10-year US Treasury yield finished the year 77 bps lower at 1.9%.

Emerging-market USD sovereign spreads narrowed as expectations of a more benign interest rate trajectory fuelled investor demand for yield. Risk appetite also saw a marked improvement as trade tensions abated, while nascent signs of economic recovery at the year-end bolstered sentiment further. Philippine sovereign credit spread narrowed by 49 bps over 2019.

On the data front, Philippine GDP growth accelerated to 6.0% YoY in the third quarter and 6.4% YoY in the fourth quarter, a result of growth in services and increased government spending following the approval of the 2019 Budget. Like the Fed, Bangko Sentral ng Pilipinas (BSP) unwound some of its previous policy tightening, cutting rates thrice by a total of 75 bps. This was its first rate cut cycle in seven years and brought its key overnight borrowing rate down to 4%. Additionally, the BSP lowered reserve requirement ratios for domestic lenders to boost liquidity in the financial system.

At the Fund level, performance was attributable to the overall duration overweight positioning, and helped by the allocation to quasi-sovereign and corporate bonds.

Asset allocation



94.0% Government bond

5.0% Quasi government

0.7% FI Funds

0.2% Corporate bond

0.1% Cash and others

Performance

14.08%
Actual year-on-year

6.51%
Since inception
(per annum)

USD 2.8493
Unit price
as of Jan 2, 2020

Top five holdings

Republic of the Philippines 9.5% 02/02/2030	11.1%
Republic of the Philippines 6.375% 10/23/2034	9.5%
Republic of the Philippines 7.75% 01/14/2031	9.4%
Republic of the Philippines 3.7% 03/01/2041	7.8%
Republic of the Philippines 3% 02/01/2028	7.7%

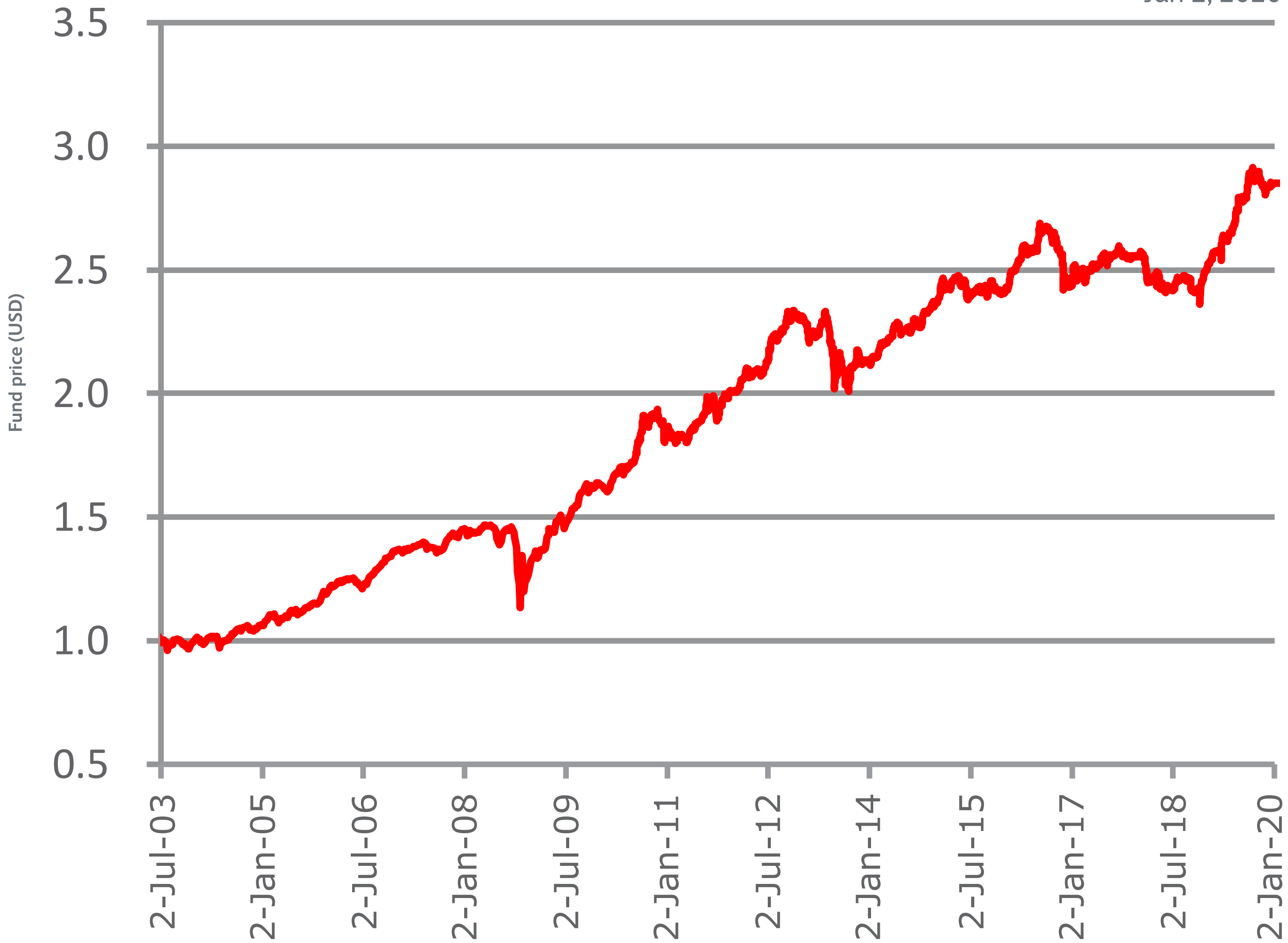
Notes:
The fund returns are net of Annual Management Charge. Past performance is not necessarily indicative of the future or likely performance of the fund.

Highest and lowest unit price achieved

Initial (03 June 03) 1.00000
Highest (06 Sept 2019) 2.9138
Lowest (05 Aug 03) 0.96080

Performance chart

2.8493
Jan 2, 2020



PRULink Asian Local Bond Fund

Asian domestic bond markets rallied over 2019 against the backdrop of easier monetary policy as trade tensions took a toll on global economic growth and inflation struggled to make headway. The Markit iBoxx Asian Local Bond Index rose by 9%, rebounding strongly from the marginal loss registered in 2018.

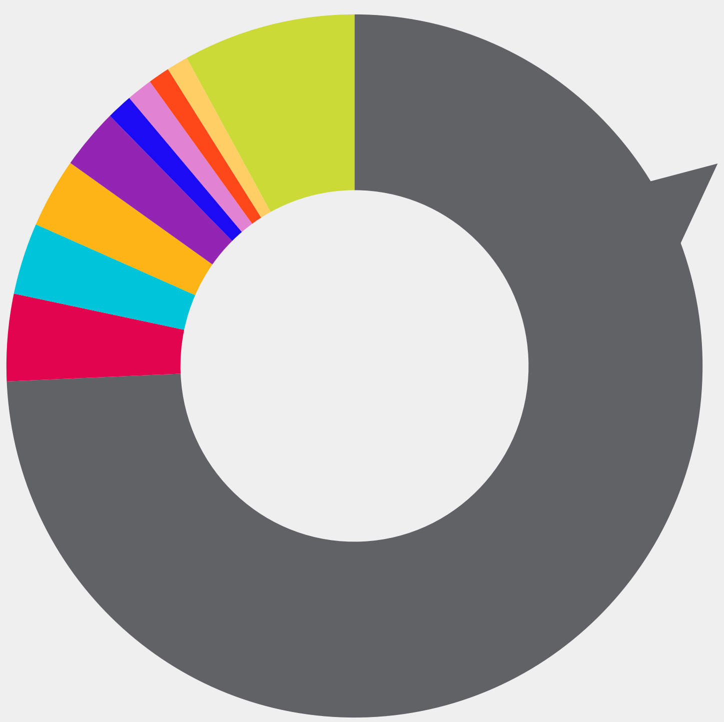
Core government bond yields were generally lower in 2019 as major central banks shifted decidedly to a more dovish stance. While economic activity in the US appeared to hold up, data elsewhere started pointing to weakening growth, particularly in China and the Eurozone. Exacerbating this was escalating trade tensions as the US took a progressively hard-line stance against its major trading partners. As global headwinds built, the Federal Reserve (Fed) cut policy rates thrice, reversing most of its monetary policy normalisation in 2018. Towards the end of 2019, however, bond yields started trending higher as Beijing and Washington softened their stance and moved closer towards an initial trade deal, reviving risk appetite in turn. With US economic data pointing to continued resilience, the Fed subsequently dialled back further rate cut expectations. The benchmark 10-year US Treasury yield finished the year 77 bps lower at 1.9%.

Against this backdrop, government bond yields in most Asian markets tracked US risk-free rates lower. Like the Fed, several Asian central banks eased monetary policy by cutting rates, with Indonesia and the Philippines among the most aggressive. These two markets unsurprisingly outperformed their regional peers, posting double-digit total returns as domestic bond yields fell significantly. Investors remained enticed by attractive carry trades in these markets. Thai and Indian government bonds also delivered double-digit returns on the back of policy rate cuts by the Bank of Thailand and Reserve Bank of India respectively. By comparison, local rates in China, Hong Kong, Taiwan and Korea posted more muted, albeit positive, returns.

The USD ended weaker against most Asian currencies during a year when risk appetite swayed between optimism and disappointment as developments on the trade front evolved. The strength in regional currencies aided returns in most bond markets. The Thai baht was a notable outperformer, rallying 8.8% on the back of the country's healthy current account and foreign reserves. The Philippine peso and Indonesian rupiah both appreciated by 3.8%. Conversely, concerns over the trade row weighed on the Chinese yuan and the Korean won, which weakened against the USD. The Indian rupee, meanwhile, depreciated amid persistent worries over the government's fiscal consolidation efforts.

From a Fund perspective, the duration overweight, particularly in the US, Indonesian and Philippine interest rate markets, was a key contributor to performance over the year. Additionally, the Fund's overweight in corporate bonds added value due to the positive carry effect and general spread tightening. The Fund's currency positioning was mixed; gains from the underweight in the Korean won were negated by the underweight in the Thai baht.

