PRU LIFE U.K.

Listening. Understanding. Delivering.

2020 Annual Report

We DO Health

2020 Annual Report

We DO Health

Contents

Pru Life UK's
Domestic Footprint

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

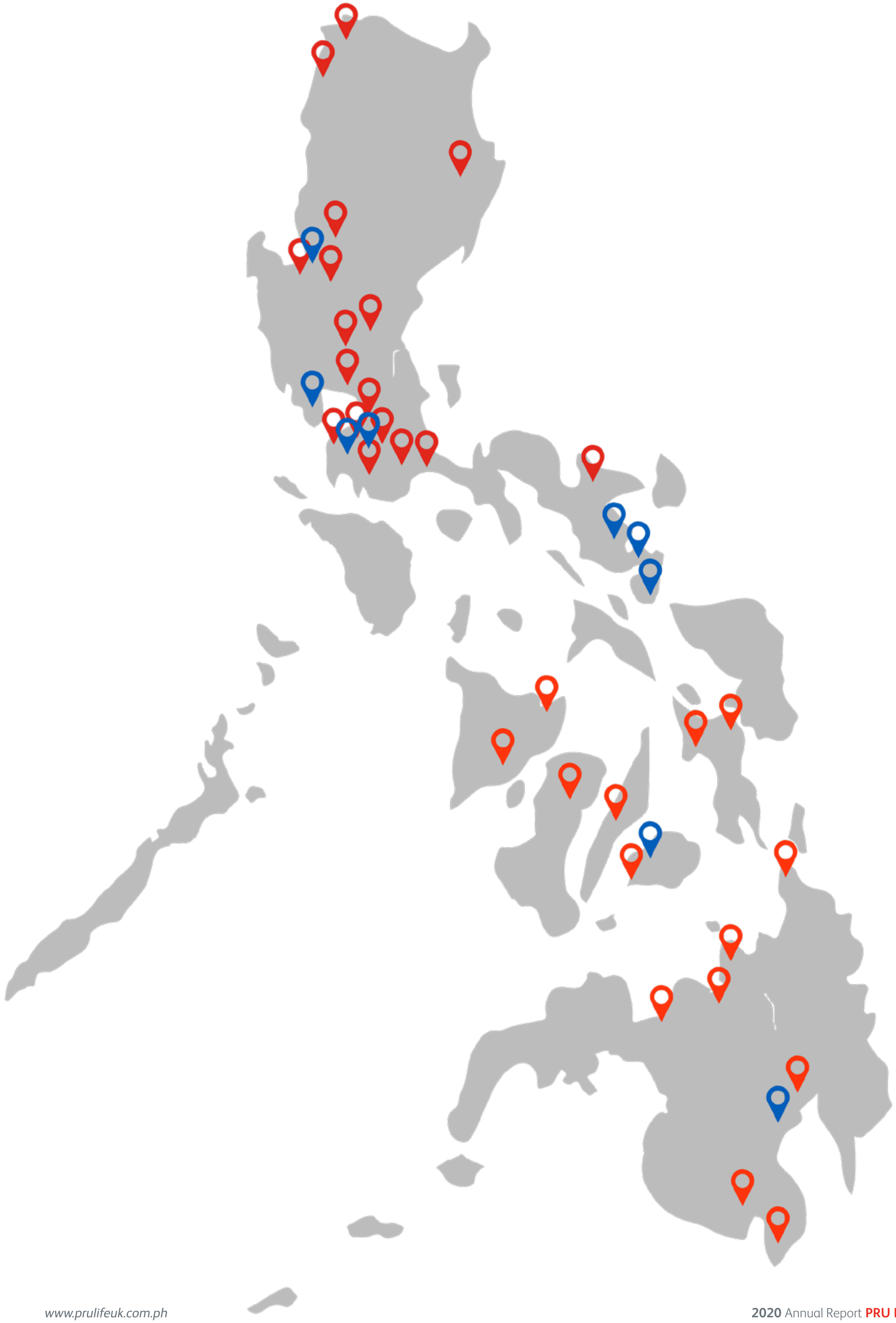
125

BRANCHES

90

GENERAL AGENCIES

as of December 31, 2020



www.prulifeuk.com.ph

Message from the Chairman of the Board

Adaptability, agility, and care for our stakeholders – these enabled your company, Pru Life UK, to withstand and thrive in the middle of a challenging year in 2020.

The COVID-19 pandemic has beset the country and the world, abruptly changing and causing multiplier effects on the way we live. With this, we also have evolved the way we serve the health and protection needs of Filipinos via Pulse, our artificial intelligence (AI)-powered health and wealth mobile app, which has now reached over 4.2 million downloads.

We used this ground-breaking digital platform to offer COVID-19 protection and Personal Accident insurance for free. Through Pulse as well, we conveniently offered our suite of microinsurance products, namely, PRUWellness, PRUShield, and PRUPersonal Accident, to more Filipinos in the country. Furthermore, we launched PRUHealth Prime, a variable unit-linked life insurance product that aims to financially protect an individual against critical illnesses.

The health crisis, which was initially managed by border lockdowns, has brought almost all economies on their knees. The Philippine economy, which also endured natural calamities such as the Taal Volcano eruption and several strong typhoons, fell into a deep recession and shrunk by 9.5% in 2020. This is the country's worst economic performance since 1947 and its first contraction in 22 years following the Asian financial crisis.

Local and global financial markets experienced extreme volatilities throughout the year as investors seek to manage risk exposures yet finding ways to spot opportunities. After major selloffs in Q1 2020, global information technology (IT) stocks, which mainly benefitted from remote productivity and online activities, propelled the US, China, and emerging Asia equities to stage a strong rebound by the end of the year. Meanwhile, the Philippine Stock Exchange Index or the PSEi declined by -8.6% as investor sentiment remained cautious and foreign investors turned net sellers. Last year, returns on funds primarily invested in Philippine government bonds outperformed those invested in local stocks.

With this market backdrop, we took the opportunity to launch the PRULink Equity Index Tracker Fund, a peso-denominated fund invested in the 30 largest and most actively traded stocks comprising the country's stock market benchmark index, PSEi. From its launch on August 24 at its inception value of PHP 1.00 per unit, the Fund's price increased by 23.2% to PHP 1.232 per unit by yearend. The Fund is managed by our wholly owned subsidiary Pru Life UK Asset Management & Trust Corporation, which likewise charted a fruitful year with over PHP 10 billion assets under management.

Pru Life UK's successful shift to full digital capability is not possible without our reliable agency force and employees. They continued their dedicated service to our customers through non face-to-face engagements and remote work arrangements.

Our health and financial advocacies also did not stop and even multiplied and expanded their reach beyond local borders. We also stepped up our efforts to promote financial literacy and inclusion via our refreshed adult finlit brand "PRUWise" mainly through conduct of seminars/webinars featuring industry experts and highly credible celebrities and influencers.

The way we do business continued to be above standards regardless of changing times and environment. In 2019, Pru Life UK topped the ASEAN Corporate Governance Scorecard for the fourth consecutive year as awarded by the country's Insurance Commission.

Truly, we have emerged better amidst the odds. We are extremely proud to report that Pru Life UK is now the Philippines' leading life insurance company in terms of new business annual premium equivalent based on the full year 2020 ranking report of the Insurance Commission.

On behalf of the Board, we salute our courageous, committed, and empathic men and women from the PRU for steering the company to continued success. My heartfelt gratitude to the executive and senior management, staff, and the entire agency force. These humble milestones we have achieved are testament of your dedication and the unwavering support, and trust of our dear policyholders to us, both in good and challenging times.

As we reach our 25th founding anniversary in 2021, rest assured that we will continue to be guided by our mission to help every Filipino live healthier and wealthier.

Mabuhay!

Henry Joseph M. Herrera
Chairman

Message from the CEO

Pru Life UK continues to be a trusted leader in the Philippine insurance industry – a company that listens and responds to the needs of our fellow Filipinos in achieving their health and wealth goals, and helping them get the most out of life.

Ahead of the game despite challenging times

The year 2020 has been tough for many worldwide, but Pru Life UK revealed to be a game-changer in the industry, as it became the top life insurer in the country based on the Insurance Commission's Full Year 2020 rankings in terms of new business annual premium equivalent.

The COVID-19 pandemic has tested our resiliency and agility to serve our customers while keeping our employees' health safe and secure. Pru Life UK was the very first company to fully operate digitally, smoothly transitioning our office operations to nearly 100% work-from-home capability for most part of the year.

Our Agency Distribution maintained its strength, dominating the industry with over 35,000 licensed agents, located across our 125 branches and 90 general agencies. Arresting significant drop in sales, our agents delivered strong sales performance month on month during the pandemic.

Our digital transformation highlighted with the launch of Pulse, our all-in-one health and wealth solutions app, together with other technology-enabling tools, propelled our business growth further and expanded our customer touchpoints.

Our complete suite of digital payment facilities complemented by our several conservation efforts proved to be effective to counter the limitations posed by the pandemic. Pru Life UK ended 2020 with a higher net income result, complemented with lesser claims and more efficient collections, compared to an equally strong performance in the prior year.

Our customers' health and protection needs remained a top priority, as we provided enhanced convenience in acquiring life protection solutions online. In addition to PRULife Your Term also made available on Pulse, more digital products such as PRUWellness, PRUShield, PRUPersonal Accident were successfully launched in Pulse.

PRUHealth Prime, a product created to shield Filipinos against the heavy financial burdens of cancer treatments, was also launched and made available through our agency force.

Caring for the health of our customers and the community amidst the pandemic was further demonstrated by the launch of the free COVID-19 protection and Personal Accident coverage through Pulse. Protection against COVID-19 was offered to 1 million Filipinos from April to December 2020. In line with this effort, Pru Life UK through the Prudential COVID-19 relief fund also donated Php 5 million to the Philippine General Hospital Medical Foundation Inc. (PGHMFI) to provide quality medical-grade equipment and supplies for PGH and its frontline healthcare workers who are providing care for COVID-19 patients.

With most of the Filipinos in community quarantine, Pru Life UK emphasized the importance of keeping healthy and fit, with the successful launch of the virtual edition of PRURide PH, the PRURide Virtual Challenge on Pulse. It enabled almost 7,000 cyclists, enthusiasts, and families to experience fun and safe cycling, wherever they were.

These achievements despite the limitations set by government regulations and health protocols affirmed our courage and nimbleness, to deliver remarkable results through the ambition, curiosity, and the empathy of all of our leaders, employees, and agents.

On behalf of the Executive Committee, we would like to express our deepest gratitude to everyone, for your unrelenting support to us throughout the year. Thank you once again for your commitment.

As we celebrate our 25th year in the industry, let's continue to help more Filipinos make the most out of life, for a healthier and wealthier 2021.

Cheers!

Antonio G. De Rosas
President and Chief Executive Officer

Purpose, mission, vision, and Corporate objectives

Our **PURPOSE** and **MISSION** is to help Filipinos get the most out of life by empowering them to become healthier and wealthier. We DO this by developing a tailored and compelling customer and product proposition for high potential and profitable customer segments, supported by a strong and relevant brand. We DO this by enhancing product accessibility through our expanding distribution network and leveraging on our digital platform, **PULSE.**

Our **CUSTOMERS** are at the core of our strategy. In order to provide the best customer experience, we are committed to continue to **DO** the following strategies.

- Develop custom-tailored and diverse product offerings that address the constantly evolving needs of our customers
- Support the growth of our agency channel through targeted recruitment and enhanced digital capabilities
- Expand our market reach via accelerated customer acquisition initiatives and new digital partnerships
- Promote and fortify Pulse as a viable distribution network and as a platform

We execute our strategies while adhering to our **VALUES.**

- **Ambitious.** We push ourselves and each other to excel in what we do.
- **Curious.** We are humble and always listen and seek to learn and understand.
- **Empathetic.** There's an age-old wisdom in walking a mile in another's shoes. We do that every day, whether it is with our customers or colleagues.
- **Courageous.** We do the right thing and bring our full selves to work to build it together.
- **Nimble.** We are quick to adapt to changing market dynamics through timely and appropriate solutions.

The Company's **VISION** is an accelerated customer acquisition via a multi–channel distribution network enabled by the Pulse platform. To support this, the Company aims to

- be the leading life insurance company
- have dominant market presence
- be an employer of choice

In line with these, the Company set the following specific targets for 2020.

PRODUCT AND CUSTOMER PROPOSITION

- To narrow the health and protection gap using the "Prevent, Postpone, & Protect" proposition by offering at least one new Critical Illness product
- To provide best-in-class customer experience by achieving a 20% increase from 2019 in the adoption rate of the Company's electronic platform for policy submission and payments

DISTRIBUTION NETWORK

- To rapidly accelerate deployment of future ready agents to expand customer reach and improve customer experience by training 100% of new agents under the PRUExpert training program
- To institutionalize PRUMillion Dollar Round Table (MDRT) development program by growing the MDRT members to 400
- To live "WE DO" by mobilizing Pulse, Prudential's AI-powered health and wealth management app, through 1 million Pulse app downloads and 850,000 Pulse registrations

PEOPLE

- To embed a culture of feedback across the organization by achieving an average of 2 feedback requests and feedback responses per month via the Tellme app
- To improve the baseline scores of the Company's initial engagement survey for employees in 2020 by 5% by year end to measure the organizational health of the Company's purpose-driven culture focusing in 4 drivers: Awareness, Advocacy, Engagement, and Enablement

Management Discussion and Analysis

In March 2020, Pru Life UK launched **PULSE**, a first-of-its-kind health app that provides real time health information and empowers the users to play an active role in managing their personal health and wellbeing. The app aims to be the new partner in preventing, postponing, and protecting against the onset of diseases. This supports the Company's purpose and mission to help Filipinos get the most out of life by empowering them to become healthier and wealthier.

Throughout the year, the Company introduced a wide array of features within the app to provide access to tools to manage one's health and wellbeing and partake in communities to engage with other individuals with similar interests and health goals. Through Pulse, the Company also offered a free COVID-19 insurance cover to provide comfort during challenging times and help with national recovery. Three simple and very affordable health and protection products were also introduced in Pulse – Personal Accident, PRUShield and PRUWellness - to make insurance more accessible to more Filipinos via a quick and effortless digital customer experience.

As of end 2020, 2.6 million Pulse app downloads with close to a million Pulse registrations were recorded and more than 180K customers got free COVID-19 insurance protection for 45 days.

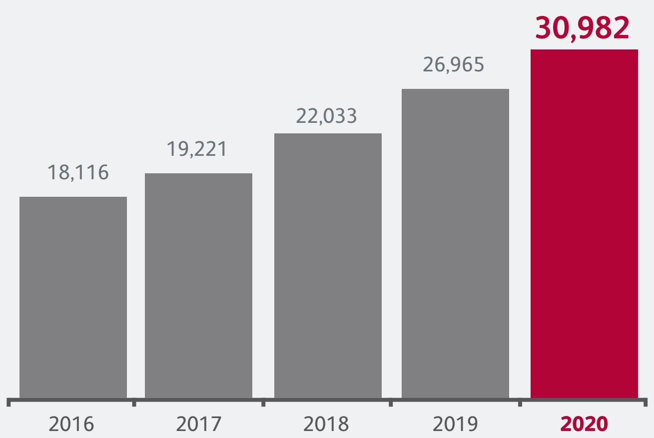
Fortuitously, the COVID-19 pandemic presented a unique opportunity to advance and strengthen the Company's digital transformation strategy. The initiative started in 2019 and through the adoption of agile and cross-functional delivery, the Company was able to sustain momentum of releasing new features and creating new communities in Pulse on a weekly basis. About 100 features were released and 9 communities were launched since the Pulse app was introduced. This was a testament to the Company's purpose-led, high performing, agile culture that fosters learning and capability-building among employees and agents to ensure a future-ready organization.

Initially, the difficulties and challenges posed by the pandemic proved to be daunting, but our agents and partners deftly adapted to the new ways of working. Introduced in 2019, PRUOne was launched as an electronic point-of-sale tool that our distribution partners can use to sell remotely and engage with their clients. Remarkably, PRUOne adoption rate rose to almost 50% in 2020 from 15% a year ago. A new critical illness protection product, PRUHealth Prime, was also added to the PRUOne platform in November last year further expanding its product portfolio.

The COVID-19 pandemic did not derail the Company's recruitment efforts just as 18K new agents were added to the agency force. In 2020, the agency roster grew to more than 44K agents, a 21% increase over last year.

The Company's digital platform for recruitment and training proved to be successful in sustaining engagement and collaboration with the agency force. Through the JoinPru recruitment portal, aspiring agents can sign-up and apply remotely with ease and convenience. Meanwhile, a new e-learning module app called PRUExpert which is an improvement over the locally developed PRUAcademy, enables new and existing agents to attend virtual training programs. These new tools along with existing systems and programs expanded the digital capabilities of our agency force and paved the way to break new grounds - the number of MDRT members surged to 513, more than double the 2019 figure.

TOTAL NET PREMIUM INCOME in PhP'm

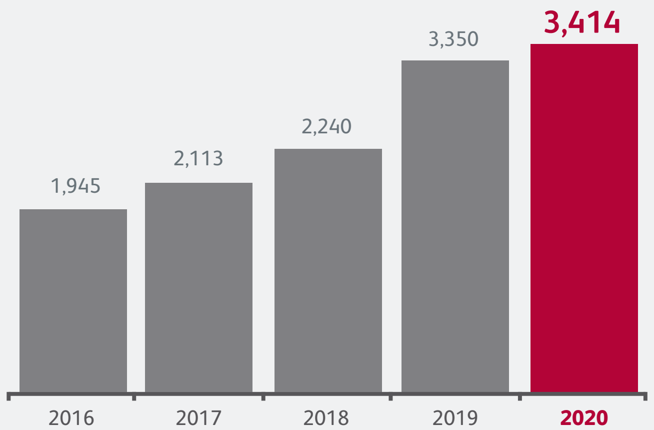


CAGR +14%

Despite the many challenges during the pandemic, the year 2020 has proven the remarkable resilience and strength of our business. The continued trust and loyalty of our new and existing customers were the main driving force for the continued growth in our premium income. With 83% of our premium collections done online, our complete suite of digital payment facilities complemented by our several conservation efforts proved to be effective to counter the limitations posed by the pandemic.

At the backdrop of this experience was the implementation of the Insurance Commission CL 2020-95, that prescribed the guidelines for RA 11494, otherwise known as Bayanihan to Recover As One Act, which the Company fully supported and complied with.

NET INCOME EXCLUDING UNREALIZED GAINS/LOSSES in PhP'm

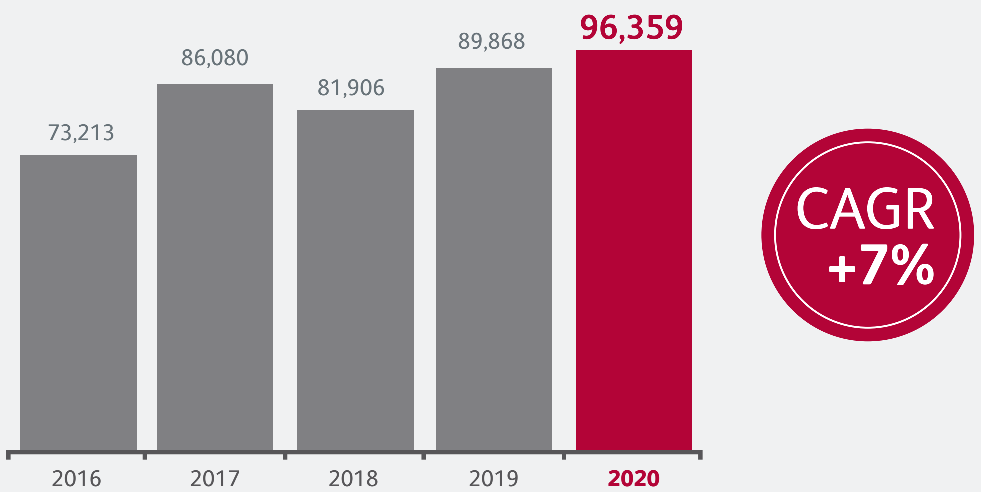


CAGR +15%

We ended the year with positive net income results compared to an equally strong performance in 2019. This positive financial outcome, despite the pandemic challenges, was attributable to the quality of our in-force business and the continuous improvements in our operational processes and efficiency.

While our digital transformation initiatives started before the pandemic, it acted as a catalyst for our customers, agents, and employees to fully utilize the available tools and technology to sustain our operations. Our agility and nimbleness enabled us to find opportunities amidst the pandemic and pursue initiatives consistent with our digital transformation strategy.

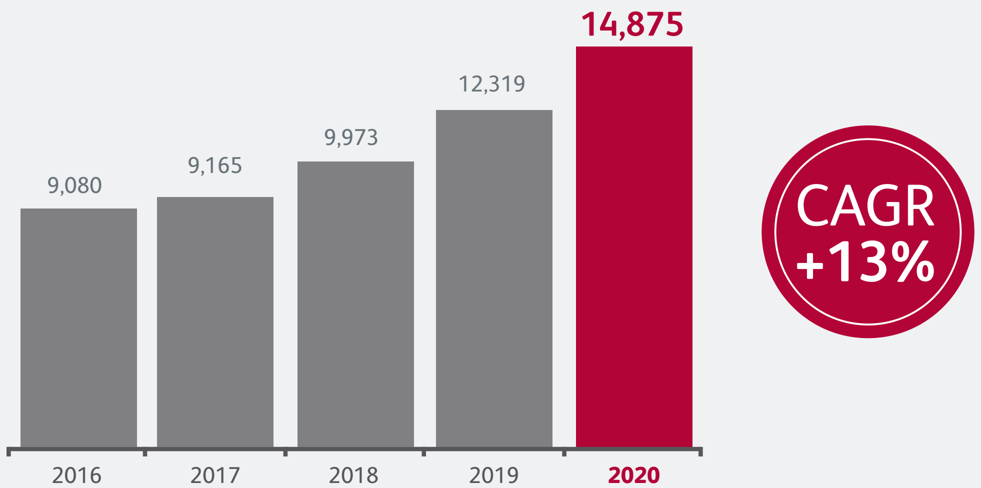
Linked Funds in PhP'm



Our linked funds continued to exhibit healthy growth with PhP 8 Billion worth of new inflows and fund income reaching PhP 919 million. While our unit fund values broadly went along with the market, our customers remained persistent and committed in sustaining their financial protection during troubling times.

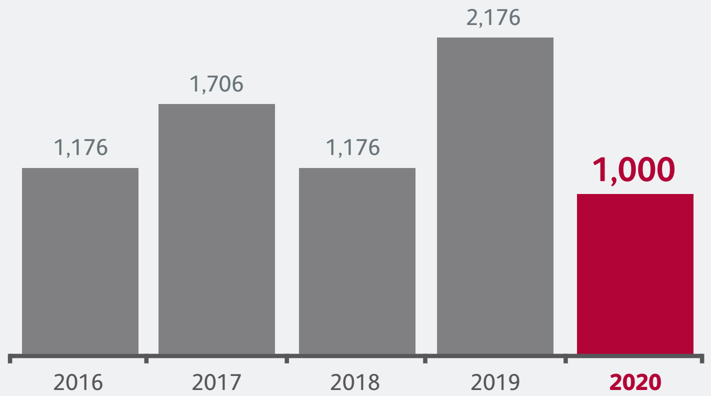
Our funds are well-poised to capture the growing positive investor sentiments brought about by the COVID-19 vaccine developments, passage of the 2021 Philippine national budget, fiscal policies that are aimed to further support economic recovery, and global developments such as the fiscal stimulus package in the US and a post-Brexit trade deal.

Equity in PhP'm



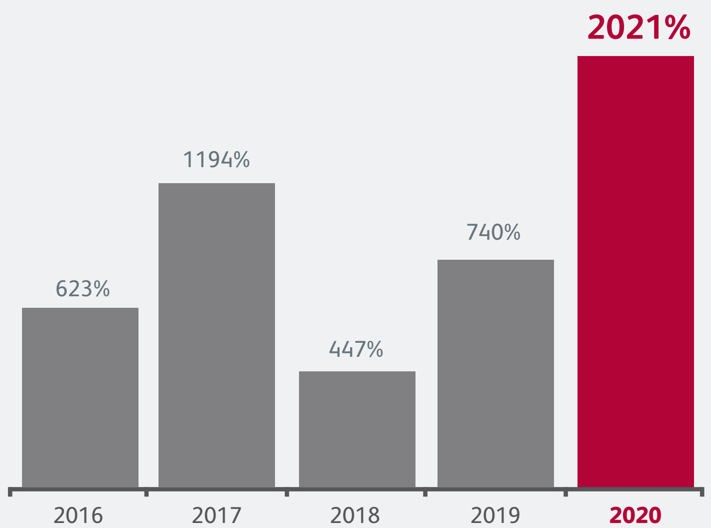
The Company's net worth continues to rise which expanded by 21% in 2020 for a five-year CAGR of 13%. The strong balance sheet is largely attributed to the profitability of our business, continued growth in new business sales, operational efficiency, and effective funds management.