Sector allocation



- 74.3% Treasury
- 4.0% Other financial institutions
- 3.3% Foreign agencies
- 3.2% Banking
- 2.8% Other Real estate investment trusts (REIT)
- 1.2% Home construction
- 1.2% Wireless
- 1.0% Life Insurance
- 1.0% Finance companies
- 8.0% Cash and others

Performance

9.19%
Actual year-on-year

1.25%
Since inception
(per annum)

USD 1.10387
Unit price
as of Jan 2, 2020

Top five holdings

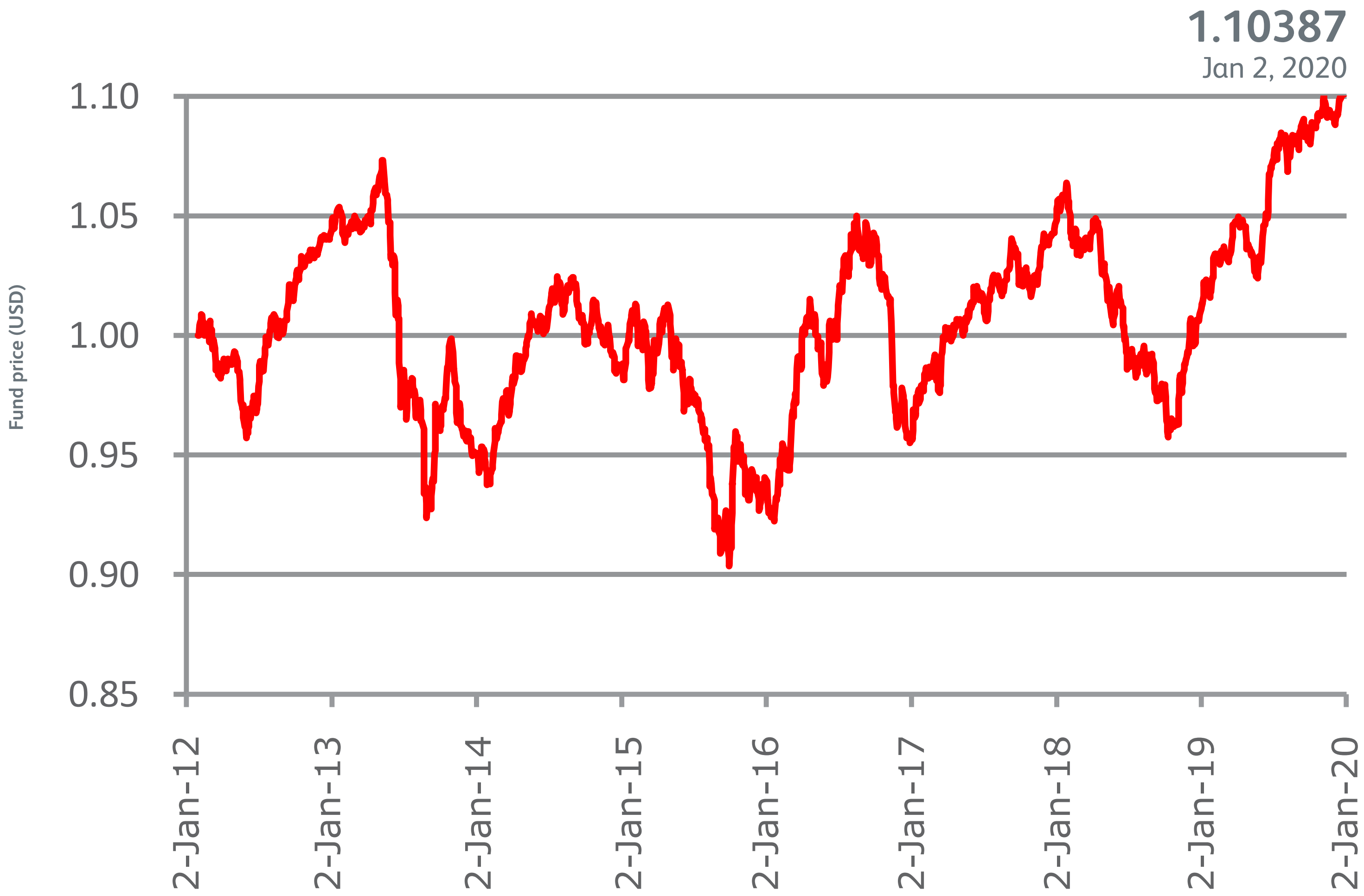
THAILAND (KINGDOM OF) 4% 06/17/2066	1.2%
KOREA (REPUBLIC OF) 2.125% 06/10/2027	1.1%
INDONESIA (REPUBLIC OF) 5.625% 05/15/2023	1.1%
US TREASURY BILL 06/25/2020	1.1%
KOREA (REPUBLIC OF) 1.875% 06/10/2029	1.0%

Notes:
The fund returns are net of Annual Management Charge. Past performance is not necessarily indicative of the future or likely performance of the fund.

Highest and lowest unit price achieved

Initial (28 Jan 12) 1.00000
Highest (02 Jan 20) 1.10387
Lowest (30 Sep 2015) 0.90362

Performance chart



PRULink Cash Flow Fund

Global equities rose strongly during 2019, with equity markets around the world capping off the year at multi-year or all-time highs, buoyed by hopes for the "phase one" US-China trade deal and the cancellation of the additional US tariffs on goods scheduled to take effect on 15 December. Sentiment going into the end of the year was further supported by the easing of geopolitical risk and uncertainty that had dominated markets for much of 2019, notably on Brexit, with the confirmation of a Conservative Party majority government in December's UK general election. Rate cuts by global central banks, including by the US Federal Reserve ("Fed") and the European Central Bank, provided an additional positive backdrop for investors during the period, with fears of a recession receding during the latter part of the year as the global economic growth outlook improved.

US equities rallied and, whilst the ongoing US-China trade war caused several bouts of volatility throughout the year, accommodative policies from the Fed, as well as broadly positive economic data, led the market higher. The US was amongst the best performing regions, led by strong gains from technology stocks. European equities were also boosted by monetary policy easing, as well as the results of the UK general election, ending some of the prolonged Brexit uncertainty that had been hanging over the region. The announcement of the "phase one" US-China trade deal in December further supported sentiment previously depressed due to the impact of the global trade tensions on Europe's trade-dependent economies. Asia and emerging markets posted positive absolute returns, although they broadly underperformed relative to developed markets for the period as a whole. Taiwan and China were the clear outperformers, driven by the strong performance of technology stocks, as well as stimulus measures by the Chinese government. The markets were further boosted by the renewed trade optimism towards the end of the period which also buoyed returns for the wider region.

Bond markets posted broadly positive returns during the period. Both sovereign bonds and higher risk credits delivered strong absolute returns for the year as a whole, driven by periods of strong relative outperformance for both sectors which reflected the various instances of risk-on and risk-off sentiment during 2019, including around the twists and turns in the US-China trade war. During the first part of the year, investors grew increasingly worried about the prospect of an impending recession and the impact of the US-China trade war. The US Treasury yield curve inverted – with three-month Treasury bills yielding more than 10-year Treasury bonds – with longer term Treasuries posting strong gains as investors fretted about slowing global growth. As the year progressed, increasingly accommodative central banks, including a policy shift by the Fed, renewed optimism around growth and a near-term resolution to the US-China trade negotiations lent support to riskier credit, and saw investors shun safe-haven Treasuries, particularly going into the final quarter of the year. Solid US economic data and the Fed's projection that interest rates would remain on hold during 2020 provided further support for higher yielding credit and put further upward pressure on Treasury yields towards the end of the period.

The Fund posted a positive absolute return in 2019 but mildly underperformed the reference index on a net basis. The Fund outperformed on a gross basis. The Manager added value from asset allocation whilst underlying security selection was also positive.

Performance during 2019 has benefited from the broadly defensive positioning for the period as a whole, although risk exposure was tactically managed. The Manager increased exposure to the Asian USD Bond portfolio at the expense of US High Yield Bonds towards the middle of the year, which was beneficial to performance around the risk-off episodes driven by investor fears of an impending recession. The Manager increased risk going into the end of the year, adding back US High Yield exposure, as well as re-introducing equities, as markets recovered on the back of decreasing trade tensions and the renewed optimism around growth. Security selection within both of the underlying fixed income portfolios was also very positive and strongly supported returns.

Asset allocation

87.0%
Bond

12.4%
Equity

0.6%
Cash and others

Performance

8.45%
Actual year-on-year

-0.69%
Since inception
(per annum)

USD 0.9652
Unit price
as of Jan 2, 2020

Top five holdings

EASTSPRING INVESTMENTS US HIGH YIELD BOND - D CLASS	54.9%
EASTSPRING INVESTMENTS ASIAN BOND - D CLASS USD	32.2%
ISHARES SELECT DIVIDEND ETF	6.2%
EASTSPRING INVESTMENTS ASIAN EQUITY INC - D CLASS	6.1%
USD CASH (Alpha Committed)	0.6%

Notes:
The fund returns are net of Annual Management Charge. Past performance is not necessarily indicative of the future or likely performance of the fund.

Highest and lowest unit price achieved

Initial (17 Nov 14) 1.00000
Highest (29 Apr 2015) 1.01016
Lowest (15 Feb 2016) 0.86352

Performance chart

PRULink Asian Balanced Fund

Global equities rose strongly during 2019, with equity markets around the world capping off the year at multi-year or all-time highs, buoyed by hopes for the "phase one" US-China trade deal and the cancellation of the additional US tariffs on goods scheduled to take effect on 15 December. Sentiment going into the end of the year was further supported by the easing of geopolitical risk and uncertainty that had dominated markets for much of 2019, notably on Brexit, with the confirmation of a Conservative Party majority government in December's UK general election. Rate cuts by global central banks, including by the US Federal Reserve ("Fed") and the European Central Bank, provided an additional positive backdrop for investors during the period, with fears of a recession receding during the latter part of the year as the global economic growth outlook improved. US equities rallied and, whilst the ongoing US-China trade war caused several bouts of volatility throughout the year, accommodative policies from the Fed, as well as broadly positive economic data, led the market higher. The US was amongst the best performing regions, led by strong gains from technology stocks. European equities were also boosted by monetary policy easing, as well as the results of the UK general election, ending some of the prolonged Brexit uncertainty that had been hanging over the region. The announcement of the "phase one" US-China trade deal in December further supported sentiment previously depressed due to the impact of the global trade tensions on Europe's trade-dependent economies. Asia and emerging markets posted positive absolute returns, although they broadly underperformed relative to developed markets for the period as a whole. Taiwan and China were the clear outperformers, driven by the strong performance of technology stocks, as well as stimulus measures by the Chinese government. The markets were further boosted by the renewed trade optimism towards the end of the period which also buoyed returns for the wider region.

Bond markets posted broadly positive returns during the period. Both sovereign bonds and higher risk credits delivered strong absolute returns for the year as a whole, driven by periods of strong relative outperformance for both sectors which reflected the various instances of risk-on and risk-off sentiment during 2019, including around the twists and turns in the US-China trade war. During the first part of the year, investors grew increasingly worried about the prospect of an impending recession and the impact of the US-China trade war. The US Treasury yield curve inverted – with three-month Treasury bills yielding more than 10-year Treasury bonds – with longer term Treasuries posting strong gains as investors fretted about slowing global growth. As the year progressed, increasingly accommodative central banks, including a policy shift by the Fed, renewed optimism around growth and a near-term resolution to the US-China trade negotiations lent support to riskier credit, and saw investors shun safe-haven Treasuries, particularly going into the final quarter of the year. Solid US economic data and the Fed's projection that interest rates would remain on hold during 2020 provided further support for higher yielding credit and put further upward pressure on Treasury yields towards the end of the period.

The Fund posted a positive absolute return in 2019 but underperformed the reference index on a net and gross basis. Asset allocation was very mildly negative for the period as whole, whilst security selection within the underlying equities portfolios was negative and was the main drag on relative returns.

Performance during 2019 has benefited from the broad bias to equities for the period as a whole. Despite some periods of heightened volatility, equities rallied during 2019, with markets around the world capping off the year at multi-year or all-time highs. Risk exposure was tactically managed, however, with the Manager increasing exposure to the Asian USD Bond portfolio at the expense of a reduced equities and Asian Local Bonds exposure towards the middle of the year, which was beneficial to performance around the risk-off episodes driven by investor fears of an impending recession. The Manager also favoured USD assets amid the escalating trade tensions, further driving the increased exposure to the Asian USD Bonds portfolio. The Manager increased risk going into the end of the year, raising the equities exposure to maximum overweight at the expense of Asian USD Bonds as markets recovered on the back of decreasing trade tensions and the renewed optimism around growth. Security selection within the underlying equity portfolio was negative and was the main drag on relative returns. Over the course of the year, the equity portfolio has battled against a substantial headwind for the value investment style as investors continued to favour growth stocks.