Gross Cash Remittance in PhP'm



Sustained profitability allowed us to remit to our principal shareholder, Prudential Corporation Holdings Limited (PCHL), on a yearly basis since 2010 signifying the Company's ability to generate free surplus for our shareholders.

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. RBC ratio measures sufficiency of capital against all risks associated with the business, while meeting our cash remittance targets.

Our yearly RBC ratios have remained significantly above the minimum regulatory threshold of 125% indicating the Company's very strong solvency position and the ability to cushion financial and operational risks.

Financial statements

Financial Statements

PRU LIFE INSURANCE CORPORATION OF U.K.

SEPARATE FINANCIAL STATEMENTS
December 31, 2020 and 2019

With Independent Auditors' Report

www.prulifeuk.com.ph

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, 2020 and 2019, 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 (the "Board") is responsible for overseeing the Company's financial reporting process.

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

R.G. Manabat & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the 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

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, 2020 and 2019, and the separate statements of profit or loss and other comprehensive loss, 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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

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 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 32 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

TIRESO RANDY F. LAPIDEZ
Partner
CPA License No. 0092183
IC Accreditation No. 92183-IC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
SEC Accreditation No. 1472-AR-1, Group A, valid until July 2, 2021
Tax Identification No. 162-411-175
BIR Accreditation No. 08-001987-034-2020
Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 8533905
Issued January 4, 2021 at Makati City

April 8, 2021
Makati City, Metro Manila

Financial statements

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SEPARATE FINANCIAL STATEMENTS FOR FILING WITH THE BUREAU OF INTERNAL REVENUE

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, 2020, on which we have rendered our report dated April 8, 2021.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholder of the Company.

R.G. MANABAT & CO.

TIRESO RANDY F. LAPIDEZ
Partner
CPA License No. 0092183
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April 8, 2021
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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SEPARATE 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, 2020, on which we have rendered our report dated April 8, 2021.

In compliance with the Revised Securities Regulation Code 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
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April 8, 2021
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, 2020, on which we have rendered our report dated April 8, 2021.

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 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
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Makati City, Metro Manila

PRU LIFE INSURANCE CORPORATION OF U.K.

SEPARATE STATEMENTS OF FINANCIAL POSITION

(Amounts in thousands)

		December 31	
	Note	2020	2019
ASSETS			
Cash and cash equivalents	*5, 7, 30*	**P3,323,183**	P2,689,908
Interest receivable	*5, 30*	**122,160**	124,710
Investments	*5, 6, 8, 30*	**13,711,696**	10,664,310
Investment in subsidiary	*9, 30*	**360,248**	281,650
Premiums due from policyholders	*5, 30*	**12,271**	15,449
Policy loans receivables - net	*5, 10, 30*	**371,605**	370,089
Coverage debt receivables - net	*5, 12, 30*	**837,506**	723,482
Reinsurance assets	*5, 30*	**73,295**	57,221
Property and equipment - net	*13, 30*	**454,494**	538,399
Right-of-use assets - net	*27, 30*	**711,814**	884,089
Deferred acquisition costs	*5, 14, 30*	**10,408,686**	8,948,805
Other assets - net	*15, 30*	**1,679,981**	1,281,821
Total General Assets		**32,066,939**	26,579,933
Assets Held to Cover Linked Liabilities	*11, 30*	**96,358,915**	89,868,377
		P128,425,854	P116,448,310
LIABILITIES AND EQUITY			
General Liabilities			
Legal policy reserves	*5, 16, 30*	**P6,390,632**	P5,354,876
Claims payable	*5, 17, 30*	**609,885**	604,483
Reinsurance payable	*5, 18, 30*	**101,009**	126,206
Deferred tax liabilities - net	*25, 30*	**2,628,874**	2,696,638
Accounts payable, accrued expenses and other liabilities	*19, 30*	**6,663,363**	4,544,024
Lease liabilities	*5, 27, 30*	**797,714**	934,882
Total General Liabilities		**17,191,477**	14,261,109
Technical Provisions for Linked Liabilities	*5, 11*	**96,358,915**	89,868,377
Total Liabilities		**113,550,392**	104,129,486
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*	**3,471**	4,471
Share in other comprehensive income of the subsidiary	*9*	**-**	555
Retirement fund reserve		**17,514**	14,502
Remeasurement on life insurance reserve		**(1,371,972)**	(656,795)
Retained earnings	*28*	**15,214,063**	11,943,705
Total Equity		**14,875,462**	12,318,824
Total General Liabilities and Equity		**32,066,939**	26,579,933
		P128,425,854	P116,448,310

See Notes to the Separate Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.

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

	Note	2020	2019
		Years Ended December 31	
NET PREMIUMS			
Premiums	*20*	**P31,386,856**	P27,368,995
Premiums ceded to reinsurers	*18, 20*	**(404,668)**	(403,869)
		30,982,188	26,965,126
OTHER REVENUE			
Policy administration fees	*21*	**1,746,783**	1,844,666
Investment gain - net	*22*	**1,003,777**	1,707,662
Share in loss of the subsidiary	*9*	**-**	(60,708)
Others - net		**147,027**	45,810
		2,897,587	3,537,430
BENEFITS AND CLAIMS			
Costs on premiums of variable insurance	*11*	**12,924,382**	5,571,893
Gross benefits and claims	*23*	**5,923,412**	11,212,686
Gross change in legal policy reserves	*16, 23*	**14,075**	(381,508)
Reinsurer's share of gross benefits and claims	*23*	**(124,216)**	(64,369)
		18,737,653	16,338,702
OPERATING EXPENSES			
Commissions, bonuses and other agents' expenses	*24, 26*	**5,799,288**	5,074,211
Salaries, allowances and employees' benefits		**1,573,051**	1,424,380
Trainings, seminars and contests		**801,647**	926,673
Utilities		**600,914**	420,154
Depreciation and amortization	*13, 27*	**489,479**	475,414
Advertising and marketing		**306,473**	275,199
Insurance taxes, licenses and fees		**222,137**	169,003
Communications		**169,099**	149,662
Professional fees		**167,579**	149,931
Dividends to policyholders		**138,635**	132,070
Taxes and licenses		**75,644**	83,537
Security and janitorial services		**68,054**	73,733
Interest expense related to lease liabilities	*27*	**66,282**	74,641
Office supplies		**57,788**	131,797
Interest expense related to policies		**44,553**	43,720
Rent	*27*	**41,908**	71,785
Amortization of software development costs	*15*	**41,528**	43,140
Representation and entertainment		**20,499**	95,165
Deferred expenses - net	*14*	**(1,459,881)**	(1,297,210)
Others		**378,256**	114,205
		9,602,933	8,631,210

Forward

	Note	2020	2019
		Years Ended December 31	
INCOME BEFORE INCOME TAX EXPENSE		**P5,539,189**	P5,532,644
INCOME TAX EXPENSE	*25*	**1,268,831**	594,343
NET INCOME		**4,270,358**	4,938,301
OTHER COMPREHENSIVE LOSS			
Items that may be reclassified to profit or loss			
Net (loss) gain on fair value changes of available-for-sale financial assets	*8*	**(1,000)**	1,700
Share in other comprehensive income of the subsidiary	*9*	**(555)**	555
Items that will not be reclassified to profit or loss			
Remeasurement on life insurance reserve	*16*	**(1,021,681)**	(402,279)
Remeasurement gain (loss) on retirement liability	*24*	**4,303**	(23,185)
Income tax effect	*25*	**305,213**	6,956
		(713,720)	(416,253)
TOTAL COMPREHENSIVE INCOME		**P3,556,638**	P4,522,048

See Notes to the Separate Financial Statements.

Financial statements

PRU LIFE INSURANCE CORPORATION OF U.K.

SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(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 Comprehensive Income of the Subsidiary (Note 9)	Retirement Fund Reserve	Remeasurement on Life Insurance Reserve	Appropriated (Note 16)	Unappropriated (Note 28)	Total	Total Equity
Balance at January 1, 2020		**P500,000**	**P462,000**	**P50,386**	**P4,471**	**P555**	**P14,502**	**(P656,795)**	**P58,754**	**P11,884,951**	**P11,943,705**	**P12,318,824**
Total comprehensive income												
Net income		-	-	-	-	-	-	-	-	4,270,358	4,270,358	4,270,358
Other comprehensive income (loss):												
Items that may be reclassified to profit or loss	*8, 9*	-	-	-	(1,000)	(555)	-	-	-	-	-	(1,555)
Items that will not be reclassified to profit or loss		-	-	-	-	-	3,012	(715,177)	-	-	-	(712,165)
Total comprehensive income		-	-	-	(1,000)	(555)	3,012	(715,177)	-	4,270,358	4,270,358	3,556,638
Transaction with Owner of the Company												
Dividends	*28*	-	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)	(1,000,000)
Appropriation of reserves		-	-	-	-	-	-	-	2,068	(2,068)	-	-
Balance at December 31, 2020		**P500,000**	**P462,000**	**P50,386**	**P3,471**	**P -**	**P17,514**	**(P1,371,972)**	**P60,822**	**P15,153,241**	**P15,214,063**	**P14,875,462**
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		-	-	-	-	-	-	-	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

See Notes to the Separate Financial Statements.

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PRU LIFE INSURANCE CORPORATION OF U.K.

SEPARATE STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Note	2020	2019
		Years Ended December 31	
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax expense		P5,539,189	P5,532,644
Adjustments for:			
Amortization of deferred acquisition costs	14	1,138,675	1,003,654
Depreciation and amortization	13, 27	489,479	475,414
Provision for impairment losses	10, 12, 15	147,941	61,885
Interest expense related to lease liabilities	27	66,282	74,641
Interest expense related to policies		44,553	43,720
Amortization of software development costs	15	41,528	43,140
Foreign exchange loss		30,365	29,854
Share in loss of the subsidiary	9	-	60,708
Loss (gain) on disposal of property and equipment		(101)	76
Reversal of provision for impairment losses	10, 15	(11,799)	(7,616)
Gain on disposal of investments	8, 22	(21,950)	(17,560)
Interest income	22	(553,083)	(549,727)
Unrealized gain on valuation of investments	8, 22	(855,951)	(1,588,222)
		6,055,128	5,162,611
Changes in:			
Accounts payable, accrued expenses and other liabilities		1,633,900	788,960
Claims payable		5,402	106,045
Reinsurance payable		(25,197)	27,986
Policy loans receivables		(3,144)	9,840
Premiums due from policyholders		3,178	(568)
Reinsurance assets		(16,074)	(29,868)
Other assets		(377,586)	(232,876)
Coverage debt receivables		(247,094)	(346,794)
Legal policy reserves	16, 23	14,075	(381,508)
Deferred acquisition costs		(2,598,556)	(2,300,864)
		4,444,032	2,802,964
Interest paid		(43,729)	(42,371)
Contributions to retirement fund	24	(95,226)	(89,124)
Income tax paid		(442,404)	(6,956)
Net cash provided by operating activities		3,862,673	2,664,513
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investments	8	1,634,975	2,849,903
Interest received		555,633	549,913
Proceeds from disposal of property and equipment	13	1,210	1,878
Acquisitions of software costs	15	(63,546)	(42,191)
Investment in subsidiary		(79,153)	-
Acquisitions of property and equipment	13	(152,347)	(221,306)
Acquisitions of investments	8	(3,835,825)	(2,648,487)
Net cash (used in) provided by investing activities		(1,939,053)	489,710
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	28	(1,000,000)	(2,176,471)
Payment of lease liabilities	27	(290,345)	(256,077)
Cash used in financing activities		(1,290,345)	(2,432,548)
NET INCREASE IN CASH AND CASH EQUIVALENTS		633,275	721,675
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,689,908	1,976,604
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS		-	(8,371)
CASH AND CASH EQUIVALENTS AT END OF YEAR	5, 7, 30	P3,323,183	P2,689,908

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 April 8, 2021.

Details of the Company's accounting policies are included 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
Investments in Agents' Savings Fund (ASF)	Fair value
Investments in treasury notes, shares of stocks, and other funds under "Assets held to cover linked liabilities"	Fair value
Legal policy reserves	Gross Premium Valuation and Unearned Premiums for traditional contracts; Unearned Cost of Insurance Charges for unit-linked contracts
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 Amendments to Standards and Framework

The Company has adopted the following amendments to standards and framework starting January 1, 2020 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards and framework did not have any significant impact on the Company's separate financial statements.

- Amendments to References to Conceptual Framework in PFRSs set 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 standards, 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 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.

- Definition of Material (Amendments to PAS 1 *Presentation of Financial Statements and PAS 8 Accounting Policies, Change 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 judgements without substantively changing existing requirements.

- 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.

- Extension of the Temporary Exemption from Applying PFRS 9 (Amendments to PFRS 4 *Insurance Contracts*). The amendments extend the expiry date for the temporary exemption from PFRS 9 to annual periods beginning on or after January 1, 2023. The extension maintains the alignment between the expiry date of the temporary exemption and the effective date of PFRS 17 *Insurance Contracts* which was deferred to annual periods on or after January 1, 2023.

  The Company has selected to apply the deferral approach as allowed by this amendment, effectively deferring application of PFRS 9 (2014) to periods beyond January 2023, since the Company was able to meet the following criteria:

  - it has not previously applied any version of PFRS 9; and,
  - its activities are predominantly connected with insurance as of December 31, 2015, the Company's latest annual reporting date immediately preceding April 1, 2016, and no reassessment is required as the activities of the Company did not change at subsequent dates after initial assessment and before the effective date of PFRS 9.

  Based on management's assessment, liabilities arising from insurance contracts represents over 90% of the total carrying amount of all the Company's total liabilities.

  These liabilities include legal policy reserves, claims payable, reinsurance payable, deferred tax liabilities - net, premium suspense account, premium deposit fund, commission payable, unit-linked interfund account, and technical provision for linked liabilities.

  Consequently, the Company will continue to apply its existing accounting policy on financial instruments.

The Company has adopted the below PFRS effective June 1, 2020 and accordingly changed its accounting policy:

- COVID-19 Related Rent Concessions (Amendment to PFRS 16, *Leases*). The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient applies if:

  - the revised consideration is substantially the same or less than the original consideration;
  - the reduction in lease payments relates to payments due on or before June 30, 2021; and
  - no other substantive changes have been made to the terms of the lease.

  Lessees applying the practical expedient are required to disclose that fact, whether they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and the amount recognized in profit or loss for the reporting period arising from application of the practical expedient. No practical expedient is provided for lessors.

  The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate.

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, and expenses. The present value of liabilities is determined using the discount rate approved by the IC with appropriate margin for adverse deviation.

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, while the non-unit reserves for unit-linked insurance contracts are calculated as the unearned cost of insurance charges.

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 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 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 is 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 PFRS 10, Consolidated Financial Statements, in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with this PFRS 10.

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

Prior to 2020, the Company's investment in a subsidiary was 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 subsidiary's profit or loss after the date of the 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.

In 2020, the Company changed its accounting policy for investment in subsidiary from the equity method to the cost method, in accordance with PAS 27 Consolidated and Separate Financial Statements. Under the cost method, the investment is initially recognized at cost in the separate statement of financial position. Subsequently, these are carried in the separate statement of financial position at cost less any accumulated impairment losses. The Company recognizes income from the investment only to the extent that the Company receives distributions from accumulated profits of the subsidiary arising after the date of acquisition.

The Company did not apply a retrospective application of the change in accounting policy because the effect of the retrospective application is immaterial to the financial statements. The cumulative prior period impact of the change in accounting policy recognized in 2020 amounted to P78.60 million and presented under "Others - net" in the Company's profit & loss.

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 nondeliverable 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, 2020 and 2019, 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. The change in fair value of the Company's held-for-trading investments portfolio under "Investments" and investments in ASF under "Other assets" are recognized in unrealized gain on valuation of investments under "Investment gain" and Others - net in profit or loss, respectively.

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, 2020 and 2019, 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 are presented below.

	Note	2020	2019
Investments	8, 30	P13,711,696	P10,664,310
Assets held to cover linked liabilities	6, 11	133,317,942	125,597,120
Other assets - net	6	336,966	-
		P147,366,604	P136,261,430

As at December 31, 2020 and 2019, 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 P96.36 billion and P89.87 billion as at December 31, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, the Company's AFS financial assets amounted to P29.06 million and P17.06 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
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

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 "Right-of-use assets - 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.

COVID-19-related Rent Concessions

The Company applies practical expedient related to COVID-19-Related Concessions allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Company applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Company chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Company determines whether there is a lease modification.

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
The Company's revenue streams arising from insurance contracts falls under PFRS 4 while interest income falls under PFRS 9 and other income under PFRS 15 *Revenue from Contracts with Customers*. The following specific criteria must also be met before revenue is recognized:

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 forms 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, 2021

- Interest Rate Benchmark Reform - Phase 2 (Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16). To ensure that financial statements best reflect the economic effects of interest rate benchmark reforms, the Phase 2 amendments were issued and focus on the accounting once a new benchmark rate is place. The reliefs allow companies not to recognize significant gains or losses on financial instruments and mitigate the risk of discontinuations of existing hedging relationships because of changes required by reforms. The amendments address issues that might affect financial reporting during the reform in the following key areas:

  - Practical expedient for particular changes to contractual cash flows. As a practical expedient, a company will account for a change in the basis for determining the contractual cash flows that is required by the reform by updating the effective interest rate of the financial instrument. If there are other changes to the basis for determining he contractual cash flows, then a company first applies other applicable requirements of PFRS 9 to other changes. A similar practical expedient applies to insurers applying PAS 39 and lessees for lease modifications required by a reform.
  - Relief from specific hedge accounting requirements. The amendments enable and require companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the reform. A company is required to amend the formal designation of hedging relationships to reflect the changes required by the reform. Reliefs are also provided for amounts accumulated in the cash flow hedge reserve, the separately identifiable requirement, groups of items designated as hedged items and retrospective effectiveness assessment under PAS 39.
  - Disclosure requirements. To enable users of financial statements to understand the effect of reforms on a company's financial instruments and risk management strategy, additional disclosures are required on how to transition to alternative benchmark rates are being managed, quantitative information about financial instruments indexed to rates yet to transition due to benchmark reform at the end of the reporting period, and the extent to which changes to the risk management strategy have occurred due to the risks identified in the transition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021. Earlier application is permitted. The amendments retrospectively, but restatement of comparative information is not yet required. Reinstatement of a discontinued hedging relationship is required if the hedging relationship was discontinued solely because of changes required by the reform, and that discontinued hedging relationship meets all qualifying criteria for hedge accounting at the date of initial application.

The amendments are still subject to the approval by the FRSC.

To be Adopted January 1, 2022

- Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS Standards 2018-2020. This cycle of improvements contains amendments these standards that are relevant to the Company:

  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
  - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

To be Adopted January 1, 2023

- Classification of Liabilities as Current or Non-current (Amendments to PAS 1 *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of a reporting period;
  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and
  - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- 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 retrospective application is required, subject to relevant transition reliefs.

- 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 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

(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).

(b) 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, 2020 and 2019, 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, 2020 and 2019, the Company has recognized allowance for impairment loss amounting to P373.09 million and P236.95 million (see Notes 10, 12 and 15), respectively.

(c) 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, 2020 and 2019, the Company classified its financial instruments as financial instruments at FVPL, AFS financial assets, loans and receivables, and other financial liabilities.

Estimates

(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.

(b) 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 P130.92 million and P148.31 million as at December 31, 2020 and 2019, respectively (see Note 17).

(c) 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, 2020 and 2019 computed under the requirements of PFRS 4, amounted to cash inflows of P43.22 billion and P38.36 billion, respectively. Accordingly, the recorded legal policy reserves which is calculated in accordance with the requirements of the Insurance Code amounting to P6.39 billion and P5.35 billion as at December 31, 2020 and 2019, respectively (see Note 16), is adequate using best estimate assumptions.

(d) 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, 2020 and 2019, the Company's financial instruments carried at fair value are classified as Level 1 and Level 2 in the fair value hierarchy.

(e) 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, 2020 and 2019, the carrying amounts of property and equipment and software development costs amounted to P653.74 million and P715.63 million, respectively (see Notes 13 and 15).

(f) 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 is 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, 2020 and 2019, the carrying amount of deferred acquisition costs amounted to P10.41 billion and P8.95 billion, respectively (see Note 14).

(g) 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, 2020 and 2019, the carrying value of the Company's policy loans receivables, coverage debt receivables and advances to employees and agents amounted to P1.36 billion and P1.24 billion, respectively. Provisions for impairment losses amounted to P147.94 million and P61.89 million in 2020 and 2019, respectively (see Notes 10, 12 and 15).

(h) 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, 2020 and 2019, the Company's net retirement liability amounted to P8.42 million and P19.31 million, respectively (see Note 24).

(i) 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, 2020 and 2019, the Company recognized deferred tax assets amounting to P507.02 million and nil, respectively. However, unrecognized deferred tax assets amounted to P966.17 million and P970.84 million as at December 31, 2020 and 2019, 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, 2020 and 2019, 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 should 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 was made effective January 1, 2017.

The following table shows the RBC ratio of the Company as at December 31, 2020 and 2019, using the RBC2 Framework:

	2020	2019
TAC	**P14,680,455**	P5,570,487
RBC requirement	**732,819**	752,332
RBC ratio	**2,021%**	740%

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, 2020 and 2019, 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	2020	2019
Deferred acquisition costs	*14, 30*	**P10,408,686**	P8,948,805
Property and equipment - net		**374,661**	454,701
Other assets		**658,333**	899,899
		P11,441,680	P10,303,405

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.

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	2020	2019
Whole and term life		**P4,750,413**	P3,719,087
Endowment		**938,394**	1,009,695
Term		**(42,559)**	(43,745)
Accident		**20,886**	19,582
Group		**31,107**	15,884
Variable		**430,272**	385,371
Riders and others products		**262,119**	249,002
	16, 30	**P6,390,632**	P5,354,876

Classification by Attained Age

The table below presents the concentration of legal policy reserves by attained age as at December 31, 2020 and 2019. For individual insurance, exposure is concentrated on age brackets of 55 - 59 in 2020 and 2019.

	2020 Individual		2019 Individual	
Attained Age	**Exposure '000**	**Concentration (%)**	Exposure '000	Concentration (%)
<20	**P241,659**	**3.80%**	P244,526	4.58%
20 - 24	**214,333**	**3.37%**	161,238	3.02%
25 - 29	**229,755**	**3.61%**	187,933	3.52%
30 - 34	**272,120**	**4.28%**	214,627	4.02%
35 - 39	**285,489**	**4.49%**	258,407	4.84%
40 - 44	**563,676**	**8.86%**	538,170	10.08%
45 - 49	**867,230**	**13.64%**	730,908	13.69%
50 - 54	**921,186**	**14.49%**	760,272	14.24%
55 - 59	**968,324**	**15.23%**	825,942	15.47%
60 - 64	**820,362**	**12.90%**	646,018	12.10%
65 - 69	**509,613**	**8.01%**	408,433	7.65%
70 - 74	**317,511**	**4.99%**	245,594	4.60%
75 - 79	**101,385**	**1.59%**	84,356	1.58%
80 +	**46,882**	**0.74%**	32,568	0.61%
Total	**P6,359,525**	**100.00%**	P5,338,992	100.00%

For group insurance, exposure is concentrated on age bracket 35 - 39 in 2020 and 2019.

	2020 Group			
	Gross of Reinsurance		Net Reinsurance	
Attained Age	Exposure '000	Concentration (%)	Exposure '000	Concentration (%)
20 - 24	P118	0.38%	P118	0.40%
25 - 29	1,380	4.44%	1,380	4.66%
30 - 34	1,670	5.37%	1,670	5.63%
35 - 39	12,317	39.60%	10,850	36.61%
40 - 44	2,143	6.89%	2,143	7.23%
45 - 49	2,875	9.24%	2,875	9.70%
50 - 54	3,087	9.92%	3,087	10.41%
55 - 59	4,524	14.54%	4,524	15.26%
60 +	2,993	9.62%	2,993	10.10%
Total	P31,107	100%	P29,640	100%

	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%	P13,843	100%

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 therefrom, 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 rates at which a life insurance policy is surrendered or terminated as a result of failure to pay the premium due; avails of the premium holiday option, and avails of partial withdrawals against the insurance policy. 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.