Asset allocation

60.0%
Equity

37.3%
Bond

2.7%
Cash and others

Performance

11.61%
Actual year-on-year

0.87%
Since inception
(per annum)

USD 1.01954
Unit price
as of Jan 2, 2020

Top five holdings

EASTSPRING INVESTMENTS ASIA PACIFIC EQUITY	60.1%
EASTSPRING INVESTMENTS ASIAN LCL BD D	21.9%
EASTSPRING INVESTMENTS ASIAN BOND D USD	15.4%
USD CASH (Alpha Committed)	2.7%

Notes:
The fund returns are net of Annual Management Charge. Past performance is not necessarily indicative of the future or likely performance of the fund.

Highest and lowest unit price achieved

Initial (09 Oct 2017) 1.00000
Highest (29 Jan 18) 1.06900
Lowest (29 Oct 18) 0.89236

Performance chart

PRULink Asia Pacific Equity Fund

At the beginning of the year, weak economic data, rising interest rates, trade headwinds and concerns over Brexit pointed to an uncertain year ahead for equities but, instead, the equity markets delivered one of their best years since the Global Financial Crisis. The MSCI World Index returned 27.3% with substantial support from the US (+31.6%), Europe (+24.6%) and Japan (+20.1%) and, while Emerging Markets also saw solid returns, they underperformed notably with Asia Pac ex Japan up only 19.5%, Latin America 17.9% higher and EMEA gaining just 16.3%. The outperformance of the US was pillared by two main events. First, the changes to America's tax laws in December 2018 that paved the way for large-scale share buyback schemes; and second, the "Powell Pivot" when Federal Reserve Chair Jay Powell indicated in July there would be an interest rate cut instead of a rise. Central banks around the world followed suit and either cut rates where they could or re-introduced quantitative easing programmes where cuts were more difficult.

Toward the end of the year, signals that a trade deal between the US and China was imminent provided further support. This propelled export-orientated markets as far apart as Germany and Korea, as well as China, to bounce back in the autumn from a weak summer quarter. Meanwhile, the low interest rate environment and a strong labour market encouraged consumption to remain robust throughout developed markets and in most emerging ones too, with the exception of Hong Kong that was wracked by social unrest for most of the year.

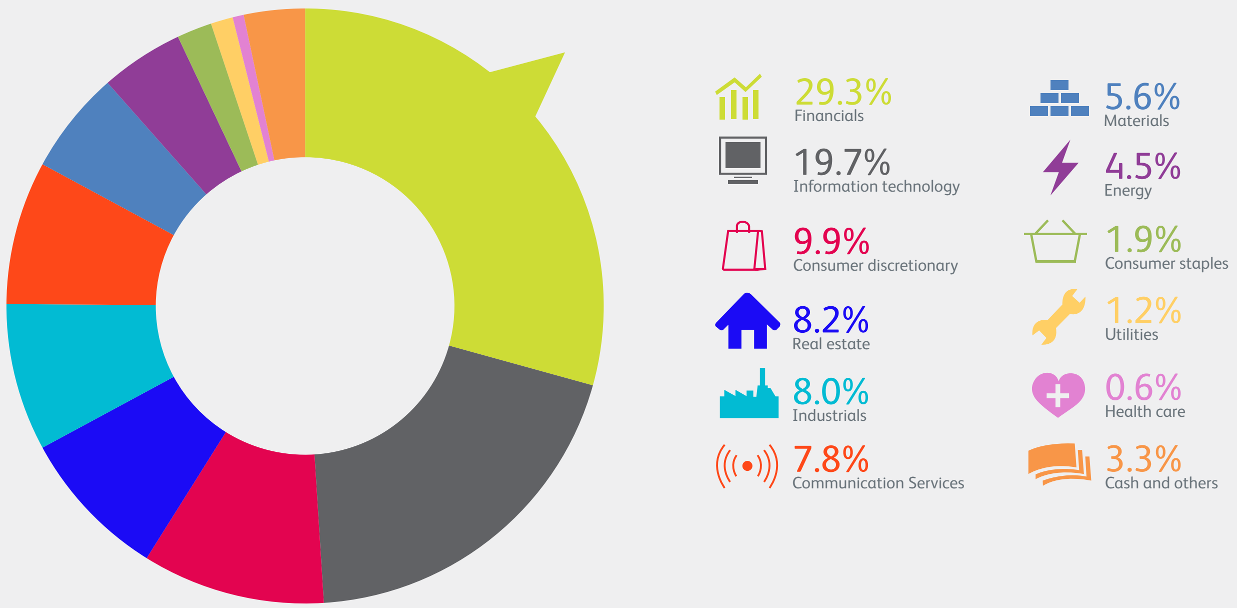
Many of the year's equity market catalysts took place in Developed Markets, especially the US, and were also responsible for an appreciation of the US dollar, which in turn, was partly responsible for Emerging Markets' underperformance. Also weighing was the trade dispute gyrations which hurt the export-orientated markets of China and Korea especially. China had a relatively volatile 12 months but closed the year outperforming EM Asia with a 23.7% return, with two-thirds of this gain coming in the final quarter. A potential resolution of the trade dispute with the US and small-scale stimulus packages from Beijing lent a hand in the fourth quarter. In the first six months, Taiwan was also weighed by trade issues and saw its equity market trade merely in line with the rest of Asia but in the second half of the year, it turned into Asia's outperforming market as semiconductor prices recovered and a new iPhone launch aided Apple supply-chain stocks. The former also supported Korea's technology sector in the final few months but for the rest of the year, Korean equities underperformed as macro indicators pointed to a weakening economy, damaged by the slowdown in China and the US-Sino trade dispute. Although December was good for the country, it still underperformed for the year with a mere 13.1% gain. A second underperforming index was Hong Kong. In April, it was performing above the Asia-ex Japan index for the year to date but this slowly eroded as social unrest grew and began to affect tourism levels and property prices. Although it too recovered a little in December, the MSCI Hong Kong index returned just 10.3% for the year. India also underperformed as the euphoria surrounding the country's re-election of a market-friendly government reversed as the macroeconomic picture deteriorated and the banking sector continued to struggle.

Economic weakness was also responsible for both Thailand (+9.8%) and Malaysia (-2.0%) underperforming. With Thailand, the country's 'safe haven' status led it to outperform notably in Q2 when fears of a global and Asia-wide economic slowdown were at their height but the country failed to join the global equity rally in Q4 as macroeconomic indicators and the currency weakened. It should be noted however that despite its poor year, Thailand was the best performing MSCI index over the ten years from 2010-2019 with more than 180% total return. Malaysia's economy continued to struggle despite the election in 2018 of a new government and this was reflected in the country's equity performance.

Australia's market joined other Developed Markets and returned a healthy 23.1% for 2019 however quarter by quarter the market was more volatile. The first quarter saw some weaker-than expected macroeconomic data weigh on stocks but they then bounced in the second three months when the incumbent centre-right party surprisingly won the general election. That continued into the third-quarter when a shift to value saw its banking sector surge but this promptly reversed in Q4 after another banking scandal dragged on the same sector. New Zealand surprised investors with a very strong return of 38.8% after its central bank first turned dovish on interest rates, then cut them by 75 bps in two moves.

From a Fund perspective, stock selection in Consumer Staples and IT contributed to performance while stock selection in Consumer Discretionary and Energy dragged on performance. Among countries, stock selection in India and Taiwan helped performance while picks in China and Australia detracted from performance.

Sector allocation



Performance

13.37%
Actual year-on-year

1.04%
Since inception
(per annum)

USD 1.07356
Unit price
as of Jan 2, 2020

Top five holdings

TAIWAN SEMICONDUCTOR MANUFACTURING CO. LTD.	6.2%
SAMSUNG ELECTRONICS LTD.	5.4%
TENCENT HOLDINGS LTD	4.1%
ALIBABA GROUP HOLDING ADR	4.1%
CHINA CONSTRUCTION BANK CORP H	4.1%

Notes:
The fund returns are net of Annual Management Charge. Past performance is not necessarily indicative of the future or likely performance of the fund.

Highest and lowest unit price achieved

Initial (26 Feb 2013) 1.00000
Highest (29 Jan 18) 1.24563
Lowest (22 Jan 2016) 0.69551

Performance chart

PRULink Global Emerging Markets Dynamic Fund

At the beginning of the year, weak economic data, rising interest rates, trade headwinds and concerns over Brexit pointed to an uncertain year ahead for equities but, instead, the equity markets delivered one of their best years since the Global Financial Crisis. The MSCI World Index returned 27.3% with substantial support from the US (+31.6%), Europe (+24.6%) and Japan (+20.1%) and, while Emerging Markets also saw solid returns, they underperformed notably with Emerging Asia up only 19.7%, Latin America 17.9% higher and EMEA gaining just 16.3%.

The outperformance of the US was pillared by two main events. First, the changes to America's tax laws in December 2018 that paved the way for large-scale share buyback schemes; and second, the "Powell Pivot" when Federal Reserve Chair Jay Powell indicated in July there would be an interest rate cut instead of a rise. Central banks around the world followed suit and either cut rates or re-introduced quantitative easing programmes where cuts were more difficult. Toward the end of the year, signals that a trade deal between the US and China was imminent provided further support. This propelled export-orientated markets as far apart as Germany and Korea, as well as China, to bounce back in the autumn from a weak summer quarter. Meanwhile, the low interest rate environment and a strong labour market encouraged consumption to remain robust throughout developed markets and in most emerging ones too, except for Hong Kong that was wracked by social unrest for most of the year.

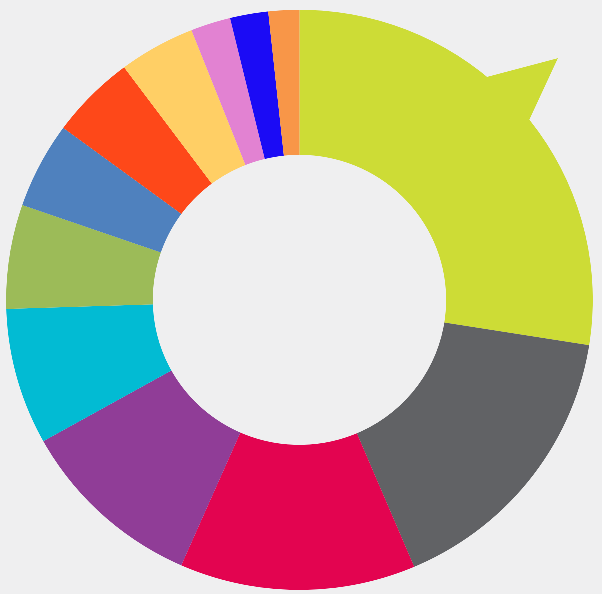
Many of the year's equity market catalysts took place in Developed Markets, especially the US, and were also responsible for an appreciation of the US dollar, which in turn, was partly responsible for export-orientated markets of China and Korea especially.

China had a relatively volatile 12 months but closed the year outperforming EM Asia with a 23.7% return, with two-thirds of this gain coming in the final quarter. A potential resolution of the trade dispute with the US and small-scale stimulus packages from Beijing lent a hand in the fourth quarter. In the first six months, Taiwan was also negatively affected by trade and saw its equity market trade merely in line with the rest of Asia but in the second half of the year, it turned into Asia's outperforming market as semiconductor prices recovered and a new iPhone launch aided supplychain stocks. The former also supported Korea's technology sector in the final few months however for the rest of the year, Korean equities underperformed as macro indicators pointed to a weakening economy, damaged by the slowdown in China and the US-Sino trade dispute, and, although December was good for the country, it still underperformed for the year with a mere 13.1% gain. A second underperforming index was Hong Kong. In April, it was performing above the Asia-ex Japan index but this slowly eroded as social unrest grew and began to affect tourism levels and property prices. Although it too recovered a little in December, the MSCI Hong Kong index returned just 10.3% for the year. India also underperformed as the euphoria surrounding the country's reelection of a market-friendly government reversed as the macro-economic picture deteriorated and the banking sector continued to struggle.

Economic weakness was also responsible for both Thailand (+9.8%) and Malaysia (-2.0%) underperforming. With Thailand, the country's 'safe haven' status led it to outperform notably in Q2 when fears of a global and Asia-wide economic slowdown were at their height but the country failed to join the global equity rally in Q4 as macroeconomic indicators and the currency weakened. It should be noted however that despite its poor year, Thailand was the best performing MSCI index over the ten years from 2010-2019 with more than 180% total return. Malaysia's economy continued to struggle despite the election in 2018 of a new government and this was reflected in the country's equity performance; with the exception of Chile, which fell under the weight of severe social unrest problems and a devaluating currency, and Poland that fell under technical selling pressure from local pension funds, Malaysia was the only major Emerging Market to record a fall in 2019.

From a Fund perspective, our stock picks in Brazil and India contributed to performance although our choices led to the Fund being underweight versus the benchmark. On the downside, our stock choices in Korea and China detracted from performance.

Sector allocation



27.5% Financials
16.1% Information technology
13.0% Consumer discretionary
10.3% Energy
7.6% Consumer staples
5.8% Industrials
4.8% Materials
4.7% Communication Services
4.2% Utilities
2.2% Health care
2.1% Real estate
1.7% Cash and others

Performance

12.90%
Actual year-on-year

1.67%
Since inception
(per annum)

USD 1.10023
Unit price
as of Jan 2, 2020

Top five holdings

TAIWAN SEMICONDUCTORMANUFACTURING CO LTD	5.9%
SAMSUNG ELECTRONICS LTD	5.5%
CHINA CONSTRUCTION BANK CORP H	3.7%
NASPERS LTD	3.4%
SBERBANK ROSSII	3.4%

Notes:
The fund returns are net of Annual Management Charge. Past performance is not necessarily indicative of the future or likely performance of the fund.

Highest and lowest unit price achieved

Initial (01 Apr 2014) 1.00000
Highest (29 Jan 18) 1.24055
Lowest (22 Jan 2016) 0.63696

Performance chart

Investment outlook

From a global perspective, we expect the cyclical global recovery to continue. Trade war tensions have diminished, as the preliminary US-China trade deal was signed in January. Global business sentiment has improved in the last few months, and we expect this to continue. The coronavirus outbreak will likely cause a dent in growth sentiment, especially in Asia, but our view is that the impact will be short term.

We remain constructive on global equities. With the coronavirus outbreak in January, global equity markets corrected. Overbought equity conditions at the start of the year have been unwound. For this reason, we have re-established our strongly bullish view for global equities vs bonds most recently. Relative valuations have improved, as have technical indicators.

Once the markets look beyond the current anxiety caused by the outbreak, and as economic sentiment continues to rebound and trade war tensions diminish, further upside in global stocks is very possible. In this environment, we expect US and European government bonds to come under pressure as the economy rebounds, with investors shunning safe haven assets. Our preference is to increase exposure to higher yielding fixed income assets in both the US and Asia, that offer superior income with less risk of capital loss against the backdrop of a recovering global economy.

In the context of the domestic market, we continue to expect domestic equities to benefit more than bonds from looser monetary policy in the longer term although the global macro backdrop remains fluid.

Fund managers' profile

Low Guan Yi

Chartered Financial Analyst
Chief Investment Officer – Fixed Income

Guan Yi is the portfolio manager of PRULink Asian Local Bond Fund. She joined Eastspring Investments, the Asian asset management business of Prudential plc, in August 2007. As CIO of the Fixed Income team, Guan Yi is responsible for overseeing the management of the firm's fixed income strategies. She is also the lead Portfolio Manager for Eastspring's Asian local currency and total return bond funds.

Prior to joining Eastspring Investments, Guan Yi was managing Asian local currency and credit portfolios at Bank Pictet et Cie Asia Ltd, Fullerton Fund Management Company and at Standard Chartered Bank Singapore. Guan Yi has 22 years of investment experience.

Guan Yi is a CFA charterholder and holds a Bachelor of Business from Nanyang Technological University, Singapore.

Danny Tan

Chartered Financial Analyst
Investment Director – Fixed Income

Danny is the lead portfolio manager of PRULink USD Bond Fund and PRULink Bond Fund. He joined Eastspring Investments, the Asian asset management business of Prudential plc, in February 2004. Danny is responsible for managing and overseeing portfolios of our insurance clients, as well as credit-focused portfolios.

Before joining the Fixed Income team in 2010, Danny worked as a Portfolio Manager and Analyst in various investment teams within Eastspring, where he has built up an extensive investment and research experience in a wide range of asset classes, including fixed income, structured credits and equities. Prior to joining Eastspring Investments, Danny was an Investment Analyst with Tecity Management, covering equity and fixed income research. In all, he has 20 years of investment experience.

Danny is a CFA charterholder and holds a Bachelor of Business degree in Financial Analysis (Hons) from Nanyang Technological University, Singapore.

Kenneth Lee

Chartered Financial Analyst
Senior Executive – Fixed Income

Kenneth is the joint Portfolio Manager of PRULink USD Bond Fund and PRULink Bond Fund. Kenneth joined Eastspring Investments, the Asian asset management business of Prudential plc, in January 2015. He is currently responsible for the management of the Philippine local currency fixed income fund.

Prior to joining Eastspring Investments, Kenneth worked with Phillip Securities Private Limited as an Investment Analyst. He was responsible for supporting portfolio managers of discretionary and separately-managed accounts, with a focus on Southeast Asian equity markets. Kenneth has over 6 years of investment experience.

Kenneth is a CFA charterholder and holds a Bachelor of Engineering (Chemical Engineering) and a Bachelor of Business Administration (Finance) from National University of Singapore.

David Hollis

Investment Director –
Investment Solutions

The PRULink Managed Fund, PRULink ProActive Fund, PRULink Growth Fund, PRULink Asian Balanced Fund, PRULink Cash Flow Fund and PRULink Global Market Navigator Fund are managed by David.

David Hollis joined Eastspring Investments, the Asian asset management business of Prudential plc, as Investment Director, in January 2018. David is part of the Investment Solutions (IS) team and is responsible for the investment strategy, tactical asset allocation and performance of several of the firm's global multi-asset funds. Together with the rest of the Investment Solutions team, David provides advice on strategic asset allocation, advisory and liability management of the Group's life insurance assets in Asia, as well as managing third party multi-asset portfolios.

Prior to joining Eastspring Investments, David worked for 17 years at Allianz Global Investors (Formerly Dresdner RCM) in London. For the last 10 years, he was responsible for the management, performance and advisory, of all the institutional and retail global multi asset funds in the UK. Prior to this, he worked in various roles within the global fixed income team at Dresdner RCM in London, managing predominantly European institutional and UK retail client money.

David has over 20 years experience in a variety of asset classes, having successfully combined a profound understanding of asset markets with active portfolio management for many years. David holds a Bachelor of Science (First Class Hons) in Economics from the London School of Economics (1998), London, UK.

Andrew Cormie

Chartered Financial Analyst
Portfolio Manager – Equity

PRULink Asia Pacific Equity Fund and PRULink GEM Dynamic Fund are managed by Andrew Cormie. Andrew joined Eastspring Investments in 2008. Andrew is the team leader for the Global Emerging Markets (GEM) focus team as well as a member of the Regional Asia focus team. He is also the lead manager for the Asia Pacific equity strategy as well as GEM Dynamic Fund.

Andrew began his investment career in 1982 with National Mutual Life Association. He then worked as an Equity Dealer for JP Morgan Investment Management, Melbourne in 1984 and became their Director, responsible for Australian Equity and Balanced business three years later. In 1997, Andrew became the Head of Global Equity Team of JP Morgan Investment Management, London. Andrew was the founding partner and Director of Voyager Funds Management Pty Limited between 2006/07. In all, Andrew has over 38 years of investment experience.

Andrew is a CFA charterholder and holds a bachelor degree in Business Administration from Griffith University, Brisbane and a diploma from Securities Institute of Australia.

Chow Wing Kin

Chartered Financial Analyst
Investment Director – Equity

Wing Kin is the lead manager of the PRULink Equity Fund. Wing Kin is the team leader of the ASEAN Equity focus team; he joined Eastspring Investments in 1999. Wing Kin is also the lead manager for the Indonesia and Philippines equity strategies and comanages the Singapore-ASEAN strategy.

Previously, Wing Kin was an investment analyst at The Insurance Corporation of Singapore. In all, Wing Kin has over 24 years of investment experience.

Wing Kin is a CFA charterholder and holds a Bachelor of Business degree from Nanyang Technological University, Singapore.

Corporate governance

Corporate governance

I. The Board of Directors

During the Annual Shareholders' Meeting of Pru Life Insurance Corporation of U.K. ("Pru Life UK") held on 20 June 2019, the following were elected as members of the Board of Directors for the year 2019 to 2020 and until their successors shall have been duly elected and qualified:

1. Henry Joseph "Henry" M. Herrera
Independent Chairman of the Board of Directors

- **Age:** 60 years old
- **Date of first appointment:**
  17 June 2010 as Board Member
  23 August 2012 as Chairman of the Board
- **Length of service:** 9 years
- **Directorship in other listed companies:** None

- **Qualifications:**
  Henry is a Statistics cum laude and Masters of Business Administration graduate of the University of the Philippines, and has accomplished courses at the Asian Institute of Management, the Wharton Graduate School of Business, and the Harvard School of Business. He has also earned units in Master of Science in Mathematics major in Actuarial Science from the University of the Philippines.

  Henry 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 Award also in the same year.

  Henry is a Fellow and former president of the Actuarial Society of the Philippines and a member of the International Actuarial Association. He is also a former president of the Philippine Life Insurance Association, Inc.

- **Relevant experience:**
  Henry's experience in the insurance industry spans over 30 years. He was President and Chief Executive Officer (CEO) of Sun Life of Canada (Philippines), Inc. from January 2007 to July 2009. Henry'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. Henry also served as the Assistant Vice President, Financial Controller and Analyst of United Coconut Planters Life from 1984 up to 1988.

2. Stephen Paul "Steve" Bickell
Non-executive Board Member

- **Age:** 56 years old
- **Date of first appointment:**
  5 June 2008
- **Length of service:** 11 years
- **Directorship in other listed companies:** None

- **Qualifications:**
  Steve graduated with a Diploma of Business Studies from the Waltham Forest College of Higher Education.

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

  Steve is a Director of Prudential Corporation Holdings Limited, PCA IP Services Limited, Prudential Hong Kong Ltd. and Sri Han Suria Sdn Bhd and is a Commissioner of PT. Prudential Life Assurance (Indonesia).