		2020	2019
	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%	**(P43.84)**	(P38.81)
	-5%	**45.04**	39.26
Interest rate	+ 100 basis points	**304.36**	236.98
	- 100 basis points	**(334.63)**	(263.54)
Expense	+10%	**(113.36)**	(92.49)
	-10%	**98.00**	81.24
Lapse	+10%	**21.12**	(13.51)
	-10%	**(21.61)**	15.53

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 Managers, Eastspring Investments (Singapore) Limited (Eastspring) and Pru Life UK Asset Management and Trust Corporation, who manage 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 P61.20 billion (88.95%) and P61.96 billion (90.07%) of the Company's total financial assets as at December 31, 2020 and 2019, respectively (see Notes 8 and 11).

Financial statements

The table below provides information regarding the credit risk exposure of the Company as at December 31, 2020 and 2019 by classifying assets according to the Company's credit grading of counterparties.

2020

	Note	Neither Past Due nor Impaired: Investment High-grade	Neither Past Due nor Impaired: Non-investment Grade - Satisfactory	Total Financial Assets Neither Past Due nor Impaired	Past Due and Impaired	Total
Cash in bank and cash equivalents*	7, 30	P3,322,268	P -	P3,322,268	P -	P3,322,268
Interest receivable		122,160	-	122,160	-	122,160
Coverage debt receivables	12, 30	-	837,506	837,506	357,593	1,195,099
Financial assets at FVPL	8	13,682,640	-	13,682,640	-	13,682,640
Premiums due from policyholders	30	-	12,271	12,271	-	12,271
Policy loans receivables	10, 30	-	371,605	371,605	10,161	381,766
Reinsurance assets	30	-	73,295	73,295	-	73,295
Other assets (excluding withholding tax receivables, software development costs, nonrefundable deposits and prepayments)		425,732	689,817	1,115,549	5,335	1,120,884
Assets Held to Cover Linked Liabilities						
Cash and cash equivalents	11	1,550,226	-	1,550,226	-	1,550,226
Interest receivable	11	261,872	-	261,872	-	261,872
Receivable from life fund	11	639,816	-	639,816	-	639,816
Investment in debt securities	11	47,906,021	-	47,906,021	-	47,906,021
Other assets	11	141,482	-	141,482	-	141,482
		P68,052,217	P1,984,494	P70,036,711	P373,089	P70,409,800

* *Excluding Petty Cash*

2019

	Note	Neither Past Due nor Impaired: Investment High-grade	Neither Past Due nor Impaired: Non-investment Grade - Satisfactory	Total Financial Assets Neither Past Due nor Impaired	Past Due and Impaired	Total
Cash in bank and cash equivalents*	7, 30	P2,689,178	P -	P2,689,178	P -	P2,689,178
Interest receivable		124,710	-	124,710	-	124,710
Coverage debt receivables	12, 30	-	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	30	-	15,449	15,449	-	15,449
Policy loans receivables	10, 30	-	370,089	370,089	8,533	378,622
Reinsurance assets	30	-	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 receivable	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

* *Excluding Petty Cash*

The Company has no past due but not impaired financial assets as at December 31, 2020 and 2019.

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, 2020 and 2019:

2020

	Note	Carrying Amount	Contractual Cash Flow: Within One Year	Contractual Cash Flow: Beyond One Year	Total
Technical provision for linked liabilities	11, 30	P96,358,915	P -	P96,358,915	P96,358,915
Claims payable	17, 30	609,885	609,885	-	609,885
Reinsurance payable	18, 30	101,009	101,009	-	101,009
Accounts payable, accrued expenses and other liabilities*		5,339,316	5,339,316	-	5,339,316
Lease liabilities	27, 30	797,714	209,484	588,230	797,714
Assets Held to Cover Linked Liabilities					
Liability to life fund and other linked funds	11	39,149,881	39,149,881	-	39,149,881
Accrued expenses	11	152,134	152,134	-	152,134
Trade payable	11	250,408	250,408	-	250,408
		P142,759,262	P45,812,117	P96,947,145	P142,759,262

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

			2019		
			Contractual Cash Flow		
	Note	Carrying Amount	Within One Year	Beyond One Year	Total
Technical provision for linked liabilities	11, 30	P89,868,377	P-	P89,868,377	P89,868,377
Claims payable	17, 30	604,483	604,483	-	604,483
Reinsurance payable	18, 30	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, 30	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	P42,323,826	P90,601,071	P132,924,897

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 date are 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:

	2020	2019
Short-term time deposits	$ -	$4,650
Investments	411,938	391,050
	411,938	395,700
Foreign exchange rate to the Philippine peso used*	48.02	50.64
	P19,781,263	P20,038,248

Exchange rate used is based on Bankers Association of the Philippines foreign exchange rate as at December 29, 2020 and December 28, 2019.

A 5% (2019: 1%) strengthening of U.S. dollar against Philippine peso as at December 31, 2020, 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 P0.99 billion (2019: P0.20 billion). A 5% (2019: 1%) 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 2020 and 2019, 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	2020		2019	
		+100 bps	**-100 bps**	+100 bps	-100 bps
Philippine peso		**(P1,807,213)**	**P2,021,360**	(P724,000)	P825,553
U.S. dollar		**(607,704)**	**692,174**	(67,867)	80,732
Fair value sensitivity		**(P2,414,916)**	**P2,713,534**	(P791,867)	P906,285

The table below presents the impact of changes in market interest rate to the fair value of the Company's investments classified as Assets Held to Cover Linked Liabilities:

Currency	Changes in variables	2020		2019	
		+100 bps	**-100 bps**	+100 bps	-100 bps
Philippine peso		**(P993,467)**	**P1,096,425**	(P1,202,253)	P1,335,845
U.S. dollar		**(541,096)**	**612,931**	(587,567)	672,185
Fair value sensitivity		**(P1,534,563)**	**P1,709,356**	(P1,789,820)	P2,008,030

In 2020 and 2019, 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 P85.42 billion and P73.92 billion (see Note 11) as at December 31, 2020 and 2019, 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).

Deferral of PFRS 9
The Company applies the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4, *Applying PFRS 9 with PFRS 4* and has elected to defer the application of PFRS 9 until the Company adopts PFRS 17.

Under the amended PFRS 4, an entity has to prove that its activities are predominantly connected with insurance. This condition is met if the carrying amount and the percentage of its liabilities arising from contracts within the scope of PFRS 4 is significant or greater than 90% relative to the total carrying amount of all its liabilities.

The Company performed the predominance assessment and concluded that it qualified for the temporary exemption from PFRS 9. As at December 31, 2015, the Company's total carrying amount of liabilities connected with insurance amounted to P74.55 billion which represented more than 90% of its total liabilities of P76.82 billion. The Company did not subsequently reassess its eligibility for the temporary exemption from PFRS 9 as there was no change in the Company's activities for the year ended December 31, 2020.

The following table provides an overview of the fair values as at December 31, 2020 and 2019, and the amounts of change in the fair values during the reporting period separately for financial assets that meet the solely payments of principal and interest (SPPI) criterion (i.e. financial assets with contractual terms that give rise on specified dates to cash flows that are SPPI on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in PFRS 9, or that is managed and whose performance is evaluated on a fair value basis) and all other financial assets:

2020

	Financial Assets that Meet the SPPI Criteria*		All Other Financial Assets	
	Fair Value	Fair Value Change during the Reporting Period	Fair Value	Fair Value Change during the Reporting Period
Cash in bank and cash equivalents	P3,322,268	P -	P -	P -
Interest receivable	122,160	-	-	-
Financial assets at FVPL	-	-	13,682,640	855,951
AFS financial assets	-	-	29,056	(1,000)
Loans and receivables	1,061,422	-	-	-
Rental and other deposits	128,956	-	-	-
Assets Held to Cover Linked Liabilities				
Cash and cash equivalents	1,550,226	-	-	-
Interest receivable	261,872	-	-	-
Receivable from life fund	639,816	-	-	-
Financial assets at FVPL	-	-	133,317,942	(2,107,051)
Other assets	141,482	-	-	-
	P7,228,202	P -	P147,029,638	(P1,252,100)

** Excluding any financial asset that meets the definition of held for trading in PFRS 9, or that is managed and whose performance is evaluated on a fair value basis.*

2019

	Financial Assets that Meet the SPPI Criteria*		All Other Financial Assets	
	Fair Value	Fair Value Change during the Reporting Period	Fair Value	Fair Value Change during the Reporting Period
Cash in bank and cash equivalents	P2,689,178	P -	P -	P -
Interest receivable	124,710	-	-	-
Financial assets at FVPL	-	-	10,647,249	1,588,222
AFS financial assets	-	-	17,061	1,700
Loans and receivables	862,011	-	-	-
Rental and other deposits	119,367	-	-	-
Assets Held to Cover Linked Liabilities				
Cash and cash equivalents	1,085,715	-	-	-
Interest receivables	321,498	-	-	-
Receivable from life fund	210,758	-	-	-
Financial assets at FVPL	-	-	125,597,120	7,532,934
Other assets	138,461	-	-	-
	P5,551,698	P -	P136,261,430	P9,122,856

** Excluding any financial asset that meets the definition of held for trading in PFRS 9, or that is managed and whose performance is evaluated on a fair value basis.*

The information about the credit risk exposures for financial assets with contractual terms that meet the SPPI criterion at December 31, 2020 and 2019 is consistent with the credit risk disclosure above under PAS 39.

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 receivable;
- Coverage debt receivables;
- Premiums due from policyholders;
- Policy loans receivables;
- Reinsurance assets;
- Other assets except for withholding tax receivables, software development costs, investments in ASF, non-refundable deposits and prepayments;
- Cash and cash equivalents, interest receivable, 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 payable under 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	2020 Level 1	Level 2	Total
Financial assets				
Financial assets at FVPL	8	**P13,682,640**	**P -**	**P13,682,640**
AFS financial assets	8	**29,056**	**-**	**29,056**
Financial assets at FVPL under other assets		**336,966**	**-**	**336,966**
Financial assets at FVPL under assets held to cover linked liabilities	11	**133,324,157**	**(6,215)**	**133,317,942**

	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

The Company has no financial instruments categorized under Level 3. Also, there has been no transfer between levels in 2020 and 2019.

7. Cash and Cash Equivalents

	Note	2020	2019
Cash on hand and in banks		**P2,122,329**	P1,350,490
Short-term placements		**1,200,854**	1,339,418
	5, 30	**P3,323,183**	P2,689,908

Short-term placements are Philippine peso and U.S. dollar time deposits with various financial institutions with maturities ranging from overnight to ninety days and interest ranging from 0.05% to 2.90% and 0.80% to 2.30% per annum in 2020 and 2019, respectively.

Interest income recognized in profit or loss which is presented under "Investment gain - net" amounted to P17.48 and P22.75 million in 2020 and 2019, respectively.

8. Investments

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

December 31, 2020

	Note	AFS Financial Assets	Financial Assets at FVPL	Total Investments
Cost at January 1, 2020		P12,590	P10,165,023	P10,177,613
Unrealized gains at January 1, 2020		4,471	482,226	486,697
Fair value at January 1, 2020		17,061	10,647,249	10,664,310
Fair value gain (loss) recognized in:				
Profit or loss	22	-	855,951	855,951
Other comprehensive income		(1,000)	-	(1,000)
Foreign exchange loss	22	-	(30,365)	(30,365)
Purchases		12,995	3,822,830	3,835,825
Proceeds from disposal of financial assets		-	(1,634,975)	(1,634,975)
Gain on disposal of financial assets	22	-	21,950	21,950
Fair value at December 31, 2020	5, 6, 30	P29,056	P13,682,640	P13,711,696
Cost at December 31, 2020		P25,585	P12,374,828	P12,400,413
Unrealized gains at December 31, 2020		P3,471	P1,307,812	P1,311,283

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 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, 30	P17,061	P10,647,249	P10,664,310
Cost at December 31, 2019		P12,590	P10,165,023	P10,177,613
Unrealized gains at December 31, 2019		P4,471	P482,226	P486,697

The Company's investments consist of the following:

	Note	2020	2019
Government bonds	5, 6	**P13,103,503**	P10,280,996
Unit investment trust fund (UITF)	5, 6, 26	**274,021**	115,175
Corporate debt securities	5, 6	**198,664**	148,284
Quasi government bonds	5, 6	**106,452**	102,794
Equity securities	6	**29,056**	17,061
	30	**P13,711,696**	P10,664,310

Interest rates range from 00.000% to 15.000% in 2020 and 2019.

In December 17, 2019, the Company invested in five (5) 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:

	2020	2019
Balance at beginning of year	**P4,471**	P2,771
Fair value (loss) gain	**(1,000)**	1,700
Balance at end of year	**P3,471**	P4,471

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.

In 2018, the Company made a capital infusion to PAMTC amounting to P360.25 million. In 2020 and 2019, the Company did not recognize any impairment loss on its investment in subsidiary. As of December 31, 2020 and 2019, the carrying value of the investment in subsidiary amounted to P360.25 million.

The key financial information of the subsidiary as at and for the year ended December 31, 2020 is as follows:

	2020	2019
Total assets	**P237,966**	P334,332
Total liabilities	**51,217**	52,682
Net assets	**186,749**	281,650
Net loss	**95,218**	60,708
Other comprehensive income	**872**	555

10. Policy Loans Receivables

	Note	2020	2019
Policy loans receivables		P381,766	P378,622
Allowance for impairment losses		(10,161)	(8,533)
	5, 30	P371,605	P370,089

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 P12.90 million and P0.57 million in 2020 and 2019, 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:

	2020	2019
Balance at beginning of year	P8,533	P14,875
Provision for impairment losses	12,895	570
Reversals taken up to profit or loss	(11,267)	(6,912)
Balance at end of year	P10,161	P8,533

11. Assets Held to Cover Linked Liabilities

On September 11, 2002, the IC approved 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	2020	2019
Cash and cash equivalents	5	P1,550,226	P1,085,715
Interest receivable	5	261,872	321,498
Receivable from life fund	5	639,816	210,758
Investments in treasury notes and other funds	6	133,317,942	125,597,120
Other assets	5	141,482	138,461
Liability to life fund and other linked funds	5	(39,149,881)	(37,164,436)
Accrued expense	5	(152,134)	(143,665)
Trade payable	5	(250,408)	(177,074)
Net assets	30	P96,358,915	P89,868,377

Investments in treasury notes and other funds are composed of:

	Note	2020	2019
Investments in treasury notes	5	P23,859,252	P26,470,160
Investments in shares of stocks		57,429,821	49,770,482
Investment in other funds:			
Investment in bond fund	5	14,092,390	16,140,606
Investment in equity fund		24,700,844	20,880,284
Investment in offshore fund (IOF) - Bonds	5	9,954,379	9,071,639
IOF - Equities		3,185,999	3,264,284
UITF - Equities		101,472	-
Non-deliverable forward contract		(6,215)	(335)
Total investments	6	P133,317,942	P125,597,120

Total premiums and costs from the unit-linked product for the years ended December 31, 2020 and 2019 are as follows:

	Note	2020	2019
Link premiums	20	P30,838,305	P26,779,590
Costs on premiums of variable insurance		(12,924,382)	(5,571,893)
Surrenders		(5,000,414)	(10,387,159)
Net linked premiums		P12,913,509	P10,820,538

12. Coverage Debt Receivables

	Note	2020	2019
Coverage debt receivables		P1,195,099	P948,005
Allowance for impairment losses		(357,593)	(224,523)
	5, 30	P837,506	P723,482

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 P133.07 million and P59.91 million in 2020 and 2019, respectively, were recognized in profit or loss.

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

	2020	2019
Balance at beginning of year	P224,523	P164,616
Provision for impairment losses	133,070	59,907
Balance at end of year	P357,593	P224,523

13. Property and Equipment

The movements in this account are as follows:

2020

	Computer Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Condominium Unit	Leasehold Improvements	Office Improvement in Progress	Total
Gross Carrying Amount							
Beginning balance	P292,380	P190,547	P119,122	P10,027	P863,853	P38,411	P1,514,340
Additions	46,410	1,002	11,084	-	29,898	63,953	152,347
Disposals	(6,107)	(1,307)	(3,212)	-	-	-	(10,626)
Reclassification	-	4	-	-	497	(4,103)	(3,602)
Ending balance	332,683	190,246	126,994	10,027	894,248	98,261	1,652,459
Accumulated Depreciation and Amortization							
Beginning balance	211,417	126,915	58,113	7,235	572,261	-	975,941
Depreciation and amortization	49,423	28,726	19,757	414	131,989	-	230,309
Disposals	(6,107)	(1,307)	(3,212)	-	-	-	(10,626)
Reclassification	496	140	1,194	-	511	-	2,341
Ending balance	255,229	154,474	75,852	7,649	704,761	-	1,197,965
Carrying Amount							
Beginning balance	P80,963	P63,632	P61,009	P2,792	P291,592	P38,411	P538,399
Carrying Amount							
Ending balance	P77,454	P35,772	P51,142	P2,378	P189,487	P98,261	P454,494

Property and equipment with carrying amount of P1.11 million were disposed and sold during the year with proceeds amounting to P1.21 million resulting to a net gain of P0.10 million which is part of 'Others - net' under Other Revenue.

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 which is under "Other's - net" in Profit or Loss.

14. Deferred Acquisition Costs

	Note	2020	2019
Beginning balance		**P8,948,805**	P7,651,595
Movements during the year:			
Deferred expenses		**2,598,556**	2,300,864
Amortization of deferred acquisition costs		**(1,138,675)**	(1,003,654)
		1,459,881	1,297,210
Ending balance	*5, 30*	**P10,408,686**	P8,948,805

15. Other Assets

	Note	2020	2019
Receivable from unit linked fund		**P498,816**	P298,988
Investments in ASF	*26*	**425,732**	-
Software development costs - net		**199,244**	177,226
Advances to employees and agents		**157,561**	148,514
Prepayments		**143,902**	337,182
Nonrefundable deposits		**128,956**	119,367
Others		**118,151**	174,309
Due from related parties	*26*	**12,954**	30,126
		1,685,316	1,285,712
Allowance for impairment losses on advances to employees and agents		**(5,335)**	(3,891)
	30	**P1,679,981**	P1,281,821

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.

Investments in ASF pertain to the agents' savings funds which is managed and is under the custodianship of PAMTC pursuant to an Investment Management Agreement signed by the Company and PAMTC in 2020.

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:

	2020	2019
Balance at beginning of year	**P3,891**	P3,187
Provision for impairment losses	**1,976**	1,408
Reversals taken up to profit or loss	**(532)**	(704)
Balance at end of year	**P5,335**	P3,891

The Company collected advances to employees and agents that have been previously written off amounting to P0.53 million and P0.70 million in 2020 and 2019, respectively.

The movements of software development costs in 2020 and 2019 are as follows:

	2020	2019
Gross Carrying Amount		
Beginning balance	**P545,776**	P503,585
Acquisitions	**63,546**	42,191
Ending balance	**609,322**	545,776
Accumulated Amortization		
Beginning balance	**368,550**	325,410
Amortization	**41,528**	43,140
Ending balance	**410,078**	368,550
Net Carrying Amount		
Beginning balance	**P177,226**	P178,175
Ending balance	**P199,244**	P177,226

16. Legal Policy Reserves

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

	Note	2020	2019
Beginning balance		P5,354,876	P5,334,105
Gross change in reserves:			
New business		124,332	130,150
Net premiums written		123,036	134,754
Accretion of interest		78,656	153,739
Liabilities released for payments on death, surrenders and other terminations		(802,427)	(541,673)
Other movements		490,478	(258,478)
Total gross change in reserves	23	14,075	(381,508)
Remeasurement on life insurance reserve		1,021,681	402,279
Ending balance	5, 30	P6,390,632	P5,354,876

The appropriated retained earnings for negative reserves amounted to P60.82 million and P58.75 million in 2020 and 2019, respectively.

17. Claims Payable

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

	Note	2020	2019
Beginning balance:			
Notified payable		P456,174	P405,290
IBNR		148,309	93,148
		604,483	498,438
Cash paid for claims settled during the year		(1,303,378)	(928,263)
Increase in liabilities		1,308,780	1,034,308
Ending balance		P609,885	P604,483
Notified claims payable		P478,962	P456,174
IBNR		130,923	148,309
	5, 30	P609,885	P604,483

18. Reinsurance Payable

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

	Note	2020	2019
Beginning balance		P126,206	P98,220
Premium ceded to reinsurers	20	404,668	403,869
Paid during the year		(429,865)	(375,883)
Ending balance	5, 30	P101,009	P126,206

19. Accounts Payable, Accrued Expenses and Other Liabilities

The account consists of the following:

	Note	2020	2019
Accrued expenses		P1,957,587	P1,565,287
Dividends payable to policyholders		1,181,577	1,133,897
Due to unit-linked funds		598,474	210,954
Income tax payable		582,855	-
Premium suspense account		562,520	455,591
Agent's commission payable		527,973	462,816
Provident fund payable		462,881	306,450
Due to related parties		441,583	101,087
Withholding tax payable		64,441	53,628
Other tax payables		55,790	49,036
Premium deposit fund		28,994	41,650
Retirement liability	24	8,418	19,313
Other liabilities		190,270	144,315
	30	P6,663,363	P4,544,024

Accrued expenses primarily consist of performance and incentive bonuses payable.

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

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 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.

Agent's commission payable pertains to unpaid commissions.

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).

Withholding tax payable pertains to the taxes withheld that are due to the government.

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	2020	2019
Unit-linked insurance	11	P30,838,305	P26,779,590
Group life insurance		283,190	331,022
Ordinary life insurance		214,168	212,105
Accident and health		51,193	46,278
		P31,386,856	P27,368,995

Reinsurer's share of gross premiums on insurance contracts:

	Note	2020	2019
Unit-linked insurance		P177,877	P136,974
Group life insurance		214,141	256,552
Ordinary life insurance		12,650	10,343
	18	P404,668	P403,869

Net premiums on insurance contracts:

	2020	2019
Unit-linked insurance	P30,660,428	P26,642,616
Group life insurance	69,049	74,470
Ordinary life insurance	201,518	201,762
Accident and health	51,193	46,278
	P30,982,188	P26,965,126

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:

	2020	2019
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%	2.25%
Equity Index Tracker Fund	1.75%	-

Policy administration fees amounted to P1.75 billion and P1.84 billion in 2020 and 2019, respectively.

22. Investment Gain

The account consists of the following:

	Note	2020	2019
Unrealized gain on valuation of investments	8	P855,951	P1,588,222
Interest income		553,083	549,727
Gain on disposal of investments	8	21,950	17,560
Investment management expense		(286,253)	(317,690)
Final withholding tax		(110,589)	(108,674)
Foreign exchange loss	8	(30,365)	(21,483)
		P1,003,777	P1,707,662

23. Benefits and Claims

Gross benefits and claims on insurance contracts:

2020

	Gross Benefits and Claims	Reinsurers' Share of Gross Benefits and Claims	Net
Unit-linked insurance	P5,811,648	(P95,876)	P5,715,772
Ordinary life insurance	102,100	(28,334)	73,766
Group life insurance	6,942	-	6,942
Accident and health	2,722	(6)	2,716
	P5,923,412	(P124,216)	P5,799,196

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

Gross change in increase in legal policy reserves:

	Note	2020	2019
Unit-linked insurance		P44,901	(P9,647)
Ordinary life insurance		(34,347)	(375,744)
Group life insurance		520	998
Accident and health		3,001	2,885
	16	P14,075	(P381,508)

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, 2020, the DB liability is more than the DC liability.

The Company's latest actuarial valuation date was as of December 31, 2020.

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

	2020		
	DBO	FVPA	Net Defined Benefit Liability (Note19)
Balance at January 1, 2020	P528,410	P509,097	P19,313
Included in Profit or Loss			
Current service cost	87,684	-	87,684
Interest cost	27,748	26,798	950
	115,432	26,798	88,634
Included in Other Comprehensive Income			
Remeasurements loss:			
Actuarial loss arising from:			
Financial assumptions	(8,620)	-	(8,620)
Experience adjustment	6,482	-	6,482
Return on plan assets excluding interest income	-	2,165	(2,165)
	(2,138)	2,165	(4,303)
Others			
Contributions paid by the employer	-	95,226	(95,226)
Benefits paid	(49,380)	(49,380)	-
Transfers	(418)	(418)	-
	(49,798)	45,428	(95,226)
Balance at December 31, 2020	P591,906	P583,488	P8,418

	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

The retirement expense under "Salaries, allowances and employees' benefits" account in profit or loss amounted to P88.63 million and P76.48 million in 2020 and 2019, respectively.

The Company's plan assets consist of the following:

	2020	2019
Cash and cash equivalents	P63,955	P20,344
Receivables	14,491	16,515
Government securities	294,115	258,014
Unit investments trust funds	33,457	39,260
Investment in mutual funds	110,158	102,592
Corporate bonds	67,312	72,372
	P583,488	P509,097

The expected contribution to the defined benefit retirement plan in 2021 is P96.19 million.