3. Teoh Kwui Ying
*Non-executive Board Member***

- **Age:** 48 years old
- **Date of first appointment:**
  24 August 2017
- **Length of service:** 2 years
- **Directorship in other listed companies:** None

- **Qualifications:**
  Ying earned her Bachelor of Economics and Master of Economics from the Macquarie University in Sydney, Australia. She is a Fellow of the Institute of Actuaries of Australia.

- **Relevant experience:**
  Ying is the Chief Officer, Strategic Solutions of Prudential Corporation Asia (PCA). She previously served as Chief Performance Officer for Insurance and Regional Director for Strategic Management, Insurance.

  Ying is currently a Board Member of Prudential (Cambodia) Life Assurance Plc, Citic-Prudential Life Insurance Company Limited, Sri Han Suria Sdn Bhd., Prudential Vietnam Assurance Private Limited, and Prudential Myanmar Life Insurance Limited .

  Prior to joining PCA, Ying worked in ING Life as its Chief Risk Officer and Executive Director-Head of Product.

4. Antonio Manuel "Jumbing" G. De Rosas

Executive Board Member

- **Age:** 55 years old
- **Date of first appointment:**
  7 December 2010
- **Length of service:** 9 years
- **Directorship in other listed companies:** None

- **Qualifications:**
  Jumbing completed his Bachelor of Science in Business Administration major in Accounting degree (Summa Cum Laude) at the University of San Francisco in the United States, and Master of Business Economics at the University of Asia and the Pacific.

  In 2012, Jumbing became the first Filipino in the Philippines to receive the Chartered Global Management Accountant designation from the American Institute of Certified Public Accountants (AICPA) and the Chartered Institute of Management Accountants. He is licensed by AICPA, a fellow of the Hong Kong Institute of Certified Public Accountants, and is a Certified Information Systems Auditor.

- **Relevant experience:**
  Jumbing joined Pru Life UK in 2007 as Senior Vice President and Chief Financial Officer (CFO) and assumed the top post of President and Chief Executive Officer in 2010.

  Jumbing worked in Hong Kong with consulting firms Arthur Andersen & Company, Ernst & Young, and Asia Commercial Bank, where he eventually became CFO. He moved to Manila in 1997 as Senior Vice President, CFO, and Treasurer of Nippon Life Insurance Company of the Philippines, Inc. before joining Pru Life UK.

5. Cesar P. Manalaysay

Independent Board Member

Age: 71 years old
Date of first appointment:
2 August 2006
Length of service: 13 years
Directorship in other listed companies: None

- **Qualifications:**
  Cesar 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.

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

- **Relevant experience:**
  Cesar is the Managing Partner of Siguion Reyna, Montecillo and Ongsiako Law Offices. He is a member of the Board of Directors or an officer of various companies.

6. Romerico "Romy" S. Serrano

Independent Board Member

- **Age:** 69 years old
- **Date of first appointment:**
  2 August 2006
- **Length of service:** 13 years
- **Directorship in other listed companies:** None

- **Qualifications:**
  Romy 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.

- **Relevant experience:**
  Romy held top positions in various companies, including President of Fuji Xerox Philippines, Inc. and Country Manager of Motorola Inc.,- South Asia, among others.

7. Angelica "Nenet" H. Lavares

Independent Board Member

Age: 66 years old
Date of first appointment:
20 June 2019
Length of service: 7 months
Directorship in other listed companies: Metropolitan Bank & Trust Company

Qualifications:
Nenet graduated cum laude from St. Teresa's College, Q.C. with a degree in A.B. Psychology and earned her Bachelor of Laws degree, 1st Honorable Mention, from the University of the Philippines.

- **Relevant experience:**
  Nenet was previously Executive Vice President and Head, Strategic Support Group, of Bank of Commerce from 2009 to 2015 and Senior Vice President and Chief Legal Counsel, Chief Compliance Officer, and Assistant Corporate Secretary of Metropolitan Bank & Trust Company from 2003 to 2009. She has also held top positions in various other companies, including United Coconut Planters Bank and Filinvest Land, Inc.

  Nenet is currently a Teaching Fellow at the Institute of Corporate Directors and an independent director of several companies.

II. Training and continuing education programme of directors

For the year 2019, the directors attended the following training and continuing education programs:

Director	Training and continuing education programme attended
1. Henry Joseph M. Herrera 2. Stephen Paul Bickell 3. Teoh Kwui Ying 4. Antonio Manuel G. De Rosas 5. Cesar P. Manalaysay 6. Romerico S. Serrano 7. Angelica H. Lavares	Board Education Session held on 22 August 2019 where the following topics were presented: - Updates on the Prudential Group - Updates on Pru Life UK's Agency Division (Branches, recruitment, key direction) - Audit Committee Refresher - Sustainability in the Boardroom

Stephen Paul Bickell also attended the following training and continuing education programs:

Date	Training and continuing education programme attended
28 January 2019	Risk Management Training held in Indonesia
August 2019	PCA Compliance and Financial Crimes training for 2019, in Hong Kong: (a) Anti Money Laundering (b) Anti Bribery and Corruption Insurance (c) Fraud Awareness (d) Conflicts of Interest (e) Prudential COI RHO 2019
	PCA Regional Information & Technology Security, in Hong Kong: (a) Mobile Device Security
October 2019	PCA Legal training for 2019, in Hong Kong: (a) Inside Information Policy and Information Barrier Policy (b) Competition Law Policy
September 2019	Risk Management Workshop, held in Indonesia

Angelica H. Lavares also attended the following training and continuing education programs:

Date	Training and continuing education programme attended
19 May 2019	Technology Governance for Directors conducted by Institute of Corporate Directors
September 2019	Mandatory Continuing Legal Education certified by the Supreme Court
	PCA Regional Information & Technology Security, in Hong Kong: (a) Mobile Device Security
18 October 2019	Advanced Corporate Governance Training conducted by the Institute of Corporate Directors
18 October 2019	Anti-Money Laundering Module conducted by the Institute of Corporate Directors

III. Board meetings

For the year 2019, the Board of Directors of Pru Life UK held seven (7) meetings. Below are the details of the attendance of the directors in said meetings:

Date and type of board meeting	Directors present in the board meeting	Directors absent in the board meeting
1. Regular Meeting of the Board of Directors held on 14 March 2019	Henry Joseph M. Herrera Stephen Paul Bickell Teoh Kwui Ying Antonio Manuel G. De Rosas Cesar P. Manalaysay Jose A. Feria, Jr.	Romerico S. Serrano
2. Organizational Meeting of the Board of Directors held on 20 June 2019	Henry Joseph M. Herrera Stephen Paul Bickell Teoh Kwui Ying Antonio Manuel G. De Rosas Cesar P. Manalaysay Angelica H. Lavares	Romerico S. Serrano
3. Regular Meeting of the Board of Directors held on 22 August 2019	Henry Joseph M. Herrera Stephen Paul Bickell Teoh Kwui Ying Antonio Manuel G. De Rosas Cesar P. Manalaysay Romerico S. Serrano Angelica H. Lavares	None
4. Board of Directors' Education Session held on 22 August 2019	Henry Joseph M. Herrera Stephen Paul Bickell Teoh Kwui Ying Antonio Manuel G. De Rosas Cesar P. Manalaysay Romerico S. Serrano Angelica H. Lavares	None
5. Special Meeting of the Board of Directors held on 5 September 2019	Henry Joseph M. Herrera Stephen Paul Bickell Teoh Kwui Ying Antonio Manuel G. De Rosas Cesar P. Manalaysay Romerico S. Serrano	Angelica H. Lavares
6. Joint Special Meeting of the Shareholders and the Board of Directors held on 14 October 2019	Henry Joseph M. Herrera Antonio Manuel G. De Rosas Romerico S. Serrano Angelica H. Lavares	Stephen Paul Bickell Teoh Kwui Ying Cesar P. Manalaysay
7. Regular Meeting of the Board of Directors held on 21 November 2019	Henry Joseph M. Herrera Antonio Manuel G. De Rosas Stephen Paul Bickell Cesar P. Manalaysay Romerico S. Serrano Angelica H. Lavares	Teoh Kwui Ying

Board Member	Percentage of attendance
Henry Joseph M. Herrera	100%
Antonio Manuel G. De Rosas	100%
Stephen Paul Bickell	86%
Cesar P. Manalaysay	86%
Angelica H. Lavares (Elected 20 June 2019)	83%
Teoh Kwui Ying	71%
Romerico S. Serrano	71%
Jose A. Feria, Jr. (Retired as director as of 20 June 2019)	100%

IV. The Nomination Committee

During the Organizational Meeting of the Board of Directors held on 20 June 2019, the following were elected as members of the Nomination Committee for the year 2019 to 2020 and until their successors shall have been duly elected and qualified:

Cesar P. Manalaysay – *Independent Chairman*
Henry Joseph M. Herrera – *Independent Member*
Romerico S. Serrano – *Independent Member*

For the year 2019, the Nomination Committee of Pru Life UK held two (2) meetings. Below are the attendance details of each of its members in 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 14 March 2019	Cesar P. Manalaysay Henry Joseph M. Herrera	Romerico S. Serrano
2.	Regular meeting held on 21 November 2019	Cesar P Manalaysay Romerico S. Serrano Henry Joseph M. Herrera	None

Nomination Committee member	Percentage of attendance
Cesar P. Manalaysay	100%
Romerico S. Serrano	50%
Henry Joseph M. Herrera	100%

V. The Remuneration Committee

During the Organizational Meeting of the Board of Directors held on 20 June 2019, the following were elected as members of the Remuneration Committee for the year 2019 to 2020 and until their successors shall have been duly elected and qualified:

Romerico S. Serrano – Independent Chairman
Teoh Kwui Ying – Non-executive Member
Henry Joseph M. Herrera – Independent Member

For the year 2019, the Remuneration Committee of Pru Life UK held two (2) meetings. Below are the attendance details of each of its members in 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 14 March 2019	Henry Joseph M. Herrera Teoh Kwui Ying	Romerico S. Serrano
2.	Regular meeting held on 21 November 2019	Romerico S. Serrano Henry Joseph M. Herrera Teoh Kwui Ying	None

Remuneration Committee member	Percentage of attendance
Romerico S. Serrano	50%
Teoh Kwui Ying	100%
Henry Joseph M. Herrera	100%

VI. The Audit Committee

During the Organizational Meeting of the Board of Directors held on 20 June 2019, the following were elected as members of the Audit Committee for the year 2019 to 2020 and until their successors shall have been duly elected and qualified:

1. Henry Joseph "Henry" M. Herrera
Independent Chairman of the Audit Committee

- **Qualifications:**
Henry is a Statistics cum laude and Masters of Business Administration graduate of the University of the Philippines, and has accomplished courses at the Asian Institute of Management, the Wharton Graduate School of Business, and the Harvard School of Business. He has also earned units in Master of Science in Mathematics major in Actuarial Science from the University of the Philippines.

Henry 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 Award also in the same year.

Henry is a Fellow and former president of the Actuarial Society of the Philippines and a member of the International Actuarial Association. He is also a former president of the Philippine Life Insurance Association, Inc.

- **Relevant experience:**
Henry's experience in the insurance industry spans over 30 years. He was President and Chief Executive Officer (CEO) of Sun Life of Canada (Philippines), Inc. from January 2007 to July 2009. Henry'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. Henry also served as the Assistant Vice President, Financial Controller and Analyst of United Coconut Planters Life from 1984 up to 1988.

2. Cesar P. Manalaysay
Independent Member of the Audit Committee

- **Qualifications:**
Cesar 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.

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

- **Relevant experience:**
Cesar is the Managing Partner of Siguion Reyna, Montecillo and Ongsiako Law Offices. He is a member of the Board of Directors or an officer of various companies.

3. Romerico "Romy" S. Serrano

Independent Member of the Audit Committee

Qualifications:
Romy 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.

▸ **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.

4. Angelica "Nenet" H. Lavares

Independent Member of the Audit Committee

▸ **Qualifications:**
Nenet graduated cum laude from St. Teresa's College, Q.C. with a degree in A.B. Psychology and earned her Bachelor of Laws degree, 1st Honorable Mention, from the University of the Philippines.

▸ **Relevant experience:**
Nenet was previously Executive Vice President and Head, Strategic Support Group, of Bank of Commerce from 2009 to 2015 and Senior Vice President and Chief Legal Counsel, Chief Compliance Officer, and Assistant Corporate Secretary of Metropolitan Bank & Trust Company from 2003 to 2009. She has also held top positions in various other companies, including United Coconut Planters Bank and Filinvest Land, Inc.

Nenet is currently a Teaching Fellow at the Institute of Corporate Directors and an independent director of several companies.

For the year 2019, 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 meetings	Members absent in the Audit Committee meetings
1.	Regular Meeting of the Audit Committee held on 14 March 2019	Henry Joseph M. Herrera Stephen Paul Bickell Cesar P. Manalaysay	Romerico S. Serrano
2.	Regular Meeting of the Audit Committee held on 20 June 2019	Henry Joseph M. Herrera Cesar P. Manalaysay	Romerico S. Serrano
3.	Regular Meeting of the Audit Committee held on 22 August 2019	Henry Joseph M. Herrera Cesar P. Manalaysay Romerico S. Serrano Angelica H. Lavares	None
4.	Regular Meeting of the Audit Committee held on 21 November 2019	Henry Joseph M. Herrera Cesar P. Manalaysay Romerico S. Serrano Angelica H. Lavares	None

Audit Committee member	Percentage of attendance
Henry Joseph M. Herrera	100%
Cesar P. Manalaysay	100%
Romerico S. Serrano	50%
Angelica H. Lavares (Elected as member of the Audit Committee on 20 June 2019)	100%
Stephen Paul Bickell (Retired as member of the Audit Committee on 14 March 2019)	100%

VII. Year 2019 Annual Performance Assessments of the Board of Directors, the Individual Board Members, the Board Committees, and the Chief Executive Officer

On a yearly basis, the directors of Pru Life UK conduct a performance assessment of the Board, members of the Board, Board Committees and Chief Executive Officer. The Annual Performance Assessment is based on the Self-Assessment Questionnaire on the observance of the different principles of good governance in Insurance Commission Circular Letter No. 31-2005 entitled "*Corporate Governance Principles and Leading Practices*."

For 2019, the Annual Performance Assessment Form was distributed to the directors after the Regular Meeting of the Board of Directors on 21 November 2019. The Corporate Secretary received the duly accomplished forms before the Board and Board Committee meetings held on 19 March 2020. The results of the performance assessments were tallied and summarized by the Corporate Secretary and reported to and discussed by the Board and the Nomination Committee during the Board and Nomination Committee meetings held on 19 March 2020. Recommendations and action items based on the results of the performance assessments were likewise discussed during said meetings.

VIII. External auditor

In the Audit Committee meeting of Pru Life UK held on June 20, 2019, the Audit Committee endorsed to the Shareholders of Pru Life UK the appointment of R.G. Manabat & Co. as external auditor for the audit year 2019. In the Annual Meeting of the Shareholders of Pru Life UK held on June 20, 2019, R.G. Manabat & Co. was appointed as the external auditor for the audit year 2019. None of the directors and senior management of Pru Life UK were former employees and partners of R.G. Manabat & Co. for the past two (2) years.

For the year 2019, Pru Life UK paid R.G. Manabat & Co. a total of two million one hundred thousand pesos (PhP 2,100,000.00) for audit fees, exclusive of out-of-pocket expenses and twelve percent (12%) value added tax.

No non-audit fees were paid to R.G. Manabat & Co. for the year 2019.

IX. Dividend policy

Pru Life UK shall declare and pay cash dividends, the amount of which shall be determined through consideration of the following factors: (a) surplus position; (b) liquidity position (c) solvency ratios; (d) strategic initiatives, and (e) provisions for regulatory changes.

For 2019, the Company declared and paid cash dividends of two billion one hundred seventy-six million four hundred seventy thousand five hundred eighty-eight pesos and 24/100 (PhP 2,176,470,588.24) inclusive of final tax.

X. Compliance and Risk Management

Pru Life UK's Board Audit Committee (AC) and Board Risk Committee (RC) provide the risk oversight roles at board level. These include review of the Company's internal controls and risk management framework; seeking assurance from Management that they have performed their duty in respect of their application of the Prudential Group Risk Management Framework; reviewing approvals for deviations from any regional policies; and reviewing Management's and the external and internal auditors' reports on the effectiveness of systems for internal controls, financial reporting, and risk management. The RC which was created in 2016 has the primary function to assist the Board of Directors of Pru Life UK in assessing the material risks to which Pru Life UK is or could be exposed to, as well as the effectiveness of its internal controls and risk management system. The risk oversight by the AC and RC is mainly supported by the Chief Executive Officer (CEO), Chief Risk Officer, Compliance Officer, the Risk and Compliance function, and the executive level Risk Committee. The reporting and discussion on risk management and compliance form part of the standing agenda of the AC and RC.

For the year 2019, the Board of Directors conducted a review of Pru Life UK's material controls (including operational, financial and compliance controls), internal controls and risk management systems and confirmed the adequacy thereof. The Board of Directors acknowledged the Annual Statement of Compliance of Pru Life UK, duly signed by the President and Chief Executive Officer, Antonio Manuel G. De Rosas, and the Executive Vice President and Chief Financial Officer, Francis P. Ortega, for the year 2019 which demonstrated Pru Life UK's compliance, in all material respects, with the risk management policies and that all material controls and risk management systems have been operating effectively throughout the year.

XI. Speak Out Confidential Helpline (Whistle Blowing Policy)

For concerns and complaints on possible violation of rights and illegal (including corruption) and unethical behavior, please contact us using the details below. All concerns/complaints and any information given will be treated in confidence and every effort will be made not to reveal your identity if that is your wish.

Head office address:
9/F Uptown Place Tower 1, 1 East 11th Drive, Uptown Bonifacio, 1634 Taguig City, Philippines

Telephone numbers:
Dial direct access number (depending on your telecommunications provider):

1010-5511-00 (PLDT-Tagalog Operator)
At English prompt, dial:
855-860-2158

105-11 (Globe, Philcom, Digitel, Smart)
At English prompt, dial:
855-860-2158

Email address: pcahelpline@prudential.com.hk
Website: www.prudentialspeakout.ethicspoint.com

XII. Code of corporate governance

As part of the Prudential Group, Pru Life UK is required to comply with the Prudential Group Corporate Governance standard. The Company runs an annual self-certification exercise (Turnbull*) to ensure compliance with the governance manual. The CEO of Pru Life UK presented to the 2019 Board Audit Committee the Annual Statement of Compliance including the Prudential Group corporate governance standard which showed Pru Life UK's compliance, in all material respects, with the Corporate Governance standard.

"Turnbull" is the annual certification of compliance with governance, risk management, and internal control requirements including Principle C2 of the UK Corporate Governance Code and Section 302 of the Sarbanes Oxley Act 2002 (Sox).

XIII. Remuneration Policy for Executive Directors and Chief Executive Officer

Pru Life UK's total rewards package provides an effective mix of fixed and variable components that is geared towards rewarding contribution, performance, and value to the business. The CEO reward components support our rewards philosophy.

- Fixed component consisting of base pay and fixed bonus (13th month pay) to reflect market and internal value of the role and recognize individual performance (through base pay increases)

- Variable annual incentive bonus to encourage high performance against key financial and strategic metrics and individual performance and to enable the individual to share in the success (and risk) of the business

- Variable long-term incentives to attract and retain executives & key talent, recognize contribution to the long term success of Prudential, and create sense of ownership

- Benefits to supplement cash compensation and provide long term security and protection

Executive directors of Pru Life UK do not receive a separate remuneration for holding such position.

XIV. Fee Structure and Remuneration of Directors

The non-executive external directors* of Pru Life UK (Henry Joseph M. Herrera, Cesar P. Manalaysay, Romerico S. Serrano, and Angelica H. Lavares) receive fixed directors' fees for every meeting attended and do not receive any other additional remuneration for their directorship in Pru Life UK. The non-executive internal directors** of Pru Life UK (Stephen Paul Bickell and Teoh Kwui Ying) do not receive any remuneration for their directorship in Pru Life UK. The executive director of Pru Life UK (Antonio Manuel G. De Rosas) does not receive any remuneration for his directorship in Pru Life UK.

Below are the details of the remuneration received by the directors of Pru Life UK for the year 2019:

Name	Classification as director	Fee structure/Remuneration as director
Henry Joseph M. Herrera	Independent Non-Executive Chairman of the Board (*External)	Total annual gross director's fee in the amount of eight hundred thousand pesos (PhP 800,000)
Stephen Paul Bickell	Non-Executive (**Internal) Board Member	Did not receive any director's fee
Teoh Kwui Ying	Non-Executive (**Internal) Board Member	Did not receive any director's fee
Antonio Manuel G. De Rosas	Executive Board Member	Did not receive any director's fee
Cesar P. Manalaysay	Independent Non-Executive (*External) Board Member	Total annual gross director's fee in the amount of two hundred thousand pesos (PhP 200,000)
Romerico S. Serrano	Independent Non-Executive (*External) Board Member	Total annual gross director's fee in the amount of one hundred fifty thousand pesos (PhP 150,000)
Angelica H. Lavares	Independent Non-Executive (*External) Board Member	Total annual gross director's fee in the amount of one hundred fifty thousand pesos (PhP 150,000)
Jose A. Feria, Jr.	Non-Executive (*External) Board Member (Retired as Board Member as of 20 June 2019)	Total annual gross director's fee in the amount of fifty thousand pesos (PhP 50,000)

**a director who does not hold any position in Pru Life UK or its parent company, affiliates and subsidiaries*
*** a director of Pru Life UK who is also an officer or employee of Pru Life UK's parent company, affiliates or subsidiaries*

XV. Related Party Transactions

A policy on Related Party Transactions (RPTs) is in place to ensure that RPT transactions of Pru Life UK are only undertaken on an arm's length basis for the financial, commercial, and economic benefit the Company and the entire group to which it belongs. The Policy ensures that there are appropriate oversight and effective control systems for managing RPT exposures to prevent situations that will lead to abuses which would be disadvantageous to the Company, its policyholders, claimants, creditors, and other stakeholders.

"Related Party" or "Related Parties" covers the Company's subsidiaries as well as affiliates and special purpose entities that the Company exerts direct/indirect control over or that exert significant influence over the Company; its board members; officers; stockholders and related interests; and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person/juridical entity whose interests may pose potential conflict with the interest of the Company, hence is identified as Related Party.

All RPTs shall be conducted in the regular course of business and not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, and collateral requirement) to such Related Parties than similar transactions with non-related parties under similar circumstances. An effective price discovery mechanism is in place to ensure that transactions are engaged into terms that promote the best interest of the Company and its stakeholders. The price discovery mechanism includes, but is not limited to, the validation procedures to determine the nature, components, and price of the services to be provided, acquiring the services of an external expert, and where applicable, opening the transaction to a bidding process, canvassing, or benchmarking, or any other applicable due diligence procedures.