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

	2020	2019
Discount rate	3.75%	5.00%
Future salary growth	3.00% p.a. first 5 years, 5.00% p.a. thereafter	6.00%

The weighted-average duration of the defined benefit obligation is 16.60 years and 15.70 years in December 31, 2020 and 2019, respectively.

Maturity analysis of the benefit payments:

2020

	Carrying amount	Contractual cash flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Retirement liability	P591,906	P513,051	P33,588	P183,953	P295,510

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

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)	(2.34%)	4.69%
Future salary growth (1% movement)	4.59%	(2.35%)

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:

	2020	2019
Current tax expense	**P1,031,382**	P -
Deferred tax expense	**237,449**	594,343
	P1,268,831	P594,343

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

	2020	2019
Income before income tax expense	**P5,539,189**	P5,532,644
Income tax using the domestic corporation tax rate	**P1,661,757**	P1,659,793
(Reductions in) additions to income tax resulting from:		
(Non-taxable gain) Non-deductible loss on valuation of investments	**(247,735)**	(466,664)
Interest income subjected to final tax	**(134,008)**	(385,900)
(Non-taxable income) non-deductible expenses	**(8,571)**	32,010
Change in unamortized past service cost	**(2,031)**	-
Non-taxable gain from disposal of investments	**(581)**	(25,085)
Deductible NOLCO	**-**	(290,832)
Other income subjected to final tax	**-**	(260,417)
Effect of unrecognized deferred tax assets	**-**	237,532
Effect of reversal of deferred tax asset	**-**	205,180
MCIT benefit offset against current tax	**-**	(111,274)
	P1,268,831	P594,343

Deferred tax assets from previous years have not been fully recognized because at that time, it was 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, 2020 and 2019 are as follows:

	2020		2019	
	Tax Base	**Deferred Tax Assets**	Tax Base	Deferred Tax Assets
Accrued expenses	**P1,584,601**	**P475,380**	1,584,601	475,380
Agent's Commission	**462,816**	**138,845**	462,816	138,845
Provident fund	**306,450**	**91,935**	306,450	91,935
IBNR	**148,309**	**44,493**	148,309	44,493
MCIT	**-**	**-**	3,976	3,976
Remeasurement on life insurance reserve	**656,795**	**197,039**	656,795	197,039
Others	**61,585**	**18,475**	63,905	19,171
	P3,220,556	**P966,167**	P3,226,852	P970,839

Below is the movement of the deferred tax assets and deferred tax liability recognized as at December 31, 2020 and 2019.

2020

	Beginning Balance	**Amount Charged to Profit or Loss**	**Amount Recognized in Other Comprehensive Income**	**Ending Balance**
Retirement liability	**(P11,996)**	**P -**	**(P1,291)**	**(P13,287)**
Deferred acquisition costs	**(2,684,642)**	**(437,964)**	**-**	**(3,122,606)**
Accrued expenses	**-**	**114,421**	**-**	**114,421**
Agent's commission	**-**	**19,547**	**-**	**19,547**
Provident fund	**-**	**46,929**	**-**	**46,929**
IBNR	**-**	**(5,216)**	**-**	**(5,216)**
Remeasurement on life insurance reserve	**-**	**-**	**306,504**	**306,504**
PFRS 16-related expenses	**-**	**22,803**	**-**	**22,803**
Unamortized past service cost	**-**	**2,031**	**-**	**2,031**
Deferred tax liabilities - net	**(P2,696,638)**	**(P237,449)**	**P305,213**	**(P2,628,874)**

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)

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
2018	P3,976	P3,976	-	December 31, 2021

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

Year Incurred	Amount	Application	Remaining Balance	Date of Expiration
2017	P113,581	P113,581	P -	December 31, 2020
2018	242,932	242,932	-	December 31, 2021
	P356,513	P356,513	P -	

Financial statements

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)	Investments in ASP (Note 15)	Terms	Conditions
Eastspring (Under Common Control)									
• Investment management	**2020**	*a*	**P267,555**	**P68,547**	**P -**	**P -**	**P -**	**30 days; noninterest - bearing**	**Unsecured**
	2019	*a*	301,128	76,462	-	-	-	30 days; noninterest - bearing	Unsecured
PSA (Under Common Control)									
• IT service costs	**2020**	*b*	**90,792**	**33,251**	-	-	-	**30 days; noninterest - bearing**	**Unsecured**
	2019	*b*	247,591	3,291	-	-	-	30 days; noninterest - bearing	Unsecured
PHL (Under Common Control)									
• Allocation of expenses	**2020**	*c*	-	-	-	-	-	**30 days; noninterest - bearing**	**Unsecured**
	2019	*c*	143,089	21,334	-	-	-	30 days; noninterest - bearing	Unsecured
Prudence Foundation Limited (Under Common Control)									
• Allocation of expenses	**2020**	*d*	-	-	-	-	-	**30 days; nonintererest -bearing**	**Unsecured**
	2019	*d*	-	-	-	-	-	30 days; nonintererest -bearing	Unsecured
PAMTC									
• Allocation of expenses	**2020**	**e**	**68,773**	-	**12,543**	-	-	**30 days; noninterest -bearing**	**Unsecured; not impaired**
	2019	*e*	53,557	-	29,920	-	-	30 days; noninterest -bearing	Unsecured; not impaired
• Shared service fee	**2020**		**2,436**	-	**411**	-	-	**30 days; noninterest-bearing**	**Unsecured; not impaired**
	2019	*e*	206		206			30 days; noninterest -bearing	Unsecured; not impaired
• Investments in PAMTC's UITFs	**2020**	*8*	**158,846**	-	-	**274,021**	-	**Noninterest-bearing**	**Unsecured**
	2019	*8*	115,000	-	-	115,175	-	Noninterest-bearing	Unsecured
• Investments in ASF	**2020**	*15*	**425,732**	-	-	-	**425,732**	**Noninterest-bearing**	**Unsecured**
	2019	*15*	-	-	-	-	-	Noninterest-bearing	Unsecured

Forward

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)	Investments in ASP (Note 15)	Terms	Conditions
• Investments management	**2020**	*e*	**2,845**	**2,790**	-	-	-	**Noninterest-bearing**	**Unsecured**
	2019	*e*	-	-	-	-	-	Noninterest-bearing	Unsecured
• Investments service fee	**2020**	*e*	**5,707**	**5,707**	-	-	-	**Noninterest-bearing**	**Unsecured**
	2019	*e*	-	-	-	-	-	Noninterest-bearing	Unsecured
PCHL or Prudential Corporation Holdings Limited (Parent)									
• Allocation of expenses	**2020**	*f*	**P372,630**	**P291,161**	-	-	-	**30 days; noninterest - bearing**	**Unsecured**
	2019	*f*	-	-	-	-	-	30 days; noninterest - bearing	Unsecured
PSS or Prudential Services Singapore Pte Ltd (Under Common Control)									
• Allocation of expenses	**2020**	*g*	**45,869**	**45,834**	-	-	-	**30 days; noninterest - bearing**	**Unsecured**
	2019	*g*	-	-	-	-	-	30 days; noninterest - bearing	Unsecured
TOTAL	**2020**			**P447,290**	**P12,954**	**P274,021**	**P425,732**		
TOTAL	2019			P101,087	P30,126	P115,175	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. Moreover, the Company entered into Fund Management agreements with PAMTC whereby PAMTC will manage some of the Company's investment funds as well as its agents' savings funds. The Company also invested in PAMTC's UITF.

The Company also has a financial advisory/marketing services agreement with PAMTC, whereby the latter shall act as financial advisor to the Company by conducting industry briefings and seminars that will benefit the Company. As at December 31, 2020, the Company has an outstanding payable amounting to P5.71 million which is presented as part of "Accrued expenses" in the separate statement of financial position.

f. These pertain to advances made by PCHL on behalf of the Company for various expenses including software licenses.

g. The Company entered into a Master Services Agreement with PSS whereby PSS will provide IT security services to the Company such as identity services & access management, data security, vulnerability management, cloud infrastructure security, network security, endpoint security, application security, cyber awareness and readiness, threat monitoring & response and emergency support.

The entities from a to d and f to g 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:

	2020	2019
Short-term employee benefits	**P225,223**	P156,879
Post-employment benefits	**9,956**	1,164
	P235,179	P158,043

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

Transactions with the defined benefit plan
The defined benefit plan is a related party. The plan does not hold shares in the Company and the only transaction with the plan relate to the contributions paid (see Note 24).

27. Lease

As a Lessee
The following assets do not meet the definition of investment property.

	Note	2020	2019
Property and equipment owned	*13, 30*	**P454,494**	P538,399
Right-of-use assets, except for investment property	*30*	**711,814**	884,089
		P1,166,308	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

	Note	2020	2019
Balance at January 1		**P884,089**	P1,047,515
Additions		**86,895**	68,803
Depreciation		**(259,170)**	(232,229)
Balance at December 31	*30*	**P711,814**	P884,089

Lease Liabilities

	Note	2020	2019
Balance at January 1		**P934,882**	P1,047,515
Additions		**86,895**	68,803
Interest		**66,282**	74,641
Payments		**(290,345)**	(256,077)
Balance at December 31	*5, 30*	**P797,714**	P934,882

	2020	2019
Maturity analysis - contractual undiscounted cash flows		
Less than one (1) year	**P4,265**	P266,216
One to five (5) years	**911,876**	816,101
Total undiscounted lease liabilities at December 31	**916,141**	1,082,317
Lease liabilities included in the separate statement of financial position at December 31	**797,714**	934,882
Current	**209,484**	202,188
Non-current	**588,230**	732,694

Amounts Recognized in Profit and Loss

	2020	2019
Leases under PFRS 16		
Depreciation of right-of-use assets	**P259,170**	P232,229
Interest expense related to lease liabilities	**66,282**	74,641
Expenses relating to short-term leases including VAT on lease payments	**41,908**	71,785

Amount Recognized in the Statement of Cash Flows

	2020	2019
Total cash outflow for leases	**P290,345**	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 180 days prior to the expiration of the initial lease term.

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

28. Equity

The details of this account are as follows:

	2020	2019
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 May 21, 2020, the BOD of the Company declared cash dividends amounting to P1.00 billion. On the same day, the IC issued CL No. 2020-66 *Interim Guidelines on the Declaration and/or Distribution of Dividends with the End in View of Conserving Capital Due to the Projected Economic Impact of the COVID-19 Pandemic* to prescribe interim guidelines requiring regulated entities to secure prior approval of the IC for dividends declared and/or distributed for the year 2020. The Company submitted documents for approval pursuant to CL No. 2020-66 and this was approved by the IC on June 1, 2020. The dividends were paid on June 16, 2020.

On October 23, 2020, the BOD of the Company declared additional cash dividends amounting to P2.00 billion which shall not be remitted earlier than December 10, 2020. As at December 31, 2020, the Company's request for approval is still pending from the IC. However, the IC issued CL No. 2021-02 *Revised Guidelines on Declaration and/or Distribution of Dividends* on January 7, 2021 to supersede CL No. 2019-60 which requires companies to seek prior approval from the institution to declare and/or distribute dividends. The latest CL requires no prior approval or clearance from IC on the declaration of dividends but only requires insurance companies to submit reportorial requirements post dividend distribution. Hence, even without IC's approval, the Company paid the dividend on January 25, 2021. The Company submitted the corresponding post dividend distribution reportorial requirements to the IC on February 24, 2021.

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 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 30 days after dividend declaration or distribution. CL No. 2019-60 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.

As at December 31, 2020, the Company's unappropriated retained earnings of P15.21 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.

Financial statements

30. Maturity Profile of Assets and Liabilities

The following table presents all assets and liabilities as at December 31, 2020 and 2019 analyzed according to when they are expected to be recovered or settled (based on contractual maturity).The following table presents all assets and liabilities as at December 31, 2020 and 2019 analyzed according to when they are expected to be recovered or settled (based on contractual maturity).

		2020				2019			
	Note	Within One Year	Beyond One Year	No Term	Total	Within One Year	Beyond One Year	No Term	Total
Assets									
Cash and cash equivalents	*7*	P3,323,183	P -	P -	P3,323,183	P2,689,908	P -	P -	P2,689,908
Interest receivable	*5*	2,492	119,634	34	122,160	6,338	118,338	34	124,710
Investments	*6, 8*	2,835,603	10,573,016	303,077	13,711,696	761,073	9,771,001	132,236	10,664,310
Investment in subsidiary	*9*	-	-	360,248	360,248	-	-	281,650	281,650
Premiums due from policyholders	*5*	12,271	-	-	12,271	15,449	-	-	15,449
Policy loans receivables - net	*5, 10*	-	371,605	-	371,605	-	370,089	-	370,089
Coverage debt receivables - net	*5, 12*	837,506	-	-	837,506	723,482	-	-	723,482
Reinsurance assets	*5*	73,295	-	-	73,295	57,221	-	-	57,221
Property and equipment - net	*13*	-	-	454,494	454,494	-	-	538,399	538,399
Right-of-use assets - net	*27*	-	-	711,814	711,814	-	-	884,089	884,089
Deferred acquisition costs	*5, 14*	1,179,641	9,229,045	-	10,408,686	1,050,411	7,898,394	-	8,948,805
Other assets - net	*15*	926,049	128,956	624,976	1,679,981	985,228	119,367	177,226	1,281,821
Assets Held to Cover Linked Liabilities	*11*	2,081,927	22,838,015	71,438,973	96,358,915	1,397,594	26,016,159	62,454,624	89,868,377
		P11,271,967	P43,260,271	P73,893,616	P128,425,854	P7,686,704	P44,293,348	P64,468,258	P116,448,310
Liabilities									
Legal policy reserves	*5, 16*	P327,313	P5,960,857	P102,462	P6,390,632	P159,393	P5,115,084	P80,399	P5,354,876
Claims payable	*5, 17*	609,885	-	-	609,885	604,483	-	-	604,483
Reinsurance payable	*5, 18*	101,009	-	-	101,009	126,206	-	-	126,206
Deferred tax liabilities - net	*25*	(115,233)	2,744,107	-	2,628,874	327,120	2,369,518	-	2,696,638
Accounts payable, accrued expenses and other liabilities	*19*	6,663,363	-	-	6,663,363	4,544,024	-	-	4,544,024
Lease liabilities	*5, 27*	209,484	588,230	-	797,714	202,188	732,694	-	934,882
Technical Provisions for Linked Liabilities	*5, 11*	-	96,358,915	-	96,358,915	-	89,868,377	-	89,868,377
		P7,795,821	P105,652,109	P102,462	P113,550,392	P5,963,414	P98,085,673	P80,399	P104,129,486

31. Event After the Reporting Period

On March 26, 2021, the President signed the Bill into law as Republic Act (RA) No. 11534 or the "Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act", with some items vetoed. The abovementioned provisions on reduction in corporate income tax rates were approved and corporate income tax retroacts to July 1, 2020 as intended. Accordingly, the annual income tax return for the year 2020 to be filed on or before April 15, 2021, unless otherwise extended, will already have to use the prorated corporate income tax rate for calendar year 2020.

On April 08, 2021, the Bureau of Internal Revenue issued the following implementing revenue regulations that are effective immediately upon publication:

1. BIR Revenue Regulations (RR) No. 2-2021, Amending Certain Provisions of Revenue Regulations No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act No. 11534, or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), to the National Revenue Code of 1997, as Amended, Relative to the Final Tax on Certain Passive Income;

2. BIR RR No. 3-2021, Rules and Regulations Implementing Section 3 of Republic Act (RA). No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE", Amending Section 20 of the National Internal Revenue Code of 1997, As Amended;

3. BIR RR No. 4-2021, Implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax Under Republic Act (RA) No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE) Which Further Amended the National Revenue Code of 1997, as Amended, as Implemented by Revenue Regulations (RR) No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended; and

4. BIR RR No. 5-2021, Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to Republic Act (RA) No. 11534 or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), Which Further Amended the National Revenue Code (NIRC) of 1997.

The enactment of the CREATE Law is a non-adjusting subsequent event thus, the current and deferred income taxes as of December 31, 2020 are measured using the applicable income tax rates as of December 31, 2020.

Further, the BIR has issued its RR No. 5-2021 to promulgate the implementation of the new income tax rates on the regular income of corporations, on certain passive incomes and additional allowable deductions of persons engaged in business or practice of profession as provided for in CREATE Law.

The corporate income tax of the Company will be lowered from 30% to 25%, effective July 1, 2020. Following is the quantified potential impact of the CREATE Act to these financial statements:

	2020
Addition to (reduction in):	
Income Tax Expense in Profit or Loss	
Current tax expense	**(P85,948)**
Deferred tax expense	**(487,014)**
Other Comprehensive Loss (Income)	
Income tax effect	**48,870**
	(P524,092)

32. 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, 2020 (expressed in whole amounts):

A. Value Added Tax

The details of the Company's output VAT declared in 2020 are as follows:

Other income - shared service fees	**P1,683,967**
Output VAT rate	**12%**
	P202,076

B. Documentary Stamp Tax

On others	**P26,354,083**

C. Withholding Taxes

Creditable withholding taxes	**P569,204,337**
Final withholding taxes	**150,168,008**
Tax on compensation and benefits	**271,957,382**
	P991,329,727

D. All Other Taxes (Local and National)

Premiums tax	**P136,181,415**
License and permit fees	**49,171,459**
Fringe benefits tax	**25,296,015**
Real estate taxes	**108,994**
	P210,757,883

E. Other Tax Matters

Pursuant to sections 6 (A) and 10 (C) of the National Internal Revenue Code of 1997, As Amended, the Company received a Letter of Authority from BIR to examine its books of accounts and other accounting records for all internal revenue taxes including documentary stamp tax and other taxes for the period covering January 1, 2018 to December 31, 2018 on August 12, 2020. The result of which has yet to be determined as at December 31, 2020.

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, 2020 other than the aforementioned.

Combined financial statements

Combined Financial Statements

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

COMBINED FINANCIAL STATEMENTS
December 31, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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

TIRESO RANDY F. LAPIDEZ
Partner
CPA License No. 0092183
IC Accreditation No. 92183-IC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
SEC Accreditation No. 1472-AR-1, Group A, valid until July 2, 2021
Tax Identification No. 162-411-175
BIR Accreditation No. 08-001987-034-2020
Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 8533905
Issued January 4, 2021 at Makati City

April 8, 2021
Makati City, Metro Manila

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

PRU LIFE INSURANCE CORPORATION OF U.K.

COMBINED STATEMENTS OF ASSETS AND ACCOUNTABILITIES OF THE PRULINK OPERATED BY THE LINKED FUND AS AT DECEMBER 31, 2020 (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	Global Market Navigtor Fund	Equity Index Tracker Fund	Combined
ASSETS																
Cash and cash equivalents	*8*	P16,208	P93,821	P10,065	P61,462	P987,858	P135,657	P44,468	P1,071	P2,448	P2,703	P189,586	P351	P3,518	P1,010	P1,550,226
Interest receivables	*8*	-	145,778	86,510	1	27,636	1,946	1	-	-	-	-	-	-	-	261,872
Receivable from life fund	*2, 8*	2,542	6,139	5,055	56,240	186,847	41	33,442	47	153	4,599	332,632	32	4,451	7,596	639,816
Investments at fair value through profit or loss	*2, 5*	5,760,069	17,442,111	6,242,986	14,863,829	57,429,821	437,956	18,169,336	456,042	1,114,758	727,566	10,200,892	110,896	260,208	101,472	133,317,942
Other assets	*8*	-	-	10,798	-	10,909	-	-	698	517	5	114,900	1,008	2,647	-	141,482
		5,778,819	17,687,849	6,355,414	14,981,532	58,643,071	575,600	18,247,247	457,858	1,117,876	734,873	10,838,010	112,287	270,824	110,078	135,911,338
LIABILITIES																
Liability to life fund and other linked funds	*2, 8*	(8,644)	(14,102,656)	(14,952)	(1,578)	(24,701,854)	(259,442)	(17,648)	(1,781)	(2,339)	(1,004)	(34,856)	(1,127)	(1,000)	(1,000)	(39,149,881)
Accrued expenses	*8*	(109)	(5,958)	(2,150)	(398)	(29,577)	(70)	(1,198)	(1,777)	(493)	(323)	(109,430)	(46)	(566)	(39)	(152,134)
Trade payable	*8*	-	-	-	-	(8,961)	-	-	-	(1,276)	(1,910)	(233,580)	-	(4,681)	-	(250,408)
		(8,753)	(14,108,614)	(17,102)	(1,976)	(24,740,392)	(259,512)	(18,846)	(3,558)	(4,108)	(3,237)	(377,866)	(1,173)	(6,247)	(1,039)	(39,552,423)
NET ASSETS		P5,770,066	P3,579,235	P6,338,312	P14,979,556	P33,902,679	P316,088	P18,228,401	P454,300	P1,113,768	P731,636	P10,460,144	P111,114	P264,577	P109,039	P96,358,915

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, 2019 (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	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.

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, 2020 (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	Equity Index Tracker Fund*	Combined
Net assets at beginning 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	P -	P89,868,377
Net additions (withdrawals) to the fund for creation of units	(237,107)	(216,572)	(636,178)	1,629,532	5,907,086	39,270	245,029	(70,753)	(95,851)	(265)	1,187,811	13,949	143,475	99,113	8,008,539
	5,428,558	3,265,317	6,310,899	15,397,834	35,594,775	307,196	17,967,130	446,254	1,083,946	725,009	10,893,692	105,865	251,328	99,113	97,876,916
FUND INCOME															
Unrealized depreciation of investment at fair value through profit or loss	-	853,276	(212,246)	-	(2,058,524)	(3,511)	-	(2,001)	34,184	14,363	(349,792)	5,631	18,313	10,161	(1,690,146)
Interest income	95	899,049	272,298	591	4,920	5,075	527	-	-	-	8	-	2	1	1,182,566
Gain (loss) on sale of investment at fair value through profit or loss	-	346,009	68,236	-	(409,618)	13,731	-	18,425	14,784	4,157	461,442	1,400	(965)	90	517,691
Dividend income	-	-	-	-	908,884	-	-	-	-	-	-	-	-	-	908,884
Profit (loss) from interfund investments	347,804	(1,252,407)	-	(400,113)	984,804	-	319,912	-	-	-	-	-	-	-	-
	347,899	845,927	128,288	(399,522)	(569,534)	15,295	320,439	16,424	48,968	18,520	111,658	7,031	17,350	10,252	918,995
FUND EXPENSES															
Management fees	(6,372)	(286,009)	(100,868)	(18,637)	(1,121,578)	(2,760)	(59,063)	(8,378)	(19,146)	(11,893)	(177,935)	(1,782)	(4,101)	(326)	(1,818,848)
Distribution expense	-	-	-	-	-	-	-	-	-	-	(367,270)	-	-	-	(367,270)
Tax expense	(19)	(246,000)	(7)	(119)	(984)	(3,643)	(105)	-	-	-	(1)	-	-	-	(250,878)
	(6,391)	(532,009)	(100,875)	(18,756)	(1,122,562)	(6,403)	(59,168)	(8,378)	(19,146)	(11,893)	(545,206)	(1,782)	(4,101)	(326)	(2,436,996)
Net increase (decrease) in net assets from operations for the year	341,508	313,918	27,413	(418,278)	(1,692,096)	8,892	261,271	8,046	29,822	6,627	(433,548)	5,249	13,249	9,926	(1,518,001)
NET ASSETS AT END OF YEAR	P5,770,066	P3,579,235	P6,338,312	P14,979,556	P33,902,679	P316,088	P18,228,401	P454,300	P1,113,768	P731,636	P10,460,144	P111,114	P264,577	P109,039	P96,358,915

**Insurance Commission approved the commercial operations of the fund on April 17, 2020 as disclosed in Note 1 of the combined financial statements.*

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.

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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, 2020 (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	Equity Index Tracker Fund*	Combined
CASH FLOWS FROM OPERATING ACTIVITIES															
Net increase (decrease) in net assets from operations for the year	P341,508	P313,918	P27,413	(P418,278)	(P1,692,096)	P8,892	P261,271	P8,046	P29,822	P6,627	(P433,548)	P5,249	P13,249	P9,926	(P1,518,001)
Adjustments for:															
Unrealized depreciation (appreciation) of investment at fair value through profit or loss	-	(853,276)	(127,314)	-	2,058,524	3,511	-	(22,803)	(94,816)	(53,936)	(205,041)	(11,663)	(32,466)	(10,161)	650,559
Interest income	(95)	(899,049)	(272,298)	(591)	(4,920)	(5,075)	(527)	-	-	-	(8)	-	(2)	(1)	(1,182,566)
(Gain) loss on sale of investment at fair value through profit or loss	-	(346,009)	(68,236)	-	409,618	(13,731)	-	(18,425)	(14,784)	(4,157)	(461,442)	(1,400)	965	(90)	(517,691)
Dividend income	-	-	-	-	(908,884)	-	-	-	-	-	-	-	-	-	(908,884)
Foreign exchange loss	-	-	339,560	-	-	-	-	24,804	60,632	39,573	554,833	6,032	14,153	-	1,039,587
Profit (loss) from interfund investments	(347,804)	1,252,407	-	400,113	(984,804)	-	(319,912)	-	-	-	-	-	-	-	-
Operating loss before working capital changes	(6,391)	(532,009)	(100,875)	(18,756)	(1,122,562)	(6,403)	(59,168)	(8,378)	(19,146)	(11,893)	(545,206)	(1,782)	(4,101)	(326)	(2,436,996)
Changes in:															
Receivable from life fund	(1,523)	(4,961)	(5,055)	(30,415)	(104,445)	(39)	(9,295)	315	803	(4,428)	(264,794)	29	2,346	(7,596)	(429,058)
Other assets	12,000	-	14,085	-	29,591	-	-	19,346	20,421	4,695	(105,874)	3,549	(834)	-	(3,021)
Liability to life fund and other linked funds	(9,707)	(2,040,364)	(26,461)	(771)	3,805,928	254,006	(12,812)	(2,682)	(16,228)	(1,964)	34,404	1,096	-	1,000	1,985,445
Accrued expenses	(38)	(674)	(203)	(61)	4,083	29	(217)	70	(1,788)	(1,059)	7,914	7	367	39	8,469
Trade payable	-	(12,000)	-	(40,500)	(26,493)	-	-	(43)	1,238	1,734	153,367	(2,582)	(1,387)	-	73,334
Net additions (withdrawals) to the fund for creation of units	(237,107)	(216,572)	(636,178)	1,629,532	5,907,086	39,270	245,029	(70,753)	(95,851)	(265)	1,187,811	13,949	143,475	99,113	8,008,539
Net cash provided by (used in) operating activities	(242,766)	(2,806,580)	(754,687)	1,539,029	8,493,188	286,863	163,537	(62,125)	(110,551)	(13,180)	467,622	14,266	139,866	92,230	7,206,712

**Insurance Commission approved the commercial operations of the fund on April 17, 2020 as disclosed in Note 1 of the combined financial statements.*

Forward

	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	Equity Index Tracker Fund*	Combined
CASH FLOWS FROM INVESTING ACTIVITIES																
Net (disposals) acquisitions of investments		P248,559	P1,933,708	P452,347	(P1,573,800)	(P9,142,677)	(P174,787)	(P179,500)	P63,151	P112,961	P15,707	(P401,432)	(P14,433)	(P141,860)	(91,221)	(P8,893,277)
Interest received		97	936,817	295,396	608	5,036	3,913	537	-	-	-	8	-	2	1	1,242,415
Dividends received		-	-	-	-	908,661	-	-	-	-	-	-	-	-	-	908,661
Net cash (used in) provided by investing activities		248,656	2,870,525	747,743	(1,573,192)	(8,228,980)	(170,874)	(178,963)	63,151	112,961	15,707	(401,424)	(14,433)	(141,858)	(91,220)	(6,742,201)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		5,890	63,945	(6,944)	(34,163)	264,208	115,989	(15,426)	1,026	2,410	2,527	66,198	(167)	(1,992)	1,010	464,511
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		10,318	29,876	17,009	95,625	723,650	19,668	59,894	45	38	176	123,388	518	5,510	-	1,085,715
CASH AND CASH EQUIVALENTS AT END OF YEAR	8	P16,208	P93,821	P10,065	P61,462	P987,858	P135,657	P44,468	P1,071	P2,448	P2,703	P189,586	P351	P3,518	P1,010	P1,550,226

**Insurance Commission approved the commercial operations of the fund on April 17, 2020 as disclosed in Note 1 of the combined financial statements.*

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, 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 EquityFund	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)
Changes 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)
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

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	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	41,429
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS		-	-	(702)	-	-	-	-	-	-	-	-	-	-	(702)
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
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.

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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 fourteen 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.

n. Equity Index Tracker Fund - a peso-denominated fund that seeks to provide long-term capital growth by mirroring the performance of the Philippine Stock Exchange Index or PSEi. It aims to provide a return same as the performance of the index. It invests in stocks of companies comprising the PSEi. The Fund, structured as a feeder fund, invests in PRUInvest PH Equity Index Tracker Fund Class V managed by Pru Life UK Investments.

The Company submitted its application for the approval of the Equity Index Tracker Fund to IC on March 6, 2020 and was subsequently approved on April 17, 2020.

Investment activities of the first thirteen Funds are managed by Eastspring Investments (Singapore) Limited (see Note 6), an entity under common control with the Company, while the Equity Index Tracker Fund is managed by Pru Life UK Asset Management and Trust Corporation (see Note 6), a subsidiary of the Company. The valuation and unit pricing calculation of the Funds 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 BOD of the Company on April 8, 2021.

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 are 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	2020	2019
Proactive Fund invested at Bond Fund (Peso)	*5, 8*	**P7,463,710**	P8,864,821
Managed Fund invested at Bond Fund (Peso)	*5, 8*	**4,343,740**	4,536,802
Growth Fund invested at Equity Fund	*5*	**12,578,889**	10,951,159
Proactive Fund invested at Equity Fund	*5*	**10,705,626**	8,805,103
Growth Fund invested at Bond Fund (Peso)	*5, 8*	**2,284,940**	2,738,983
Managed Fund invested at Equity Fund	*5*	**1,416,329**	1,124,022
		P38,793,234	P37,020,890

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

	2020	2019
Liability of Equity Fund to Growth Fund	P12,578,889	P10,951,159
Liability of Equity Fund to Proactive Fund	10,705,626	8,805,103
Liability of Bond Fund (Peso) to Proactive Fund	7,463,710	8,864,821
Liability of Bond Fund (Peso) to Managed Fund	4,343,740	4,536,802
Liability of Bond Fund (Peso) to Growth Fund	2,284,940	2,738,983
Liability of Equity Fund to Managed Fund	1,416,329	1,124,022
	P38,793,234	P37,020,890

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 P639.82 million and P210.76 million as at December 31, 2020 and 2019, 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 P39.15 billion and P37.16 billion as at December 31, 2020 and 2019, 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 Amended Standards and Framework

The Funds have adopted the amendments to the standards and framework starting January 1, 2020 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to the standards and framework did not have any significant impact on the Funds' combined financial statements.

Effective 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.

- 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.

- 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.

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, 2020 and 2019, 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 P133.32 billion and P125.60 billion as at December 31, 2020 and 2019, 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, 2020 and 2019, the Funds' combined loans and receivables amounted to P2.59 billion and P1.76 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, 2020 and 2019, the Funds' other financial liabilities amounted to P39.55 billion and P37.49 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, 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 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 after 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, 2023

(a) *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.

(b) *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.

(c) *Classification of Liabilities as Current or Non-current (Amendments to PAS 1 Presentation of Financial Statements).* To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

- removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
- clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

(d) *PFRS 17.* PFRS 17 Insurance Contracts replaces the interim standard, PFRS 4 Insurance Contracts. 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:

- combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;
- presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
- 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, 2025. 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 Financial Instruments on or before the date of initial application of PFRS 17.

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.

Judgments

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

(a) *Classifying Financial Instruments*

The Funds 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 Funds 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, 2020 and 2019, the Funds classified its financial instruments as financial instruments at FVPL, loans and receivables, and other financial liabilities.

(b) *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.

Combined financial statements

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, 2020 and 2019, the Funds' financial instruments carried at fair value are classified as Level 1 and Level 2 in the fair value hierarchy.

5. Investments at Fair Value through Profit or Loss

This account as at December 31 consists of:

		2020														
	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	Equity Index Tracker Fund	Combined
Investments in shares of stocks		P -	P -	P -	P -	P54,057,184	P -	P -	P -	P848,087	P571,449	P908,423	P53,987	P239,816	P91,311	P56,770,257
Accumulated fair value gain		-	-	-	-	3,372,637	-	-	-	266,671	156,117	110,186	10,871	20,392	10,161	3,947,035
	8	-	-	-	-	57,429,821	-	-	-	1,114,758	727,566	1,018,609	64,858	260,208	101,472	60,717,292
Investments in bond funds		2,987,250	-	-	1,926,325	-	-	6,117,123	-	-	-	-	-	-	-	11,030,698
Accumulated fair value gain		1,356,490	-	-	358,615	-	-	1,346,587	-	-	-	-	-	-	-	3,061,692
	2, 8	4,343,740	-	-	2,284,940	-	-	7,463,710	-	-	-	-	-	-	-	14,092,390
Investments in equity funds		1,340,427	-	-	11,487,238	-	-	10,484,637	-	-	-	-	-	-	-	23,312,302
Accumulated fair value gain		75,902	-	-	1,091,651	-	-	220,989	-	-	-	-	-	-	-	1,388,542
	2, 8	1,416,329	-	-	12,578,889	-	-	10,705,626	-	-	-	-	-	-	-	24,700,844
Investments in debt securities		-	15,844,161	5,532,179	-	-	437,154	-	334,754	-	-	8,227,446	42,825	-	-	30,418,519
Accumulated fair value gain		-	1,597,950	710,807	-	-	802	-	121,288	-	-	961,052	3,213	-	-	3,395,112
	8	-	17,442,111	6,242,986	-	-	437,956	-	456,042	-	-	9,188,498	46,038	-	-	33,813,631
Accumulated fair value loss - NDF	8	-	-	-	-	-	-	-	-	-	-	(6,215)	-	-	-	(6,215)
		P5,760,069	P17,442,111	P6,242,986	P14,863,829	P57,429,821	P437,956	P18,169,336	P456,042	P1,114,758	P727,566	P10,200,892	P110,896	P260,208	P101,472	P133,317,942

		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
Investments 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
Investments 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
Investments 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
Investments 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 loss - 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

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:

	2020	2019
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%	2.25%
Equity Index Tracker Fund	2.25%	-

7. Number of Units and Unit Prices

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

	2020	2019
Equity Fund	16,230,379	12,988,078
Proactive Fund	8,087,242	7,965,391
Growth Fund	3,943,149	3,461,119
Cash Flow Fund (Peso Hedged Share Class)	2,855,513	1,689,080
Managed Fund	1,637,715	1,708,468
Bond Fund (Peso)	1,166,704	1,237,228
Money Market Fund	284,522	245,347
Global Market Navigator Fund	255,816	107,006
Cash Flow Fund (Dollar)	162,423	162,469
Equity Index Tracker Fund	88,470	-
Bond Fund (Dollar)	43,694	48,181
Asia Pacific Equity Fund	19,869	21,836
Global Emerging Market Fund	13,102	13,054
Asian Local Bond Fund	7,898	9,209
Asian Balanced Fund	2,085	1,785
	34,798,581	29,658,251

The corresponding December 31 unit prices are as follows:

	2020	2019
Unit Price in Philippine peso		
Managed Fund	P3.52324	P3.31623
Bond Fund (Peso)	3.06782	2.81427
Growth Fund	3.79888	3.97799
Equity Fund	2.08884	2.28576
Proactive Fund	2.25397	2.22489
Money Market Fund	1.11094	1.09202
Unit Price in U.S. dollar		
Bond Fund (Dollar)	$3.02064	$2.84757
Asian Local Bond Fund	1.19785	1.10876
Asia Pacific Equity Fund	1.16729	1.06707
Global Emerging Market Fund	1.16280	1.09728
Cash Flow Fund (Dollar)	0.95332	0.96451
Cash Flow Fund (Peso Hedged Share Class)	1.05891	1.04865
Asian Balanced Fund	1.10985	1.01673
Global Market Navigator Fund	1.03425	1.00791
Equity Index Tracker Fund	1.23249	-

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

	December 29, 2020	December 27, 2019
Unit Price in Philippine peso		
Managed Fund	P3.52343	P3.31611
Bond Fund (Peso)	3.06789	2.81393
Growth Fund	3.79932	3.97875
Equity Fund	2.08910	2.28633
Proactive Fund	2.25419	2.22512
Money Market Fund	1.11092	1.09178
Unit Price in U.S. dollar		
Bond Fund (Dollar)	$3.02020	$2.84930
Asian Local Bond Fund	1.19251	1.10387
Asia Pacific Equity Fund	1.14639	1.07356
Global Emerging Market Fund	1.14501	1.10023
Cash Flow Fund (Dollar)	0.95211	0.96520
Cash Flow Fund (Peso Hedged Share Class)	1.05795	1.04561
Asian Balanced Fund	1.09685	1.01954
Global Market Navigator Fund	1.03360	1.00970
Equity Index Tracker Fund	1.23261	-

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 exists a future investment risk associated with certain policies currently in-force which will have premium receipts in the future.

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

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

The Funds 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 P47.91 billion as at December 31, 2020 and P51.68 billion as at December 31, 2019 which are 35.25% and 40.58% of its total assets, respectively.

The table below provides information regarding the credit risk exposure of the Funds as at December 31, 2020 and 2019 by classifying assets according to the Funds' credit grading of counterparties.

2020

	Note	Neither Past Due nor Impaired Investment High-grade	Non-investment Grade - Satisfactory	Total Financial Assets Neither Past Due nor Impaired	Past Due but not impaired	Total
Cash and cash equivalents	3	P1,550,226	P -	P1,550,226	P -	P1,550,226
Interest receivables	3	261,872	-	261,872	-	261,872
Receivable from life fund	2, 3	639,816	-	639,816	-	639,816
Investments in bond funds	2, 5	14,092,390	-	14,092,390	-	14,092,390
Investments in debt securities	5	33,813,631	-	33,813,631	-	33,813,631
Other assets	3	141,482	-	141,482	-	141,482
		P50,499,417	P -	P50,499,417	P -	P50,499,417

2019

	Note	Neither Past Due nor Impaired Investment High-grade	Non-investment Grade - Satisfactory	Total Financial Assets Neither Past Due nor Impaired	Past Due but not impaired	Total
Cash and cash equivalents	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
Investments in bond funds	2, 5	16,140,606	-	16,140,606	-	16,140,606
Investments 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

The Funds has no past due but not impaired financial assets as at December 31, 2020 and 2019.

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, 2020 and 2019.

2020

	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	P39,149,881	P -	P -	P -	P -	P -	P39,149,881
Accrued expenses		152,134	-	-	-	-	-	152,134
Trade payable		250,408	-	-	-	-	-	250,408
	3	P39,552,423	P -	P -	P -	P -	P -	P39,552,423

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

(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:

	2020	2019
Short-term time deposits	$ -	$336
Investments	398,004	377,681
	$398,004	$378,017
Foreign exchange rate to the Philippine peso used*	48.020	50.64
	P19,112,152	P19,142,781

**Exchange rate used is based on Bankers Association of the Philippines foreign exchange rate as at December 29, 2020 and December 27, 2019.*

A 5% and 1% strengthening of Philippine peso against the U.S. dollar as at December 31, 2020 and 2019, with all variables remaining constant, would have affected the measurement of profit before tax and equity by P955.67 million and P191.41 million, respectively. A 5% and 1% weakening of the Philippine peso in relation to the U.S. dollar as at December 31, 2020 and 2019, 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, 2020	*Increase*	*Decrease*
Currency		
Philippine peso	(P993,467)	P1,096,425
U.S. dollar	(541,096)	612,931
Fair value sensitivity	(P1,534,563)	P1,709,356

	Changes in variables	
	100 Basis Points	100 Basis Points
December 31, 2019	*Increase*	*Decrease*
Currency		
Philippine peso	(P1,202,253)	P1,335,845
U.S. dollar	(587,567)	672,185
Fair value sensitivity	(P1,789,820)	P2,008,030

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 P85.42 billion and P73.92 billion as at December 31, 2020 and 2019, 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. A 7% and 8% increase in stock prices would have increased profit before income tax and equity by P5.98 billion and P5.91 billion as at December 31, 2020 and 2019, 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, 2020			
	Note	Level 1	Level 2	Total
Financial Assets				
Investments at FVPL	5	P133,324,157	(P6,215)	P133,317,942

	December 31, 2019			
	Note	Level 1	Level 2	Total
Financial Assets				
Investments at FVPL	5	P125,597,455	(P335)	P125,597,120

The Funds has no financial instruments categorized under Level 3. Also, there has been no transfer between levels in 2020 and 2019.

Market Review

2020 served up a wild ride for investors with the "fear gauge" of US volatility, the Volatility Index or VIX, closing the year at 22.7, having traded as high as 85.5 and as low as 11.7. The US Equity market represented by the S&P 500 posted both a bear (19 February – 23 March, down 33.9%) and a bull (up 67.9% from the 23 March 2020 low) but delivered on full-year return of 16.3%. The declines and gains were uneven amongst industries and sectors, as the quick economic shift from the virus had some groups mostly closing operations (travel, hotels, stores, etc.), while other at-home services and merchandise benefited nicely, picking up the consumer (and business) need.

Among Emerging Market (EM) equities in 2020, Korea, Taiwan, and China were the top to outperform, whilst Greece, Egypt, and Brazil lagged. In EM sectors, IT, Healthcare, and Consumer Discretionary led the way, whilst Real Estate, Energy, and Financials were the laggards. EM Asia Purchasing Managers' Indices (PMI) all look healthy on recovery, and EM Economic Surprise are positive across all sub-regions. In commodity space, Metals have seen a strong rally due to the speculative demand from electric vehicles and continued tension between China/Australia.

The Philippine equity market closed stronger for the second consecutive month at 7,139.7, gaining 348.3 pts or by 5.1% month-on-month (MoM), resulting in a year-to-date (YTD) decline of 8.6%, a huge improvement from the 40.8% decline seen last 19 March 2020. The strong December showing was buoyed by continued optimism surrounding the COVID-19 vaccine developments and the progress in key political reforms such as: 1) the passage of the US$ 93 billion (PhP 4.5 trillion) 2021 national budget, and 2) The FIST (Financial Institutions Strategic Transfer) bill, both having passed the BICAM committee and have been transmitted to President Duterte for his signature.

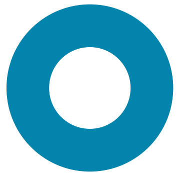
In Fixed Income, the 10-year U.S. Treasury closed at 0.9%, down a sizeable 100 basis points (bps) from year-end 2019 (1.9%) with intra year lows in the 0.5% range. US High Yield (HY) returned 6.2%, over the year, in-line with its annual coupon rate with spreads closing the year at 386bps which was only 26bps wider compared to 2019 year-end. CCCs continued to lead the rally in ratings and with spreads currently at 790bps, which is 215bps tighter than 2019 year-end. Bs spreads in contrast, remain 55bps wider, while BBs remain 70bps wider to 2019 levels. Among HY sectors, Food was the top performer last year with gains of 10.1%, with Chemicals following closely with gains of 9.6%. Healthcare (+8.7%), Real estate (+8.7%) and Metals (+8.6%) were other leading performers. Energy despite amassing solid gains in the last quarter (~+13%) left as the only sector with negative returns of the year.

The JPM Asian Credit Index (JACI) delivered a +6.3% total return over 2020 as lower US Treasury yields compensated for wider spreads (297bps vs 255bps in 2019). Asian Investment Grade (IG) corporates have been relatively resilient to the COVID-19 shock with leverage, interest service and liquidity remaining intact despite thinner profit margins. Asia saw US$ 324 billion of new supply in 2020, the second consecutive year of record supply. China remained the largest issuing country, and IG corporates the largest issuing segment. In terms of relative attractiveness, Asian IG corporates, financials and Asian HY are offering spread pick-up over US peers. In addition, there is approximately US$ 15 trillion stock of in negative-yielding debt that provides strong technical support, with demand also supported by improving onshore liquidity and a lower USD funding cost.

Source:
Eastspring Investments

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 Index Tracker Fund

The Fund seeks to achieve investment returns that track the performance of the Philippine Stock Exchange Index (PSEi) by investing in a diversified portfolio of stocks comprising the PSEi in the same weights as the index.

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 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

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

PRULink Bond Fund

The Philippine domestic government bond yields continued their downward trend from the previous year to hit record lows in 2020. The sharp falls in government bond yields contributed to another year of double-digit return with the Markit iBoxx ALBI Philippine Bond index rising by 10.2% in 2020.

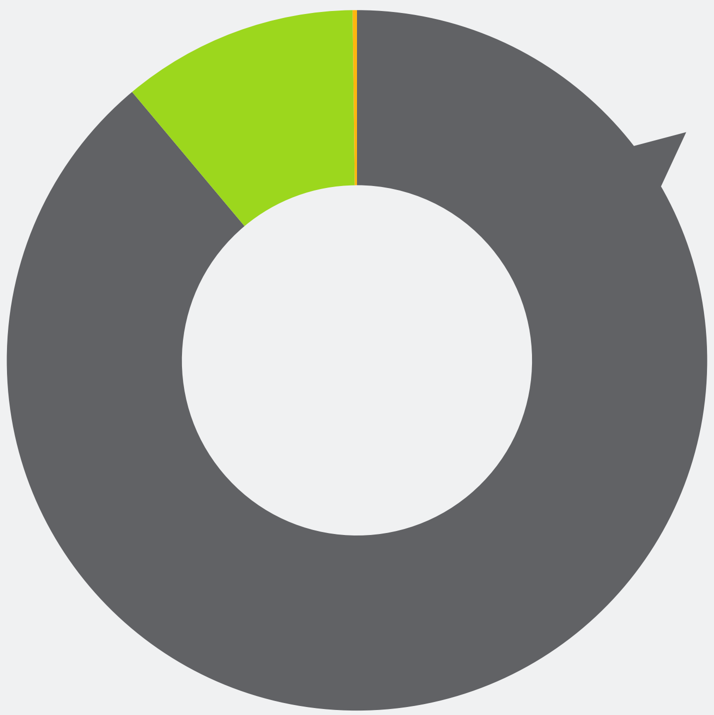
Despite the strong return, the Philippine domestic bond market also experienced higher volatility as the outbreak of the COVID-19 pandemic since late January dented investor confidence. As the number of infections climbed globally and lockdown measures were introduced in affected countries, global financial markets sold off in March, including the Philippine government bonds. However, concerns over the pandemic's economic impact and financial market stability prompted unprecedented fiscal and monetary policy measures being unleashed by governments globally. In the US, the policy rate was cut by an aggressive 150 basis points (bps) cumulatively in March, while an expanded quantitative easing program was announced. The policy moves eventually helped calm financial markets and risk assets staged a strong rebound subsequently.

The Philippines was similarly not spared the onslaught of the pandemic, which weighed severely on its domestic economy. In Q2 2020, the country experienced its sharpest contraction on record with a decline of 16.9% Year-on-Year (YoY), led by steep declines in private consumption and fixed investment. The economic contraction continued into Q3 2020, which saw GDP growth falling by 11.4% YoY amid persistently elevated infection cases before easing in Q4 2020. The Bangko Sentral ng Pilipinas (BSP) eased its monetary policy aggressively to support growth as a result, with its policy rate being cut by 200 bps to a record low of 2.0%, while banks' reserve requirement ratio was reduced by a similar magnitude. The central bank also provided loans to the government to support additional fiscal spending that was targeted to cushion the economic impact of the pandemic.

On the back of such aggressive monetary policy easing, the Philippine government bond yields declined significantly. The declines in yields were led by the front end of the yield curve, with the 2-year yield falling by almost 200 bps, while the 10-year yield fell by around 150 bps.

At the Fund level, performance was lifted by positive carry, helped by the non-benchmark exposure to corporate bonds. The Fund also benefitted from its duration overweight via government bonds given the sharp declines in bond yields over the year.

► Asset allocation



91.07%
Government bond

8.46%
Corporate bond

0.47%
Cash and others

► Performance

9.03%
Actual year-on-year

6.32%
Since inception
(per annum)

PhP 3.06789
Unit price
as of 4 Jan 2021

► Top five holdings

PHILIPPINES (REPUBLIC OF) 2.625% 08/12/2025	7.75%
PHILIPPINES (REPUBLIC OF) 8% 07/19/2031	7.48%
PHILIPPINES (REPUBLIC OF) 8.125% 12/16/2035	4.68%
PHILIPPINES (REPUBLIC OF) 5.875% 03/01/2032	4.44%
PHILIPPINES (REPUBLIC OF) 6.875% 01/10/2029	4.43%

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 (20 Aug 20) 3.11410
Lowest (24 Sep 02) 1.00000

► Performance chart

PRULink Peso Cash Flow Fund Hedged Share Class

2020 served up a wild ride for investors with the "fear gauge" of US volatility, the Volatility Index or VIX, closing the year at 22.7, having traded as high as 85.5 and as low as 11.7. The US Equity market represented by the S&P 500 posted both a bear (from 19 February to 23 March 2020 down 33.9%) and a bull (up 67.9% from the 23 March 2020 low) but delivered a full-year return of 16.3%. The declines and gains were uneven amongst industries and sectors, as the quick economic shift from the virus had some groups mostly closing operations (travel, hotels, stores, etc.), while other at-home services and merchandise benefited nicely, picking up the consumer (and business) need.