Managing of conflict of interest or potential conflict of interest

The Company adopts the Regional-Wide Conflict of Interest Policy. It is committed to ensuring that all related parties operate at the highest level of integrity in all their dealings and business relationships, either within or outside the Company. The members of the Board, employees, stockholders, and management shall disclose to the Board whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting the Company. Directors and officers with personal interest in the transaction shall abstain from the discussion, approval and management of such transaction or matter affecting the Company.

The Company has a Whistleblowing Mechanism in place where employees are encouraged to communicate, confidentially and without risk of reprisal, legitimate concerns about illegal, unethical or questionable RPTs.

The RPT Committee and its Responsibility

The RPT Committee is composed of three (3) members of the Board, all of whom are independent directors. The Chairman and the members of the Committee are appointed by the Board and have a term of one (1) year or until their successors are appointed by the Board.

The primary responsibilities of the RPT Committee include, among others, (1) ensuring that all RPT Transactions are carried out on an arm's length basis, (2) ensuring that appropriate disclosures are made, and/or information is provided to regulating and supervising authorities, (3) reviewing and approving annual public disclosures in accordance with the requirements of the regulator, and (4) reporting to the Board on a regular basis, the status and aggregate exposures of the Company to each Related Party as well as the total amount of exposures to all Related Parties.

Original and Existing Exposure with the Related Parties as of December 31, 2019 (amounts in Php millions):

Related Party	Nature	Transaction amount	Balance (December 31, 2019)	Terms
Eastspring Investment (Singapore) Limited	Management fees for fund management and investment marketing services	301	76	30 days upon billing
Prudential Services Asia	Cost of production application systems and infrastructure support	248	3	30 days upon billing
Prudential Holdings Limited (PHL)	Cost of expenses for international sales conventions and other expenses advanced by PHL	143	21	30 days upon billing
Prudential Capital Holdings Company Limited	Assistance in Foreign Exchange hedging for capital remittance	(no cost involved)	(no cost involved)	30 days upon billing
Pru Life UK Asset Management and Trust Corporation (PAMTC)	Allocation of shared expenses such as rentals, utilities and others. This is a receivable from PAMTC	54	30	30 days upon billing
Pru Life UK Asset Management and Trust Corporation (PAMTC)	Investments in PAMTC's Unit Investment Trust Funds (UITFs)	115	115	Upon investment
	Aggregate	861	245	

Risk management
(Key risks)

Pru Life UK, as part of Prudential plc, generates shareholder value by selectively taking exposure to risks which can be appropriately quantified and managed, and where the risk is adequately rewarded. The approach is to retain risks where doing so contributes to value creation, to the extent that the Company is able to withstand the impact of an adverse outcome, and has the necessary capabilities, expertise, processes, controls, and capital to appropriately manage the risk.

Risk Management System

Pru Life UK complies with the Prudential plc Enterprise Risk Management System which includes Risk Framework, Risk Governance, Risk Appetite and Limit, Risk Management Process and Risk Management Culture. These are set out in the Pru Life UK Risk and Governance Framework.

Pru Life UK regards risk as the uncertainty that the Company faces in successfully implementing its strategies and objectives. This includes all internal and external events, acts, or omissions that have the potential to threaten the success and survival of the Company. As such, material risks will only be retained where these are consistent with the Prudential Group and Pru Life UK Risk Appetite and its philosophy towards risk-taking.

The Risk Framework requires Pru Life UK to establish processes for identifying, evaluating, and managing the key risks as to ensure maintenance of an adequate risk exposure and solvency position on economic, regulatory and ratings perspective. The Risk Framework is supported by a set of Pru Life UK risk policies and associated standards that mirrors Prudential Corporation Asia (PCA) requirements at a minimum.

The Risk Governance refers to the organizational structures, reporting relationships, delegation of authority, and roles and responsibilities of individuals, committees and functions involved in making decisions and controlling its activities on risk related matters. Pru Life UK's Risk Governance is based on the "three lines of defense" model which comprises of risk-taking and management, risk control and oversight, and independent assurance. The independent risk and control oversight function is supported by the risk management and compliance function led by Pru Life UK's Chief Risk Officer (CRO), directly reporting to Pru Life UK's Chief Executive Officer (CEO) and with dotted reporting line to the PCA CRO. The quarterly Pru Life UK Board and Executive level risk committees are the key risk governance forums. Being the standing committee of the Board of Directors of Pru Life UK, the Board Risk Committee has the primary function to assist the Board in assessing the material risks that Pru Life UK is exposed to and the effectiveness of its internal control and risk management systems. The Executive Risk Committee is chaired by Pru Life UK CEO, facilitated by Pru Life UK CRO, and supported by the senior management team as members of the Committee. The key risks that the Company is exposed to and any key issues arising from the Executive Risk Committee are required to be escalated to the Board Risk Committee, the Audit Committee and an appropriate Regional Risk Office forum. The Pru Life UK CRO is a member of various key business decision committees including Pru Life UK's Executive Committee, Investment Committee, Product Steering Committee, Underwriting and Claims Committee, Outsourcing Committee, Life Operations Committee, PruOne Steering Committee and Persistency Steering Committee. The overall effectiveness of the CRO and the risk management function are subjected to the oversight and evaluation of the Board and the Regional Risk Office.

The Risk Appetite and Limits defines the extent to which Pru Life UK is willing to take risk in pursuit of its objective to create shareholder value, taking into account the policyholders and other stakeholders' interest. It is defined by a number of risk appetite statements, operationalized through measures such as limits, triggers, and indicators. Aggregate risk limits are defined and monitored based on financial and non-financial stresses on earnings volatility, liquidity, and capital requirements as well as limit on the counterparty and credit exposure. There is no appetite for material losses (direct or indirect) suffered as a result of failing to develop, implement, and monitor appropriate controls to manage operational risks.

The Risk Management Process includes risk identification (including top down, bottom up, and emerging risk identification), risk measurement and assessment (including Solvency II Economic Capital, Local Capital, Earnings volatility, Liquidity, emergence of experience), risk monitoring and reporting (Executive Risk & Board Risk Committees, PCA Risk reporting), and risk management and control (including Risk Appetite and limits, Large Risk Approval Process, Stress Testing, Reverse Stress Testing, Risk-Based Decision Making). The risk management process is embedded in the key business activities.

The Risk Management Culture promotes risk considerations in the business decisions through leadership and behaviors demonstrated by management, skills and capabilities building to support management, and embedding risk management in performance evaluations. It is further set in via the engagement of various stakeholders within the organization with the aim of enhancing the understanding of sound risk management practices and the awareness of its relevance to their roles. This includes new hire orientation to the Pru Life UK risk management practice, infographics distributed for all employees and specific training sessions to different functions, executive members and the Board members.

Key risk exposure and mitigating actions

The key risks inherent in insurance management operations include investments made to support insurance product liabilities, the products offered, and business operations.

Risks from investments could arise from the uncertainty of investment returns, including fluctuation in equity prices, interest rates, and defaults of credit instruments. Unit-linked products are exposed to equity risk, as the revenue is linked to funds under management. Traditional products are exposed to interest rate risks arising from asset-liability mismatch. Mitigating actions include establishing clear market risk taking policies, risk appetite statements, limits and trigger, reporting of the regular management information, appropriate strategic asset allocation, which matches the liabilities profile and the investment performance oversight provided by the Investment Committee.

Risks arising from products offered include adverse actual experience relative to expected: i) mortality or morbidity claims, ii) policyholders lapses and surrender, or iii) incurred expenses for launching and administering the policies. The risks are mainly mitigated by robust governance and oversight on the product development and approval process, adequate training and sales process, appropriate underwriting and claim process, responsive customer service, appropriate risk transfer arrangements, ability to re-price, appropriate asset allocation, investment performance monitoring, disciplined expense management, regular experience monitoring and deep-dive reviews.

Risks from business operations could arise from the failure to comply with the ever-evolving regulatory and legislative requirements, mis-selling, misalignment of business strategy with business architecture, inadequate Information Security, risk on Data Privacy, Transformation and Implementation risk of strategic initiatives and loss of key talents and critical roles. The risks are mainly mitigated by a sound and effective operational risk management framework, robust compliance processes and culture, timely and insightful management information on key operational risk and control assessments, scenario analysis, and internal and external incidents reporting.

Corporate officers

Antonio "Jumbing" G. De Rosas

President and Chief Executive Officer

Antonio "Jumbing" G. De Rosas is the President and Chief Executive Officer of Pru Life UK, Philippine subsidiary of British financial services giant Prudential plc. He joined Pru Life UK in 2007 as General Manager and Chief Financial Officer (CFO), before assuming the top post in August 2010.
Under his leadership, leading life insurer and pioneer of insuravest or investment-linked life insurance products, Pru Life UK has expanded its reach to 122 branches and 86 General agencies in the Philippines, with the biggest life agency force of more than 36,000 licensed agents. The company is also second based on the Insurance Commission's 2019 Q3 rankings in terms of New Business Annual Premium Equivalent and Total Premium Income and is also ranked 1st in the ASEAN Corporate Governance Scorecard (ACGS) among all insurers in the country for three straight years since 2017.

Mr. De Rosas graduated Summa Cum Laude from the University of San Francisco 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.

Mr. De Rosas' 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 include 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. Mr. De Rosas is a martial arts expert, with the rank of karate black-belt, 4th dan. He is a skilled athlete who continues to be involved in long-distance swimming and running.

Maria Divina H. Furagganan

Executive Vice President and Chief Agency Officer

Maria Divina "Divine" Heres-Furagganan joined Pru Life UK in 2010 as a Sales Director and has since led the agency distribution channel in becoming a significant contributor to the Company's sales performance and expanding business. She has recently assumed leadership of the Third Party Distribution Channel and the Enterprise Business Channel, and currently serves as Executive Vice President and Chief Distribution Officer.

Ms. Furagganan has over 25 years of experience in sales, holding key roles in a number of insurance companies including Philippine AXA Life Insurance Corporation, Manufacturer's Life Insurance Corporation, and John Hancock Life Insurance Corporation. She graduated Cum Laude from the Mapua Institute of Technology with a Bachelor's degree in Management and Industrial Engineering.

Michael R. Mabalay

Executive Vice President and Chief Transformation Officer

Michael Mabalay joined the Life Operations Division of Pru Life UK in 2000 where he established the Business Retention Department and led the team responsible for the development of backroom support services for VUL insurance products. He moved on to become Vice President for Corporate Project Management in 2010 and set-up a robust framework for managing the Company's significant initiatives. From November 2012 to June 2013, he was appointed by Prudential Corporation Asia (PCA) as Senior Vice President and Project Director of the Integration Management Office of Prudential Thailand where he successfully managed the simultaneous acquisition of a life insurance company and implementation of a bancassurance partnership in Thailand.

Mr. Mabalay currently serves as the Executive Vice President and Chief Transformation Officer of Pru Life UK. He holds a degree in Bachelor of Science, Major in Management from the Ateneo de Manila University.

Francis P. Ortega

Executive Vice President and Chief Financial Officer

Mr. Ortega is currently Pru Life UK's Executive Vice President and Chief Financial Officer. He joined the company as Head of Pricing and Product Development in 2007 and led the development of its long line of innovative and profitable products. He has also helped manage the agency compensation structure and set up the distribution agreement for several bank partners. In 2011, he ascended to the role of Chief Actuary and oversaw all areas of the actuarial function which covers Financial Reporting and Valuation, Experience Studies and Monitoring, Risk Management, and Product Development. In his role as CFO, he leads both the Actuarial and Finance operations.