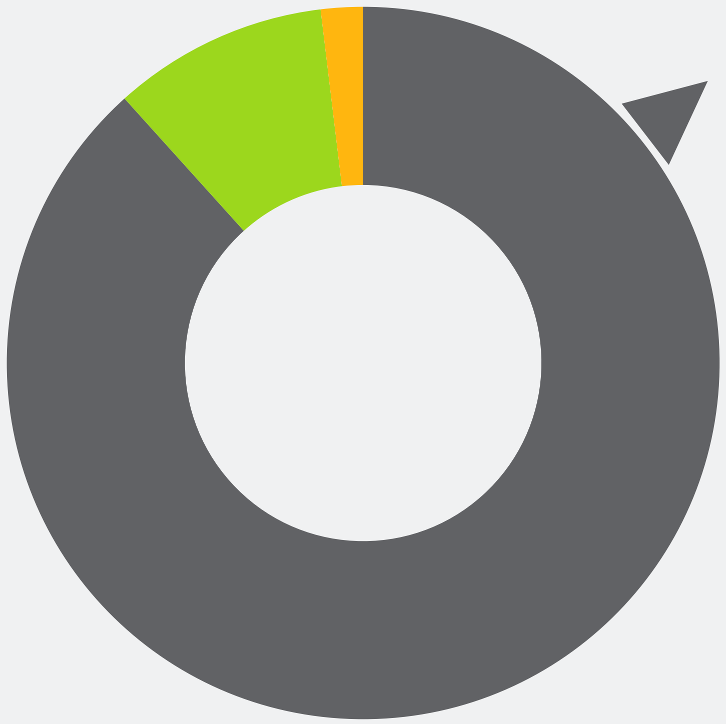
Among Emerging Market (EM) equities in 2020, Korea, Taiwan, and China were the top to outperform, whilst Greece, Egypt, and Brazil lagged. In EM sectors, IT, Healthcare, and Consumer Discretionary led the way, whilst Real Estate, Energy, and Financials were the laggards. EM Asia Purchasing Managers' Indices all look healthy on recovery, and EM Economic Surprise are positive across all sub-regions. In commodity space, metals have seen a strong rally due to the speculative demand from electric vehicles and continued tension between China/Australia. The Philippine equity market closed stronger for the second consecutive month at 7,139.7, gaining 348.3 pts or by 5.2% month-on-month, resulting in a year-to-date decline of 8.6%, a huge improvement from the 40.8% drop seen last 19 March 2020. The strong December showing was buoyed by continued optimism surrounding the COVID-19 vaccine developments and the progress in key political reforms such as 1) the passage of the US$ 93 billion (PhP 4.5 trillion) 2021 national budget, and 2) The FIST (Financial Institutions Strategic Transfer) bill, both having passed the bicameral committee and have been transmitted to President Duterte for his signature.

In Fixed Income, the 10-year U.S. Treasury closed at 0.9%, up down a sizeable 100 basis points (bps) from year- end 2019 (1.9%) with intra year lows in the 0.5% range. US High Yield (HY) returned 6.2%, over the year, in-line with its annual coupon rate with spreads closing the year at 386 bps which was only 26 bps wider compared to 2019 year-end. CCCs continued to lead the rally in ratings and with spreads currently at 790 bps, which is 215 bps tighter than 2019 year-end. Bs spreads in contrast, remain 55 bps wider, while BBs remain 70 bps wider to 2019 levels. Among HY sectors, Food was the top performer last year with gains of 10.1%, with Chemicals following closely with gains of 9.6%. Healthcare (+8.7%), Real estate (+8.7%) & Metals (+8.6%) were other leading performers. Energy despite amassing solid gains in last quarter (~+13%) left as the only sector with negative returns of the year.

The JPM Asian Credit Index (JACI) delivered a +6.3% total return over 2020 as lower US Treasury yields compensated for wider spreads (297 bps vs 255 bps in 2019). Asian Investment Grade (IG) corporates have been relatively resilient to the COVID-19 shock with leverage, interest service, and liquidity remaining intact despite thinner profit margins. Asia saw US$ 324 billion of new supply in 2020, the second consecutive year of record supply. China remained the largest issuing country, and IG corporates the largest issuing segment. In terms of relative attractiveness, Asian IG corporates, financials, and Asian HY are offering spread pick-up over US peers. In addition, there is approximately US$ 15 trillion stock of negative-yielding debt that provides strong technical support, with demand also supported by improving onshore liquidity and a lower USD funding cost.

The Fund posted a positive absolute return in 2020 underperforming the reference index with negative asset allocation and stock selection within fixed income, the main drag on performance. Performance during 2020 suffered as the sharp drawdown in Q1 which gave way to an aggressive recovery over the balance of the year. The off-benchmark allocation to equities detracted from performance as did security selection within both of the underlying fixed income portfolios.

Asset allocation



88.32%
Bond

9.77%
Equity

1.91%
Cash and others

Performance

1.18%
Actual year-on-year

2.44%
Since inception
(per annum)

PhP 1.05795
Unit price
as of 4 Jan 2021

Top five holdings

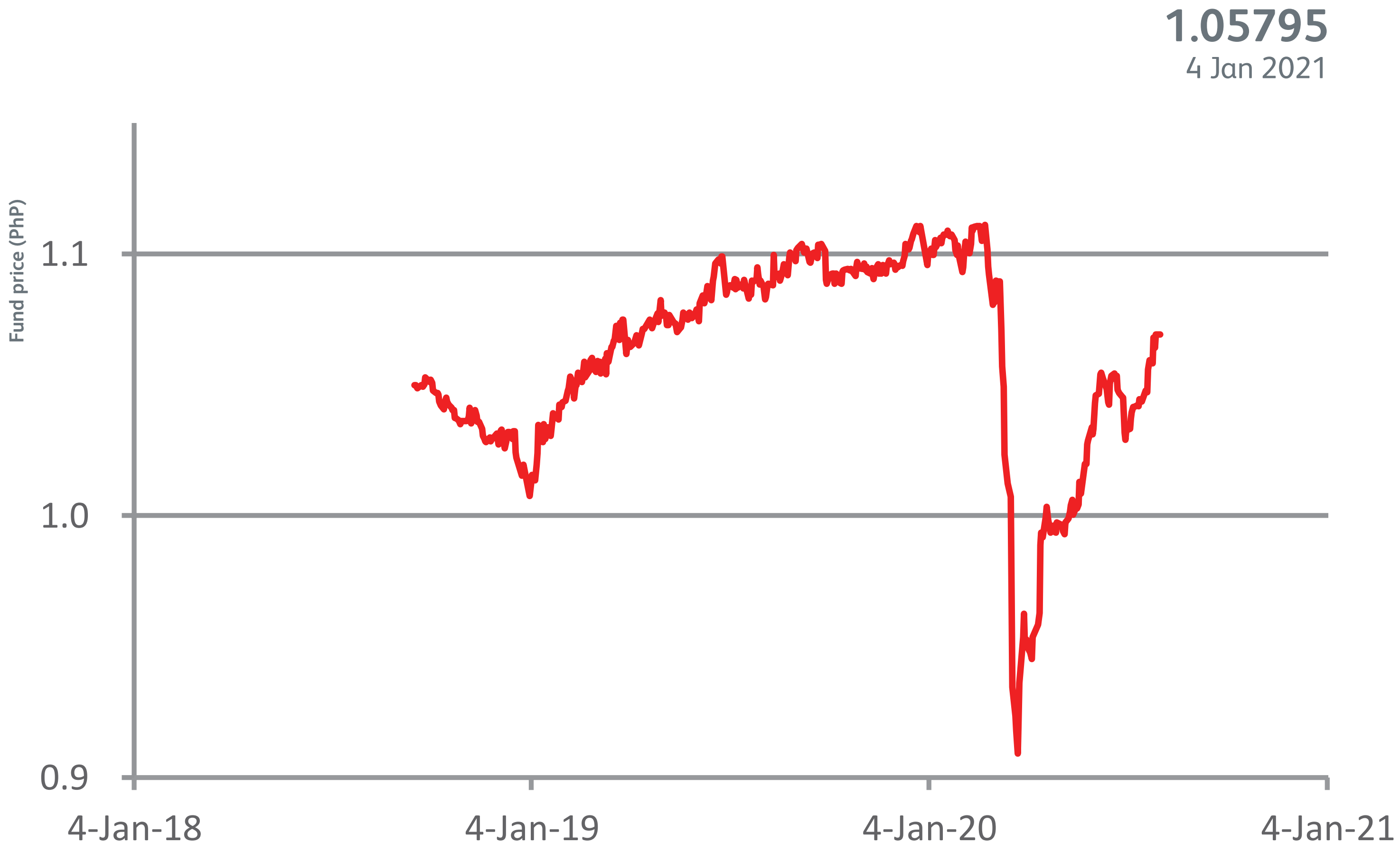
EASTSPRING INVESTMENTS US HIGH YIELD BOND - D CLASS	56.51%
EASTSPRING INVESTMENTS ASIAN BOND - D CLASS USD	31.81%
EASTSPRING INVESTMENTS WORLD VALUE EQUITY	9.77%
USD CASH & CASH EQUIVALENTS	1.91%

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 (29 Dec 20) 1.06922
Lowest (25 Mar 20) 0.85919

Performance chart



PRULink Managed Fund

The Fund posted a positive absolute return in 2020 but underperformed the reference index on a net and gross basis. Asset allocation was mildly negative for the period. Security selection within both the underlying equities and underlying bond portfolios was negative and was the main drag on relative returns.

The Fund entered 2020, with very minor equity underweight and over the latter part of the year increased its equity allocation. However, given the extremely sharp nature of the market rebound and underwhelming local market equity performance over the year, the Fund has failed to benefit from this pro-risk positioning. Philippine equities started 2020 on a weak note, as the ongoing COVID-19 pandemic triggered fears of a prolonged global recession. Since then, the Philippine equities managed to rebound in the fourth quarter amid vaccine optimism and expectations of further monetary and fiscal stimulus. Against this backdrop, the Philippine Stock Exchange Index (PSEi) fell by 8.6% in local currency terms.

Overweight allocations to LT Group & First Philippine Holdings, as well as the underweight to Emperador Inc., contributed to relative performance over the year. LT Group's share price surged 19% over the year, adding to the Fund's relative performance. Its tobacco unit raised cigarette prices by more than 20% effective 5 October 2020, higher than market expectations. Share price of First Philippine Holdings rose in tandem with that of subsidiary First Gen Corp., benefiting the Fund's overweight position. The underweight in Emperador Inc. also contributed to relative performance as the liquor company's share price was relatively flat during the fourth quarter, following its inclusion in the PSEi in August. The Philippine domestic government bond yields continued their downward trend from the previous year to hit record lows in 2020. The sharp falls in government bond yields contributed to another year of double-digit return with the Markit iBoxx ALBI Philippine Bond index rising by 10.2% in 2020.

Despite the strong return, the Philippine domestic bond market also experienced higher volatility as the outbreak of the COVID-19 pandemic since late January dented investor confidence. As the number of infections climbed globally and lockdown measures were introduced in affected countries, global financial markets sold off in March, including the Philippine government bonds. However, concerns over the pandemic's economic impact and financial market stability prompted unprecedented fiscal and monetary policy measures being unleashed by governments globally. In the US, the policy rate was cut by an aggressive 150 basis points (bps) cumulatively in March, while an expanded quantitative easing program was announced. The policy moves eventually helped calm financial markets and risk assets staged a strong rebound subsequently.

The Philippines was similarly not spared the onslaught of the pandemic, which weighed severely on its domestic economy. In Q2 2020, the country experienced its sharpest contraction on record with a decline of 16.9% Year-on-Year (YoY), led by steep declines in private consumption and fixed investment. The economic contraction continued into Q3 2020, which saw GDP growth falling by 11.4% YoY amid persistently elevated infection cases before easing in Q4 2020. The Bangko Sentral ng Pilipinas (BSP) eased its monetary policy aggressively to support growth as a result, with its policy rate being cut by 200 bps to a record low of 2.0%, while banks' reserve requirement ratio was reduced by a similar magnitude. The central bank also provided loans to the government to support additional fiscal spending that was targeted to cushion the economic impact of the pandemic.

On the back of such aggressive monetary policy easing, the Philippine government bond yields declined significantly. The declines in yields were led by the front end of the yield curve, with the 2-year yield falling by almost 200 bps, while the 10-year yield fell by around 150 bps. For the underlying bond portfolio, performance was lifted by positive carry, helped by the non-benchmark exposure to corporate bonds. The Fund also benefitted from its duration overweight via government bonds given the sharp declines in bond yields over the year.

Asset allocation

75.27%
Bond

24.54%
Equity

0.19%
Cash and others

Performance

6.25%
Actual year-on-year

7.13%
Since inception
(per annum)

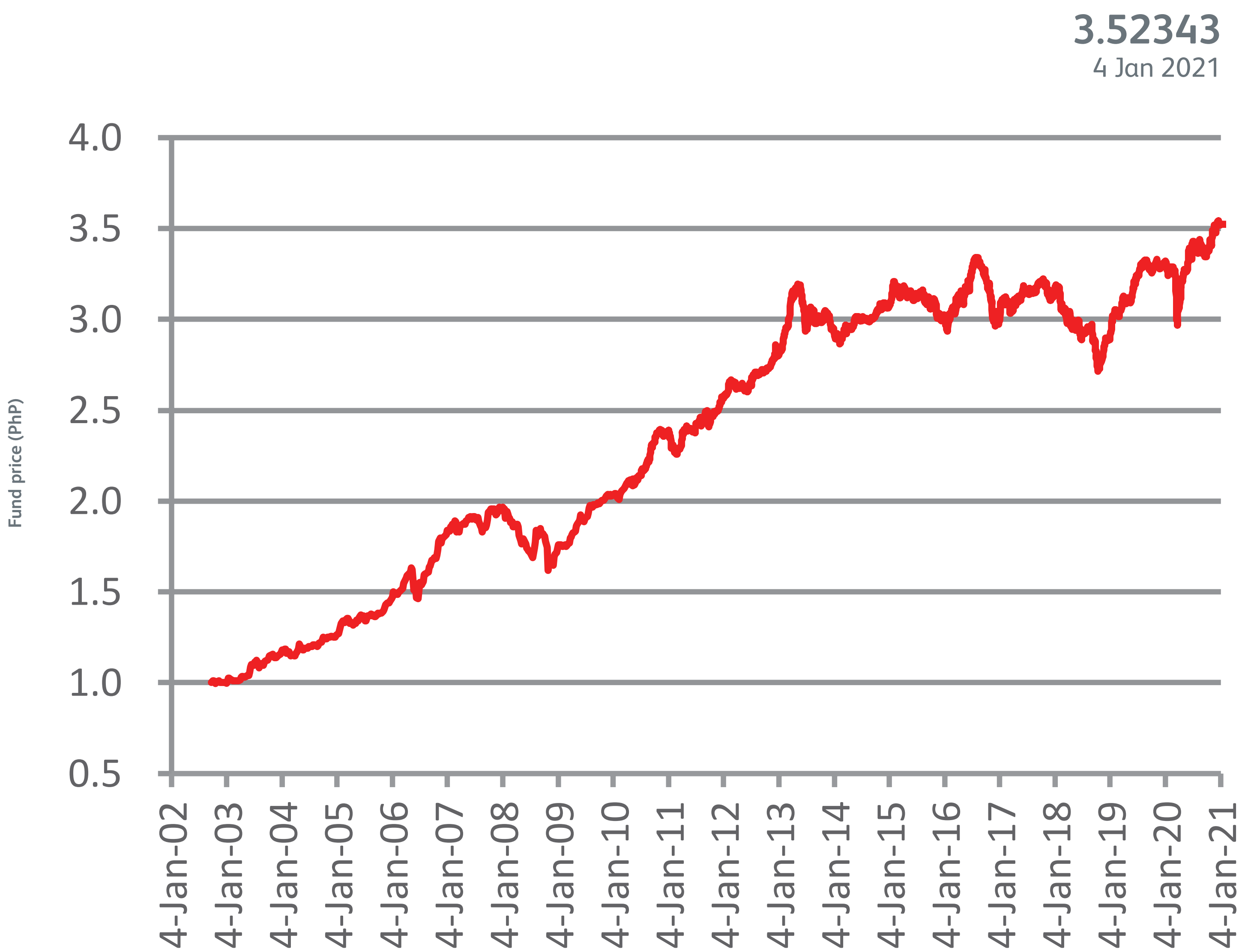
PhP 3.52343
Unit price
as of 4 Jan 2021

Highest and lowest unit price achieved

Initial (24 Sep 02) 1.00000
Highest (17 Dec 20) 3.54174
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 2020 but underperformed the reference index on a net and gross basis. Asset allocation was mildly negative for the period. Security selection within the underlying equity portfolio was negative and was the main drag on relative returns.

The Fund entered 2020, with very minor equity underweight and over the latter part of the year increased its equity allocation. However, given the extremely sharp nature of the market rebound and underwhelming local market equity performance over the year, the Fund has failed to benefit from this pro-risk positioning. Philippine equities started 2020 on a weak note, as the ongoing COVID-19 pandemic triggered fears of a prolonged global recession. Since then, the Philippine equities managed to rebound in the fourth quarter amid vaccine optimism and expectations of further monetary and fiscal stimulus. Against this backdrop, the Philippine Stock Exchange Index (PSEi) fell by 8.6% in local currency terms.

Overweight allocations to LT Group & First Philippine Holdings, as well as the underweight to Emperador Inc., contributed to relative performance over the year. LT Group's share price surged 19% over the year, adding to the Fund's relative performance. Its tobacco unit raised cigarette prices by more than 20% effective 5 October 2020, higher than market expectations. The share price of First Philippine Holdings rose in tandem with that of subsidiary First Gen Corp., benefiting the Fund's overweight position. The underweight in Emperador Inc also contributed to relative performance as the liquor company's share price was relatively flat during the fourth quarter, following its inclusion in the PSEi in August.

The Philippine domestic government bond yields continued their downward trend from the previous year to hit record lows in 2020. The sharp falls in government bond yields contributed to another year of double-digit return with the Markit iBoxx ALBI Philippine Bond index rising by 10.2% in 2020. Despite the strong return, the Philippine domestic bond market also experienced higher volatility as the outbreak of the COVID-19 pandemic since late January dented investor confidence. As the number of infections climbed globally and lockdown measures were introduced in affected countries, global financial markets sold off in March, including the Philippine government bonds. However, concerns over the pandemic's economic impact and financial market stability prompted unprecedented fiscal and monetary policy measures being unleashed by governments globally. In the US, the policy rate was cut by an aggressive 150 basis points (bps) cumulatively in March, while an expanded quantitative easing program was announced. The policy moves eventually helped calm financial markets and risk assets staged a strong rebound subsequently.

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On the back of such aggressive monetary policy easing, the Philippine government bond yields declined significantly. The declines in yields were led by the front end of the yield curve, with the 2-year yield falling by almost 200 bps, while the 10-year yield fell by around 150 bps. For the underlying bond portfolio, performance was lifted by positive carry, helped by the non-benchmark exposure to corporate bonds. The Fund also benefitted from its duration overweight via government bonds given the sharp declines in bond yields over the year.

Asset allocation

58.75%
Equity

40.96%
Bond

0.30%
Cash and others

Performance

1.31%
Actual year-on-year

7.08%
Since inception
(per annum)

PhP 2.25419
Unit price
as of 4 Jan 2021

Highest and lowest unit price achieved

Initial (17 Feb 09) 1.00000
Highest (30 Jan 18) 2.34008
Lowest (03 Mar 09) 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 negative absolute return in 2020 and underperformed the reference index on a net and gross basis. Asset allocation was mildly negative for the period. Security selection within the underlying equity portfolio was negative and was the main drag on relative returns.

The Fund entered 2020, with very minor equity underweight and over the latter part of the year increased its equity allocation. However, given the extremely sharp nature of the market rebound and underwhelming local market equity performance over the year, the Fund has failed to benefit from this pro-risk positioning. Philippine equities started 2020 on a weak note, as the ongoing COVID-19 pandemic triggered fears of a prolonged global recession. Since then, the Philippine equities managed to rebound in the fourth quarter amid vaccine optimism and expectations of further monetary and fiscal stimulus. Against this backdrop, the Philippine Stock Exchange Index (PSEi) fell by 8.6% in local currency terms.

Overweight allocations to LT Group & First Philippine Holdings, as well as the underweight to Emperador Inc, contributed to relative performance over the year. LT Group's share price surged 19% over the year, adding to the Fund's relative performance. Its tobacco unit raised cigarette prices by more than 20% effective 5 October 2020, higher than market expectations. The share price of First Philippine Holdings rose in tandem with that of subsidiary First Gen Corp., benefiting the Fund's overweight position. The underweight in Emperador Inc. also contributed to relative performance as the liquor company's share price was relatively flat during the fourth quarter, following its inclusion in the PSEi in August.

The Philippine domestic government bond yields continued their downward trend from the previous year to hit record lows in 2020. The sharp falls in government bond yields contributed to another year of double-digit return with the Markit iBoxx ALBI Philippine Bond index rising by 10.2% in 2020. Despite the strong return, the Philippine domestic bond market also experienced higher volatility as the outbreak of the COVID-19 pandemic since late January dented investor confidence. As the number of infections climbed globally and lockdown measures were introduced in affected countries, global financial markets sold off in March, including the Philippine government bonds. However, concerns over the pandemic's economic impact and financial market stability prompted unprecedented fiscal and monetary policy measures being unleashed by governments globally. In the US, the policy rate was cut by an aggressive 150 basis points (bps) cumulatively in March, while an expanded quantitative easing program was announced. The policy moves eventually helped calm financial markets and risk assets staged a strong rebound subsequently.

The Philippines was similarly not spared the onslaught of the pandemic, which weighed severely on its domestic economy. In Q2 2020, the country experienced its sharpest contraction on record with a decline of 16.9% Year-on-Year (YoY), led by steep declines in private consumption and fixed investment. The economic contraction continued into Q3 2020, which saw GDP growth falling by 11.4% YoY amid persistently elevated infection cases before easing in Q4 2020. The Bangko Sentral ng Pilipinas (BSP) eased its monetary policy aggressively to support growth as a result, with its policy rate being cut by 200 bps to a record low of 2.0%, while banks' reserve requirement ratio was reduced by a similar magnitude. The central bank also provided loans to the government to support additional fiscal spending that was targeted to cushion the economic impact of the pandemic.

On the back of such aggressive monetary policy easing, the Philippine government bond yields declined significantly. The declines in yields were led by the front end of the yield curve, with the 2-year yield falling by almost 200 bps, while the 10-year yield fell by around 150 bps.

Asset allocation

Performance

-4.51%
Actual year-on-year

9.01%
Since inception
(per annum)

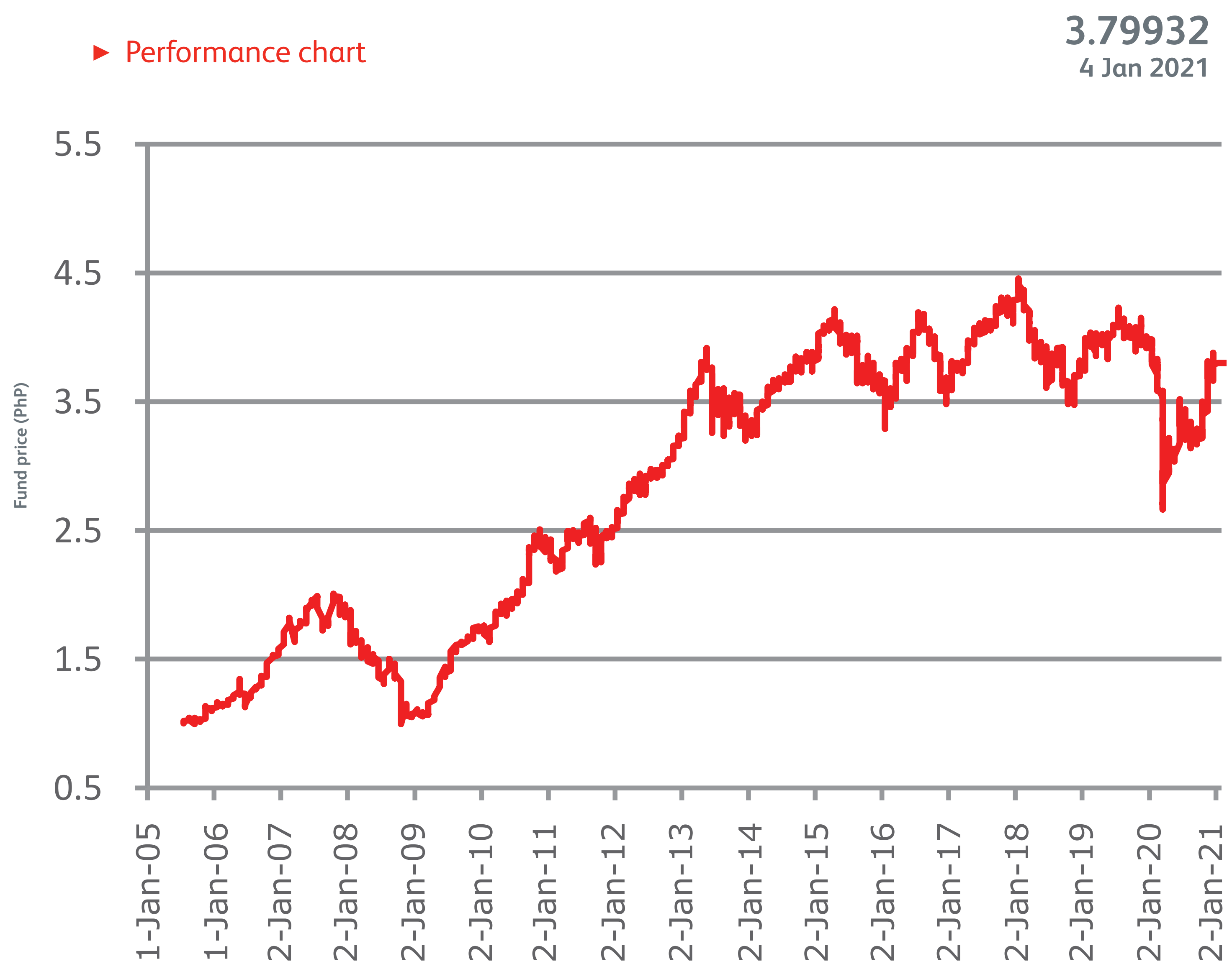
PhP 3.79932
Unit price
as of 4 Jan 2021

Highest and lowest unit price achieved

Initial (22 Jul 05) 1.00000
Highest (30 Jan 18) 4.45577
Lowest (28 Oct 08) 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



PRULink Equity Index Tracker Fund

The year 2020 was truly a year of extremes. It started good with a trade deal between the US and China. This lifted sentiment globally as we thought the economy can come alive. However, Taal volcano erupted and COVID-19 came to our shores. Never before had we experience a sudden stop in the economy that is not related to war or government collapse. The health crisis forced us into an economic crisis. The year was marked with the 2nd steepest quarterly decline in history for the Philippine Stock Exchange index (PSEi), dropping by 31.9% in Q2. This was during the height of the pandemic when lockdowns were ordered and GDP contracted by 16.9%, while unemployment rate rose to 17.7%. The Government also did its part, with Bayanihan 1 and 2 which helped the country. Bangko Sentral ng Pilipinas also made significant contributions by loosening monetary conditions. Conventional tools like interest rates and bank reserve requirement ratios were cut. Non-conventional measures like direct purchase of government bonds also provided liquidity in the system. The good thing was as the year progressed into the second half of the year, our government was able to control daily COVID-19 infections which allowed the PSEi to rally 21.7% in Q4.

At the height of the pandemic, we launched the Fund as opportunity to buy low came knocking at our doors. Despite being a health crisis, we applied strategies that are identical to other financial crisis, such as the 2008 Global Financial Crisis and the 1997 Asian Financial Crisis. We believed that human ingenuity will prevail and a medical solution like a vaccine can be found. True enough, the PSEi recovered strongly in Q4 and the action we took allowed the fund and investors to make money despite the crisis.

Our current positioning is of cautious optimism. On one hand, we have vaccines coming and this should remove the health crisis. On the other hand, we have to deal with the short-term effects of the actions taken during the pandemic. This includes controlling inflation and inequality. Alleviating inequality in wealth, income and opportunity will be the long-term challenge for our country.

Sector allocation

39.97% Holding Firms
22.89% Property
15.17% Financials
11.02% Services
10.94% Industrials

Performance

n/a
Actual year-on-year

23.26%
Since inception
(per annum)

PhP 1.23261
Unit price
as of 4 Jan 2021

Top five holdings

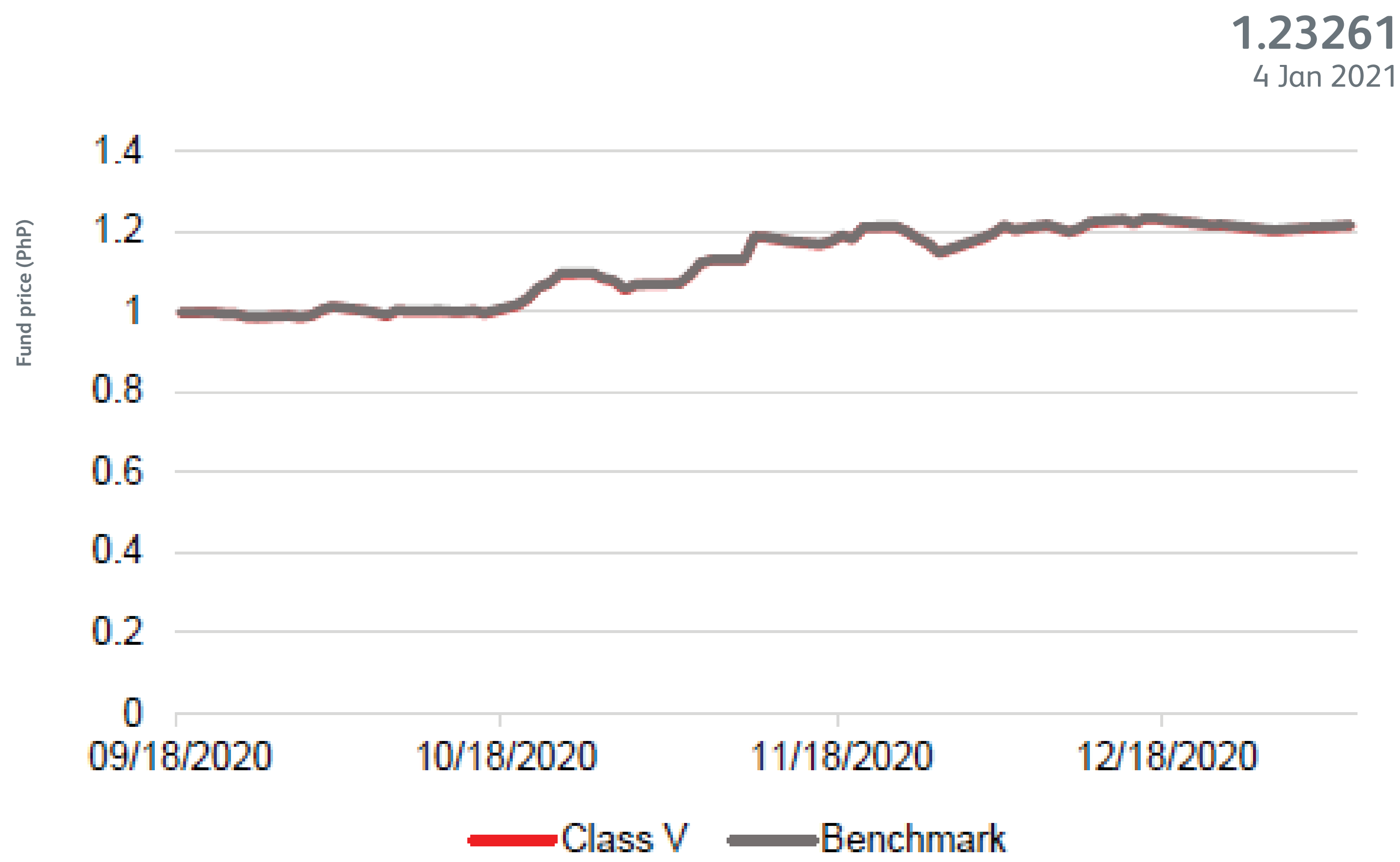
SM INVESTMENTS CORP	17.0%
SM PRIME HOLDINGS INC.	11.5%
AYALA LAND INC.	9.5%
AYALA CORP	6.8%
JG SUMMIT HOLDINGS INC.	6.2%

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 Aug 20) 1.00000
Highest (17 Dec 20) 1.26091
Lowest (03 Sep 20) 0.99405

Performance chart



PRULink Equity Fund

Philippine equities started 2020 on a weak note, as the ongoing COVID-19 pandemic triggered fears of a prolonged global recession. Since then, the Philippine equities managed to rebound in the fourth quarter amid vaccine optimism and expectations of further monetary and fiscal stimulus. Against this backdrop, the Philippine Stock Exchange Index (PSEi) fell by 8.6% in local currency terms.

Despite the significant GDP contraction amid the COVID-19 pandemic, the Philippine Peso strengthened in 2020 and appreciated by 5.5% against the greenback. It was also among the best-performing currencies over the year compared to its Asian peers.

Inflation accelerated to 3.5% year-on-year in December, and still within the central bank's 2-4% target. It was the highest price increase since February 2019, largely driven by food and non-alcoholic beverages. The central bank cut its key policy rate five times throughout the year, reducing by an aggregate of 200 basis points to its record low of 2%. The overnight deposit and lending rates were also slashed to 1.5% and 2.5%, respectively.

The overweights to LT Group and First Philippine Holdings, as well as the underweight to Emperador Inc., contributed to relative performance over the year.

LT Group's share price surged 19% over the year, adding to the Fund's relative performance. Its tobacco unit raised cigarette prices by more than 20% effective 5 October 2020, higher than market expectations.

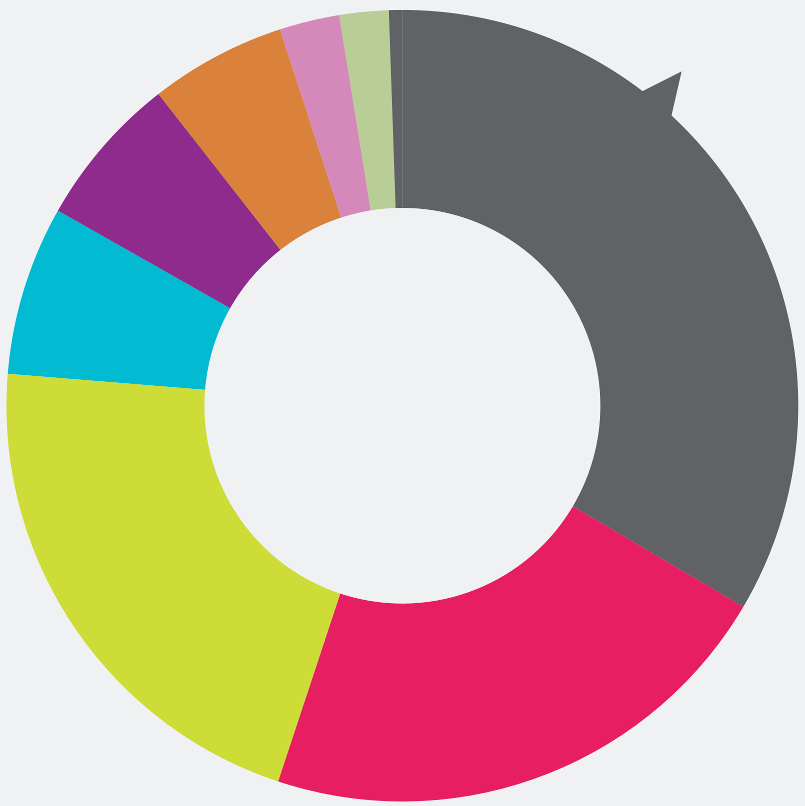
Share price of First Philippine Holdings rose in tandem with that of subsidiary First Gen Corp., benefiting the Fund's overweight position.
The underweight in Emperador Inc. also contributed to relative performance as the liquor company's share price was relatively flat during the fourth quarter, following its inclusion in the PSEi in August.

The underweights to SM Investments and Universal Robina Corp., as well as the overweight to Vista Land & Lifescapes Inc., weighed on relative performance.

Shares in SM Investments rose over the year, hurting the Fund's natural underweight position. The Fund's exposure to the stock was capped at 10% for diversification while the company's weight in the PSEi exceeded 16% as at end-December. The Fund's underweight position in Universal Robina Corp. weighed on relative performance as its share price rallied during the year, outperforming the broader market.

Vista Land & Lifescapes Inc.'s share price plummeted 39% over the year, hurting the Fund's overweight position. The property developer saw its consolidated net income fell by 39% to PhP 5.5 billion in the first nine months of 2020 as the COVID-19 pandemic continued to hit its residential sales.

Sector allocation



36.35% Industrials
22.39% Real estate
19.93% Financials
5.79% Consumer staples
5.76% Utilities
4.73% Communication
3.12% Consumer discretionary
1.93% Cash and others

Performance

-8.63%
Actual year-on-year

5.74%
Since inception
(per annum)

PhP 2.0891
Unit price
as of 4 Jan 2021

Top five holdings

SM PRIME HOLDINGS INC.	10.09%
SM INVESTMENTS CORP.	10.01%
AYALA LAND INC.	9.09%
AYALA CORPORATION	6.55%
JG SUMMIT HOLDINGS INC.	5.62%

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 07) 1.00000
Highest (30 Jan 18) 2.66632
Lowest (28 Oct 08) 0.42505

Performance chart

PRULink Global Market Navigator Fund

2020 served up a wild ride for investors with the "fear gauge" of US volatility, the Volatility Index or VIX, closing the year at 22.7, having traded as high as 85.5 and as low as 11.7. The US Equity market represented by the S&P 500 posted both a bear (from 19 February to 23 March 2020 down 33.9%) and a bull (up 67.9% from the 23 March 2020 low) but delivered a full year return of 16.3%. The declines and gains were uneven amongst industries and sectors, as the quick economic shift from the virus had some groups mostly closing operations (travel, hotels, stores, etc.), while other at-home services and merchandise benefited nicely, picking up the consumer (and business) need.

Among Emerging Market (EM) equities in 2020, Korea, Taiwan, and China were the top to outperform, whilst Greece, Egypt & Brazil lagged. In EM sectors, IT, Healthcare & Consumer Discretionary led the way, whilst Real Estate, Energy, & Financials were the laggards. EM Asia Purchasing Managers' Indices (PMI) all look healthy on recovery, and EM Economic Surprise are positive across all sub-regions. In commodity space, Metals have seen a strong rally due to the speculative demand from electric vehicles and continued tension between China/Australia.

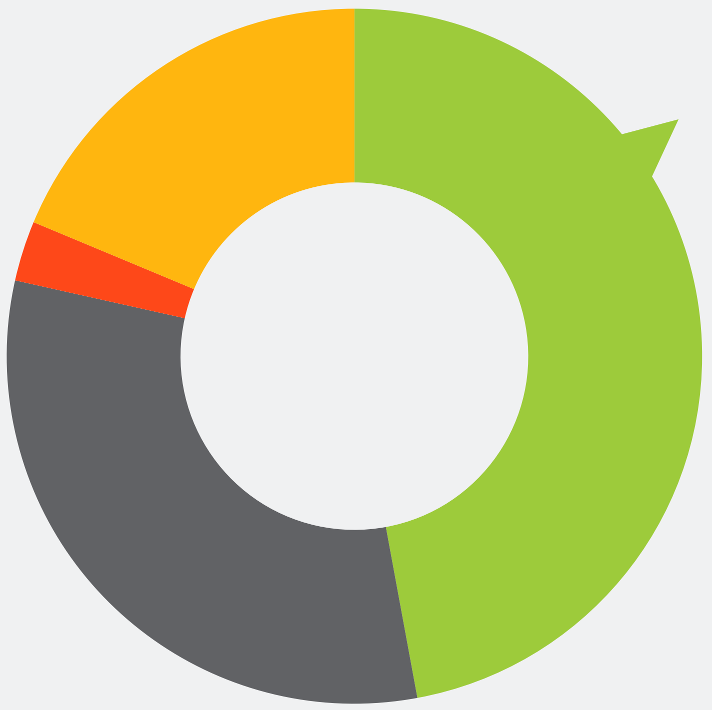
In Fixed Income, the 10-year U.S. Treasury closed at 0.9%, up down a sizeable 100 basis points (bps) from year-end 2019 (1.9%) with intra year lows in the 0.5% range. US High Yield (HY) returned 6.2%, over the year, in-line with its annual coupon rate with spreads closing the year at 386 bps which was only 26 bps wider compared to 2019 year-end. CCCs continued to lead the rally in ratings and with spreads currently at 790 bps, which is 215 bps tighter than 2019 year-end. Bs spreads in contrast, remain 55 bps wider, while BBs remain 70 bps wider to 2019 levels. Among HY sectors, Food was the top performer last year with gains of 10.1%, with Chemicals following closely with gains of 9.6%. Healthcare (+8.7%), Real estate (+8.7%) & Metals (+8.6%) were other leading performers. Energy despite amassing solid gains in the last quarter (~+13%) left as the only sector with negative returns of the year.

The JPM Asian Credit Index (JACI) delivered a +6.3% total return over 2020 as lower US Treasury yields compensated for wider spreads (297 bps vs 255 bps in 2019). Asian Investment Grade (IG) corporates have been relatively resilient to the COVID-19 shock with leverage, interest service, and liquidity remaining intact despite thinner profit margins. Asia saw US$ 324 billion of new supply in 2020, the second consecutive year of record supply. China remained the largest issuing country, and IG corporates the largest issuing segment. In terms of relative attractiveness, Asian IG corporates, financials, and Asian HY are offering spread pick-up over US peers. In addition, there is approximately US$15 trillion stock of negative-yielding debt that provides strong technical support, with demand also supported by improving onshore liquidity and a lower USD funding cost.

The Fund posted a positive absolute return over 2020.

The Fund's broad overweight exposure to equities was positive amid the outperformance of the asset class relative to fixed income assets. Pro cyclical positions also benefited with US financials and European Autos adding value over the year. Within fixed income, the credit bias was very positive, with the reduction in sovereign bond exposure and an overall reduction in duration beneficial in an environment where duration sold off and investors favoured credit risk.

Asset allocation



- 47.10% Equity
- 31.40% Bond
- 18.70% Cash and others
- 2.80% Non-traditional assets

Performance

2.37%
Actual year-on-year

2.57%
Since inception
(per annum)

Php 1.03360
Unit price
as of 4 Jan 2021

Top five holdings

JPMORGAN LIQUIDITY FUNDS - USD LIQUIDITY FUND	15.8%
ISHARES HIGH YIELD CORP BOND UCITS ETF USD	12.7%
ISHARES J.P. MORGAN USD EM BONDUCITS ETF USD (DIST)	11.9%
SPDR S&P 500 UCITS ETF	9.7%
XTRACKERS MSCI USA FINANCIALS	8.4%

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 (16 Sep 19) 1.00000
Highest (23 Jan 20) 1.03233
Lowest (24 Mar 20) 0.79212

Performance chart

PRULink US Dollar Bond Fund

The Philippine USD sovereign bonds continued their positive momentum to post another year of positive return. Over the year, the JPMorgan EMBI Global Diversified index rose by 7.7% in USD as the performance was lifted by sharp declines in US interest rates, although moderately higher sovereign credit spreads lowered gains.

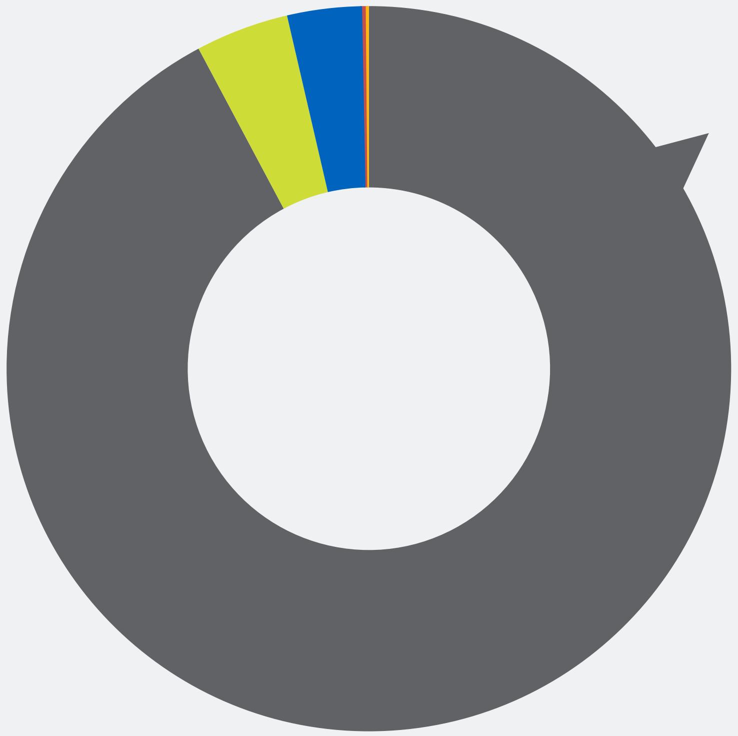
During the year under review, Philippine USD sovereign bonds experienced heightened volatility as the outbreak of the COVID-19 pandemic since late January dented investor confidence and led to significant fund outflows from Emerging Market (EM) debt markets.   As the number of infections climbed globally and lockdown measures were introduced in affected countries, global financial markets sold off in March. The Philippine USD sovereign bonds, too, experienced a sharp spike in sovereign credit spreads in this environment, which resulted in a double-digit decline from peak-to-trough in March.

However, investor sentiment subsequently stabilized, buoyed by unprecedented fiscal and monetary policy measures being unleashed by governments globally. In the US, the policy rate was cut by an aggressive 150 bps cumulatively in March, while an expanded quantitative easing program was announced. In the Philippines, fiscal measures totaling 6.4% of 2019 GDP growth were announced to mitigate the economic impact of the pandemic which has resulted in a sharp contraction of the Philippine economy in 2020. In addition, Philippines' policy rate was cut aggressively by the central bank to a record low of 2.0% to support growth.

The policy moves eventually helped calm financial markets and the performance of the Philippine USD sovereign bonds subsequently rebounded. Despite this, however, Philippine USD sovereign credit spreads ended the year moderately higher compared to the start of the year, while the market's positive total return was driven more by the sharp declines in US interest rates that were led by the short end of the curve.

At the Fund level, the Fund benefitted from its overall duration overweight and positive carry. However, the gains were lowered by the underweight in shorter-dated sovereign bonds which fared well over the year under review.