Mr. Ortega is a Fellow of the Actuarial Society of the Philippines and the Life Management Institute. His more than 24 years of experience in the life insurance industry began with a large multinational life insurance company where he gained experience in various actuarial roles prior to joining Pru. He graduated Cum Laude from the University of Santo Tomas with a Bachelor's degree in Mathematics, major in Actuarial Science, and has been awarded as one of the 2015 TOTAL (The Outstanding Thomasian Alumni) awardees.

Manuel T. Nera, Jr.

Senior Vice President and Chief Information Officer and Chief Digital Officer

Manuel "Manny" Nera holds a degree in Bachelor of Science in Electronics and Communication Engineering (BS ECE) from Don Bosco Technical College. He was a member of the Project Management Institute and was a Certified Project Management Professional.

Mr. Nera brings with him three decades of Information Technology experience, starting with PLDT, the biggest telecommunications company. He assumed various roles with two other life insurance companies, Sun Life Financial Shared IT Services as its Regional IT Manager and Generali Pilipinas as its Chief Information Officer.

In 2010, he joined Pru Life UK as Vice President for Information Technology and ascended to the role of Senior Vice President and Chief Information Officer in 2011.

Rey Antonio M. Revoltar

Senior Vice President and Chief Human Resources Officer

Rey Revoltar has been with Pru Life UK since 1999 where he began his Prudential career as a Human Resources Manager. From January 2004 to April 2006, Mr. Revoltar was part of the Prudential Corporation Asia Regional Office in Hong Kong where he was HR Manager and subsequently Regional Training and Development Manager in the PRUuniversity Team. He moved back to Pru Life UK as Senior Manager for Training and Development before he moved up and assumed the post of Assistant Vice President for HR.

In 2008, Mr. Revoltar joined the Company's Executive Committee when he became Vice President for Human Resources. Before joining Pru Life UK, he has done significant work for another life company and a well-known leisure park. Mr. Revoltar is a graduate of the Ateneo de Manila University where he took up Management Economics.

Allan M. Tumbaga

Senior Vice President and Chief Customer Marketing Officer

Allan Tumbaga has experience in both local and international banking, particularly in corporate communications, product management and brand management.

Prior to joining Pru Life UK, Mr. Tumbaga was with EastWest Bank where he was the Vice President and Head of Bank Marketing and Corporate Communications. He also held key leadership positions as Marketing Head for AIG PhilAm Bank, Marketing Division Head of RCBC, Country Marketing Manager of Bank of America Savings Bank, and Marketing and Public Relations Group Head of Asiatrust Development Bank. He started his banking career with Citibank.

Mr. Tumbaga graduated with a Bachelor of Science degree in Physics from De La Salle University and completed his Master's degree in Business Management from the Asian Institute of Management. He is the author of a handbook on products and services published by the Bankers Association of the Philippines.

Ma. Emeren V. Vallente

Senior Vice President and Chief Legal and Government Relations Officer

Ma. Emeren V. Vallente currently serves as the Senior Vice President and Chief Legal and Government Relations Officer of Pru Life UK. She has been with the Company since 2010.

Prior to working with Pru Life UK, she was Country Lead Lawyer and Corporate Secretary of a multinational insurance corporation where she authored the Regional Board Standards adopted and used by all of the corporation's affiliates within the region.

Atty. Vallente has been sharing her expertise in legal matters with the life insurance industry since 1997. She also has extensive experience in both corporate governance and compliance and has successfully completed with Distinction the One-Year Course on Trust Operations and Investment Management conducted by the Trust Institute Foundation of the Philippines, the Neville-Clarke International Training Course for Internal Quality Auditor, and the Basic Management Program of the Asian Institute of Management. She is also a Graduate Member of the Institute of Corporate Directors. She obtained her Juris Doctor degree from the Ateneo de Manila University.

Rina A. Velasquez

Senior Vice President and Chief Risk Officer

Ms. Velasquez has over 20 years of experience working in multinational life insurance companies in the areas of product development and pricing, valuation, financial reporting and experience studies, and corporate planning. Prior to joining Pru Life UK, she was Chief Actuary at FWD, and VP and Actuary at Manulife and Philamlife. She joined the Company in 2018 as Vice President for Operational and Enterprise Risk Management and was appointed in 2019 as Senior Vice President & Chief Risk Officer.

Ms. Velasquez is a Fellow of the Actuarial Society of the Philippines and the Life Office Management Institute. She holds a Bachelor of Science degree in Statistics from the University of the Philippines - Diliman.

Lee C. Longa

Executive Vice President and Chief Financial Officer

(until 31 August 2019)

Mr. Longa is a Certified Public Accountant with a wealth of experience in various Finance and Audit functions. He started his career at PricewaterhouseCoopers (Philippines) where he was the Assurance and Business Services Advisory Manager. He also had stints as a member of the senior management team of various multinational insurance companies.

In 2010, he joined Pru Life UK as Senior Vice President and Chief Financial Officer. He initiated and developed funds allowing the Company to access offshore investments which contributed significantly in the business to date. In 2013, he was promoted to Executive Vice President with concurrent role as Head of Bancassurance & Alternative Market.

In September 2019, Mr. Longa was appointed as Chief Executive Officer of Pru Life UK Asset Management and Trust Company.

He was also the Head of Finance and Investment Committee of Philippine Life Insurance Association from 2012 to 2017. Under this leadership, the insurance industry has adopted the international accounting standards for insurance. Mr. Longa also completed the London Based Impact Program by Duke Corporate Education in 2014. He also completed the 2-year Enterprise Wide Leadership Development by INSEAD Singapore in 2015. He earned his Accounting degree from the Ateneo de Davao University.

ACEDERA, Ma. Christia
Vice President - Strategic Initiatives

ARABIANA, Del Feliciano
Vice President - IT Operations

ARELLANO, Suzanne Patricia
Vice President - Legal

BALBIN, Samuel
Vice President - Underwriting and Claims

CO, Maria Teresa
Vice President - Compliance

DE LEON, Arnolfo
Vice President - Agency Operations

DETALLA, Marylin
Vice President & National Sales Director

GANA, Karina Mae
Vice President & Sector Head

GARCIA ,Blesila
Vice President & Sector Head

GARCIA, Ramon
Vice President - Partnership Distribution

GREGORIO, Esperanza
Vice President - General Agencies Director

ISIDRO, Maribel
Vice President & Sector Head

JARANILLA, Ma. Leticia
Vice President - Agency

KATINDOY, Elaine
Vice President - PRU Agent Academy

KINTANAR, Ma. Xenas
Vice President & Sector Head

MARAÑO, Ma. Cecilia
Vice President - Financial Planning, Reporting & Analysis

MARASIGAN, Dante
Vice President & Financial Controller

MERCADO, Diana Lynn
Vice President & Sector Head

NGAN, Winkie (RHO)
Vice President & Chief Compliance Officer

PATULOT, Andrea Margie
Vice President - After-sales Management

RABOT, Maria Cecilia
Vice President -IT Business Solutions

VALINO, Mark Anthony
Vice President - Investments

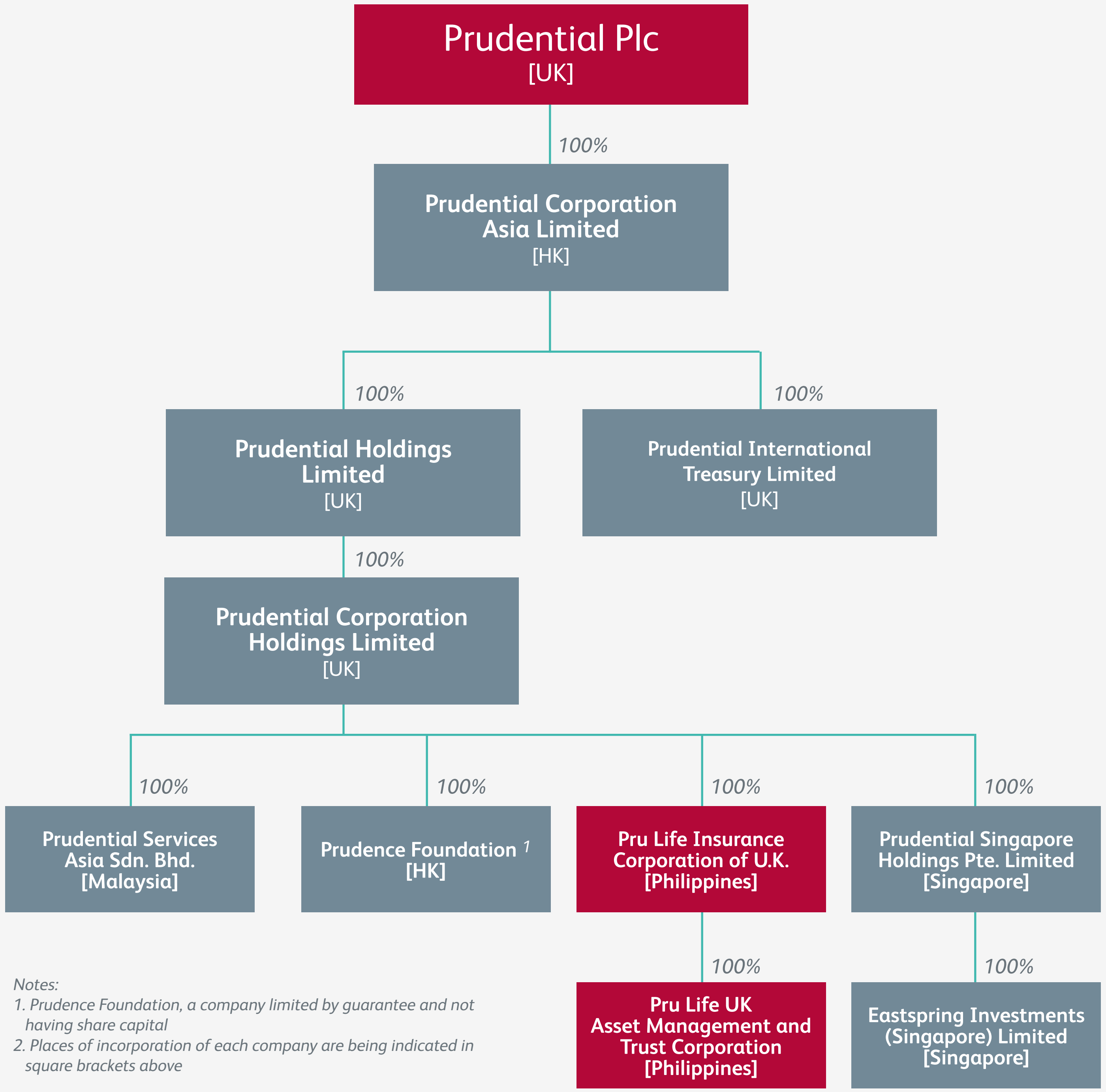
VILLAHERMOSA, Glolibeth
Vice President & Appointed Actuary

As at 31 December 2019

Shareholding structure and group corporate structure

Position as at 31 December 2019

Holding structure for Pru Life Insurance Corporation of U.K. and its related parties



Notes:
1. Prudence Foundation, a company limited by guarantee and not having share capital
2. Places of incorporation of each company are being indicated in square brackets above

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