Asset allocation



92.21% Government bonds
4.16% Fixed Income Funds
3.33% Quasi government
0.16% Corporate bond
0.14% Cash and others

Performance

6.00%
Actual year-on-year

6.48%
Since inception
(per annum)

USD 3.0202
Unit price
as of 4 Jan 2021

Top five holdings

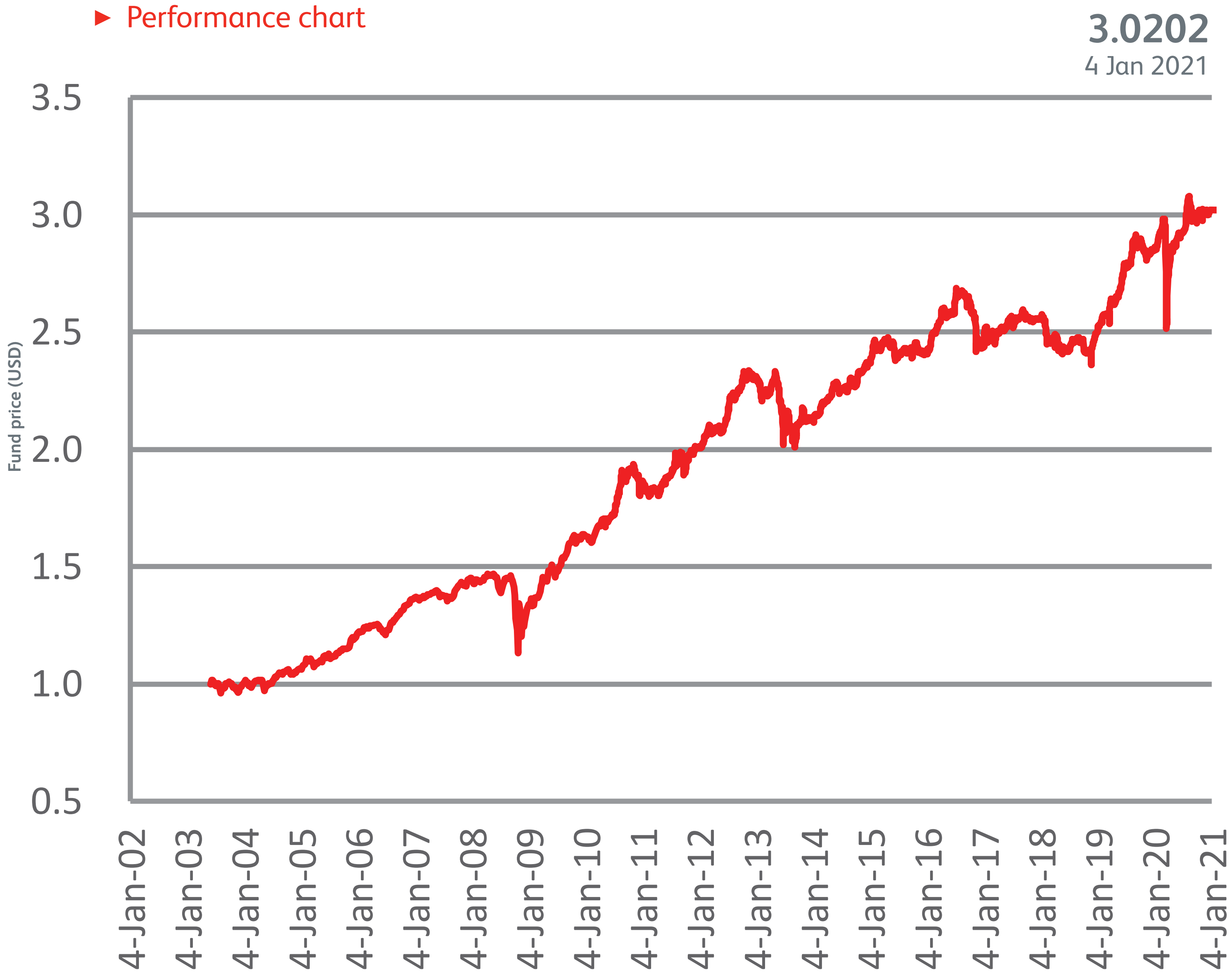
Republic of the Philippines 9.5% 02/02/2030	10.74%
Republic of the Philippines 7.75% 01/14/2031	9.08%
Republic of the Philippines 6.375% 10/23/2034	8.96%
Republic of the Philippines 3.95% 01/20/2040	8.11%
Republic of the Philippines 3.7% 03/01/2041	8.03%

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 (12 Aug 20) 3.0786
Lowest (05 Aug 03) 0.96080

Performance chart



PRULink Asian Local Bond Fund

Asian domestic bond markets posted another year of strong return with the custom Markit iBoxx Asian Local Bond index rising by 9.2% in 2020. The strong returns were driven primarily by the sharp declines in Asian rates during the year, while the strong performance of selected Asian currencies also boosted returns.

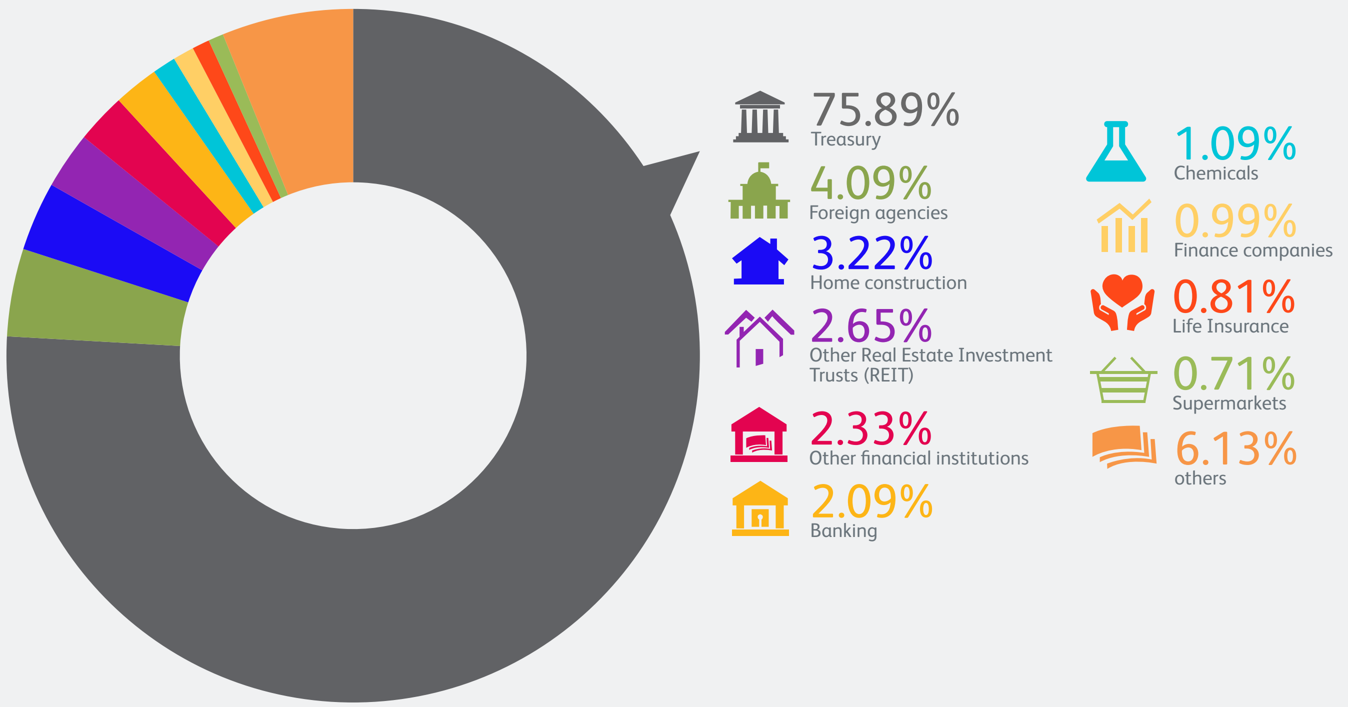
Despite the strong returns, however, Asian domestic bonds and currencies witnessed a surge in volatility in the first quarter of the year as the COVID-19 outbreak led to heightened risk aversion. As the number of infections climbed globally and lockdown measures were introduced in affected countries, global financial markets sold off in March. This also led to investors pricing in higher risk premium in several higher-beta Asian government bond markets, such as Indonesia and Malaysia, while Asian currencies experienced broad-based sell-off in March.

Nevertheless, risk sentiment stabilized subsequently following the aggressive fiscal and monetary policy measures launched by governments globally to mitigate the economic impact of COVID. In the US, policy rate was cut by an aggressive 150 bps cumulatively in March, while an expanded quantitative easing program was announced. Asian central banks similarly eased policy rates aggressively, particularly during the 1st Half of 2020, with policy rates reduced by more than 100 bps in countries like Malaysia, India, Indonesia, and Philippines. Further, the varying extent of fiscal stimulus was rolled out to support domestic growth.

The accommodative monetary policy backdrop exerted downward pressure on Asian interest rates, while the subsequent risk recovery also led to a compression in risk premium in selected Asian bond markets. Asian currencies, too, staged a strong rebound in the 2nd Half of 2020, led by currencies that benefitted from stronger pandemic management and recoveries in exports, such as the Chinese renminbi and Korean won. Nevertheless, the Philippines and Indonesia domestic bond markets emerged as overall outperformers on a total return basis in USD terms. In contrast, lower carry and moderate depreciation of the Thai baht led to the Thai bond market's lackluster performance in USD terms.

At the Fund's level, the duration overweight position contributed positively to relative return, with the overweights in the Indonesia and Malaysia being key positive contributors. While the Fund's moderate allocation to Asian USD credits initially detracted from performance, the market's subsequent strong rebound more than offset the negative attribution effects. The Fund's non-benchmark exposure to the Chinese renminbi also added to returns. However, the underweight in Hong Kong duration, as well as the overweight in Indian rupee, dragged relative performance down

Sector allocation



Performance

8.03%
Actual year-on-year

1.99%
Since inception
(per annum)

USD 1.19251
Unit price
as of 4 Jan 2021

Top five holdings

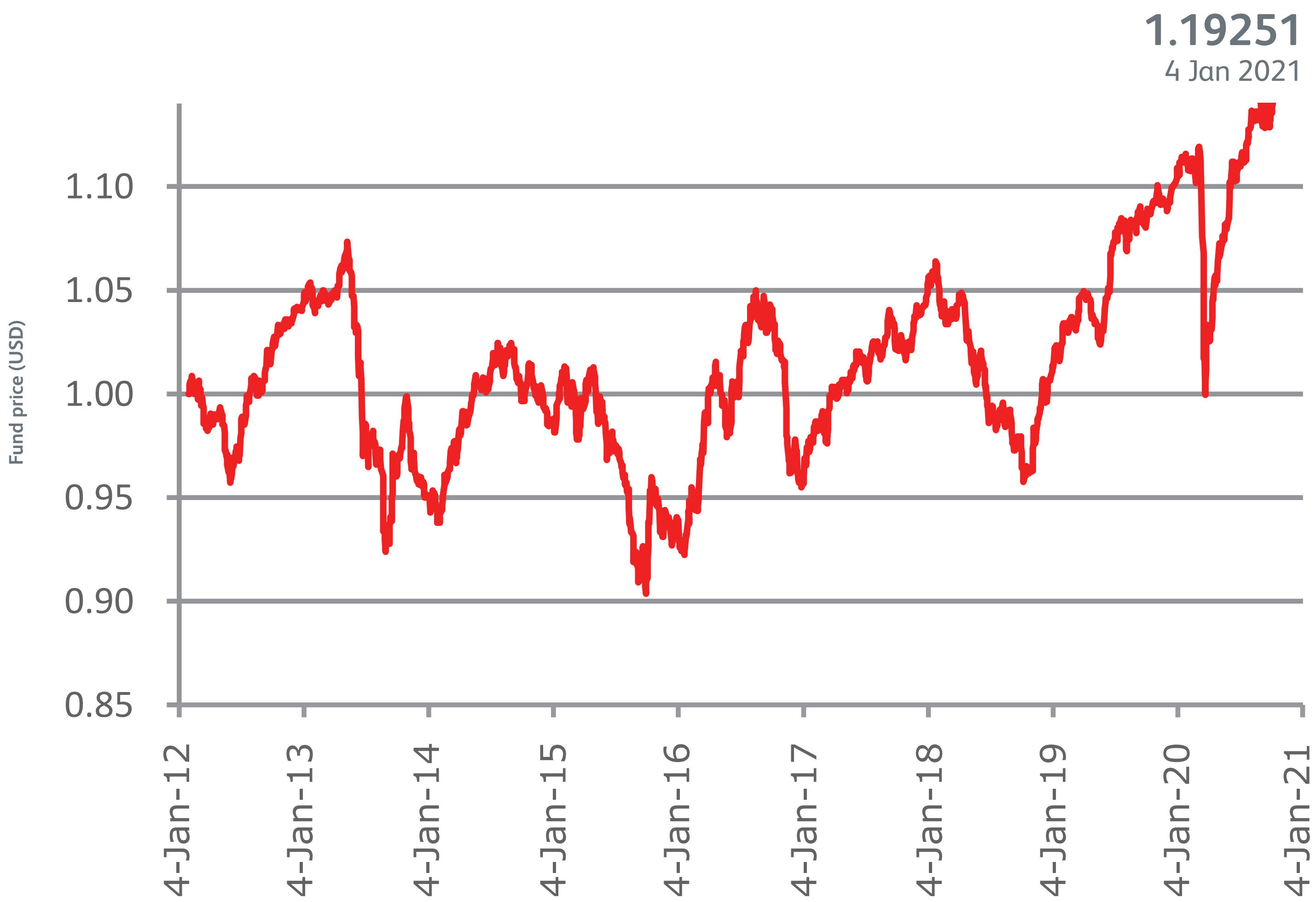
INDONESIA (REPUBLIC OF) 6.5% 06/15/2025	1.39%
THAILAND KINGDOM OF (GOVT) 4% 06/17/2066	1.12%
THAILAND KINGDOM OF (GOVT) 0.95% 06/17/2025	1.02%
KOREA (REPUBLIC OF) 1.375% 12/10/2029	1.02%
KOREA (REPUBLIC OF) 1.375% 09/10/2024	0.98%

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 (04 Jan 21) 1.19251
Lowest (30 Sep 15) 0.90362

Performance chart



PRULink Cash Flow Fund

2020 served up a wild ride for investors with the "fear gauge" of US volatility, the Volatility Index or VIX closing the year at 22.7, having traded as high as 85.5 and as low as 11.7. The US Equity market represented by the S&P 500 posted both a bear (from 19 February to 23 March 2020 down 33.9%) and a bull (up 67.9% from the 23 March 2020, low) but delivered a full-year return of 16.3%. The declines and gains were uneven amongst industries and sectors, as the quick economic shift from the virus had some groups mostly closing operations (travel, hotels, stores, etc.), while other at-home services and merchandise benefited nicely, picking up the consumer (and business) need.

Among Emerging Market (EM) equities in 2020, Korea, Taiwan, and China were the top to outperform, whilst Greece, Egypt, and Brazil lagged. In EM sectors, IT, Healthcare, and Consumer Discretionary led the way, whilst Real Estate, Energy, & Financials were the laggards. EM Asia PMIs all look healthy on recovery, and EM Economic Surprise are positive across all sub-regions. In commodity space, metals have seen a strong rally due to the speculative demand from electric vehicles and continued tension between China/Australia. The Philippine equity market closed stronger for the second consecutive month at 7,139.71, gaining 348.25 pts or by 5.2% month-on-month, resulting in a year-to-date decline of 8.6%, a huge improvement from the 40.8% decline seen last 19 March 2020. The strong December showing was buoyed by continued optimism surrounding the COVID-19 vaccine developments and the progress in key political reforms such as 1) the passage of the US$ 93 billion (PhP 4.5 trillion) 2021 national budget, and 2) The FIST (Financial Institutions Strategic Transfer) bill, both having passed the BICAM committee and have been transmitted to President Duterte for his signature.

In Fixed Income, the 10-year U.S. Treasury closed at 0.92%, up down a sizeable100 basis points (bps) from year- end 2019 (1.92%) with intra year lows in the 0.5% range. US High Yield (HY) returned 6.2%, over the year, in-line with its annual coupon rate with spreads closing the year at 386 bps which was only 26 bps wider compared to 2019 year-end. CCCs continued to lead the rally in ratings and with spreads currently at 790 bps, which is 215 bps tighter than 2019 year-end. Bs spreads in contrast, remain 55 bps wider, while BBs remain 70 bps wider to 2019 levels. Among HY sectors, Food was the top performer last year with gains of 10.1%, with Chemicals following closely with gains of 9.6%. Healthcare (+8.7%), Real estate (+8.7%) & Metals (+8.6%) were other leading performers. Energy despite amassing solid gains in last quarter (~+13%) left as the only sector with negative returns of the year.

The JPM Asian Credit Index (JACI) delivered a +6.3% total return over 2020 as lower US Treasury yields compensated for wider spreads (297 bps vs 255 bps in 2019). Asian Investment Grade (IG) corporates have been relatively resilient to the COVID-19 shock with leverage, interest service, and liquidity remaining intact despite thinner profit margins. Asia saw US$ 324 billion of new supply in 2020, the second consecutive year of record supply. China remained the largest issuing country, and IG corporates the largest issuing segment. In terms of relative attractiveness, Asian IG corporates, financials, and Asian HY are offering spread pick-up over US peers. In addition, there is approximately US$15 trillion stock of negative-yielding debt that provides strong technical support, with demand also supported by improving onshore liquidity and a lower USD funding cost.

The Fund posted a positive absolute return in 2020 underperforming the reference index with negative asset allocation and stock selection within fixed income, the main drag on performance. Performance during 2020 suffered as the sharp drawdown in Q1 which gave way to an aggressive recovery over the balance of the year. The off-benchmark allocation to equities detracted from performance as did security selection within both of the underlying fixed income portfolios.

▸ Asset allocation

88.32%
Bond

9.77%
Equity

1.91%
Cash and others

▸ Performance

-1.36%
Actual year-on-year

-0.80%
Since inception
(per annum)

USD 0.95211
Unit price
as of 4 Jan 2021

▸ Top five holdings

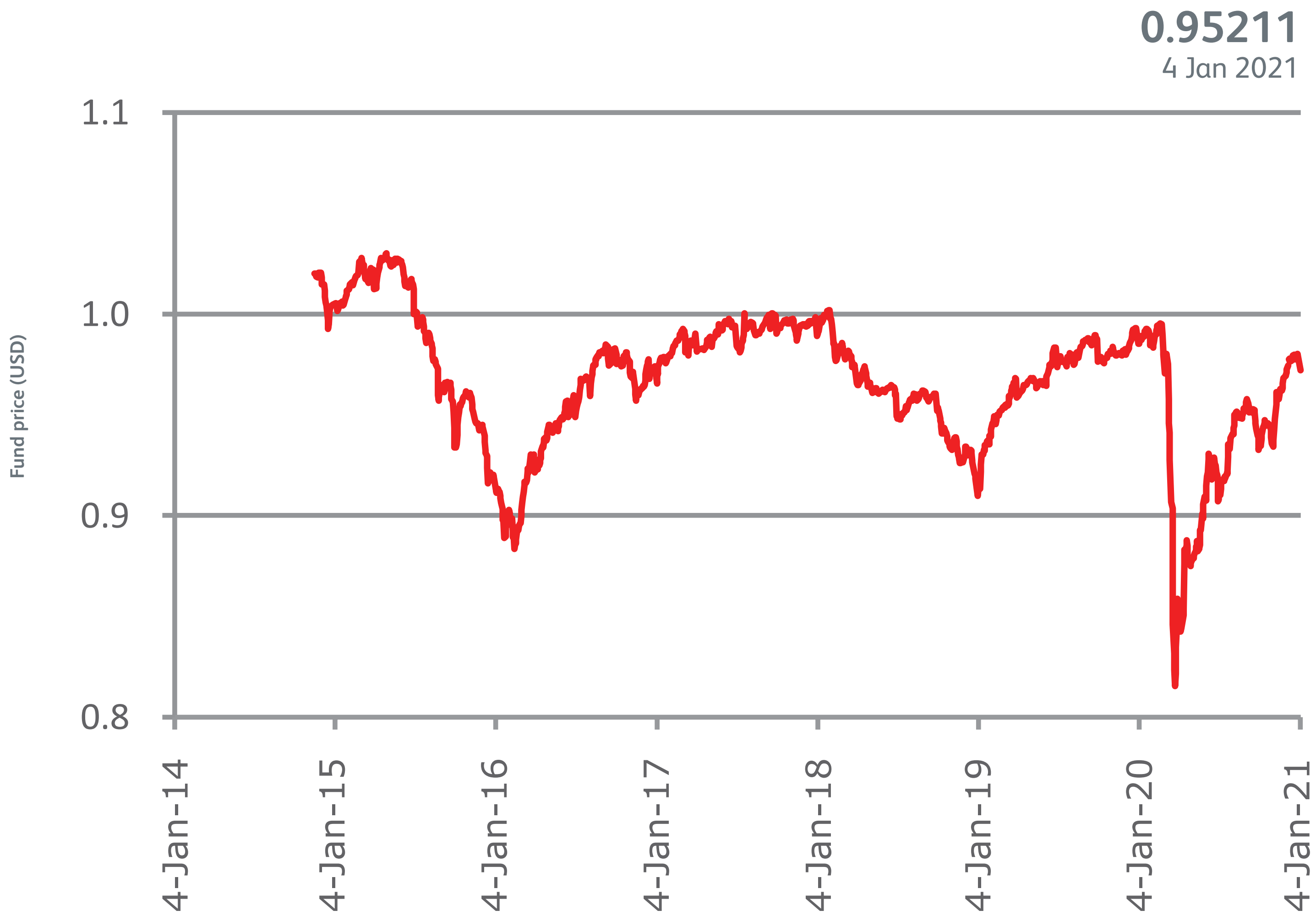
EASTSPRING INVESTMENTSUS HIGH YIELD BOND - D CLASS	56.51%
EASTSPRING INVESTMENTS ASIAN BOND - D CLASS USD	31.81%
EASTSPRING INVESTMENTS WORLD VALUE EQUITY	9.77%
USD CASH & CASH EQUIVALENTS	1.91%

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 15) 1.01016
Lowest (25 Mar 20) 0.79545

▸ Performance chart



PRULink Asian Balanced Fund

2020 served up a wild ride for investors with the "fear gauge" of US volatility, the Volatility Index or VIX, closing the year at 22.7, having traded as high as 85.5 and as low as 11.7. The US Equity market represented by the S&P 500 posted both a bear (from 19 February to 23 March 2020 down 33.9%) and a bull (up 67.9% from 23 March 2020, low) but delivered a full year return of 16.3%. The declines and gains were uneven amongst industries and sectors, as the quick economic shift from the virus had some groups mostly closing operations (travel, hotels, stores, etc.), while other at-home services and merchandise benefited nicely, picking up the consumer (and business) need.

This story of divergence was evident amongst US sector performance with Mega Cap, Growth names delivering exceptional returns versus disappointing performance among most "value" sectors. Information Technology led with a 42.2% gain followed by Consumer Discretionary (32.1%) & Health Care (11.4%). At the bottom of the rankings for Year-to-Date (YTD) performance, we saw Energy down 37.3%, comfortably the worst sector in the index. Financials remained down 4.1% with Utilities also declining 2.8%.

Among Emerging Market (EM) equities in 2020, Korea, Taiwan, and China were the top to outperform, whilst Greece, Egypt, and Brazil lagged. In EM sectors, IT, Healthcare, and Consumer Discretionary led the way, whilst Real Estate, Energy, and Financials were the laggards. EM Asia Purchasing Managers' Indices (PMI) all look healthy on recovery, and EM Economic Surprise is positive across all sub-regions.In commodity space, metals have seen a strong rally due to the speculative demand from electric vehicles and continued tension between China/Australia.

In Fixed Income, the 10-year U.S. Treasury closed at 0.92%, up down a sizeable 100 basis points (bps) from year-end 2019 (1.9%) with intra year lows in the 0.5% range.

US High Yield (HY) returned 6.2%, over the year, inline with its annual coupon rate with spreads closing the year at 386 bps which was only 26 bps wider compared to 2019 year-end. CCCs continued to lead the rally in ratings and with spreads currently at 790 bps, which is 215 bps tighter than 2019 year-end. Bs spreads in contrast, remain 55 bps wider, while BBs remain 70 bps wider to 2019 levels. Among HY sectors, Food was the top performer last year with gains of 10.1%, with Chemicals following closely with gains of 9.6%. Healthcare (+8.7%), Real estate (+8.7%) & Metals (+8.6%) were other leading performers. Energy despite amassing solid gains in the last quarter (~+13%) left as the only sector with negative returns of the year.

Long durations (4-6yrs) outperformed shorter durations (0-2yrs) by 5% in BBs and 4.5% in Bs over the year. Largest issuers in BBs outperformed their smallest counterparts by 7% over the year, but the relationship reversed in Bs where the smallest issuers outperformed by 1%. Much of the outperformance in BBs was due to heavy fallen angels that entered after March after the peak selloff had passed.

The JPM Asian Credit Index (JACI) delivered a +6.3% total return over 2020 as lower US Treasury yields compensated for wider spreads (297 bps vs 255 bps in 2019). Asian Investment Grade (IG) corporates have been relatively resilient to the COVID-19 shock with leverage, interest service, and liquidity remaining intact despite thinner profit margins. Asia saw US$ 324 billion of new supply in 2020, the second consecutive year of record supply. China remained the largest issuing country, and IG corporates the largest issuing segment. In terms of relative attractiveness, Asian IG corporates, financials, and Asian HY are offering spread pick-up over US peers. In addition, there is approximately US$ 15 trillion stock of negative-yielding debt that provides strong technical support, with demand also supported by improving onshore liquidity and a lower USD funding cost.

The Fund posted a positive absolute return in 2020 but underperformed the reference index on a net and gross basis. Asset allocation was flat over the year with the Fund benefiting from the move to substantial equity overweight towards the end second half of the year. Underlying stock selection within the equity portfolio detracted and was the primary reason for the underperformance relative to the benchmark.

The Fund's equity exposure was progressively increased ending with a substantial overweight position as at the end of the year.

► Asset allocation

58.31% Equity

41.39% Bond

0.30% Cash and others

► Performance

7.58%
Actual year-on-year

2.89%
Since inception
(per annum)

USD 1.09685
Unit price
as of 4 Jan 2021

► Top five holdings

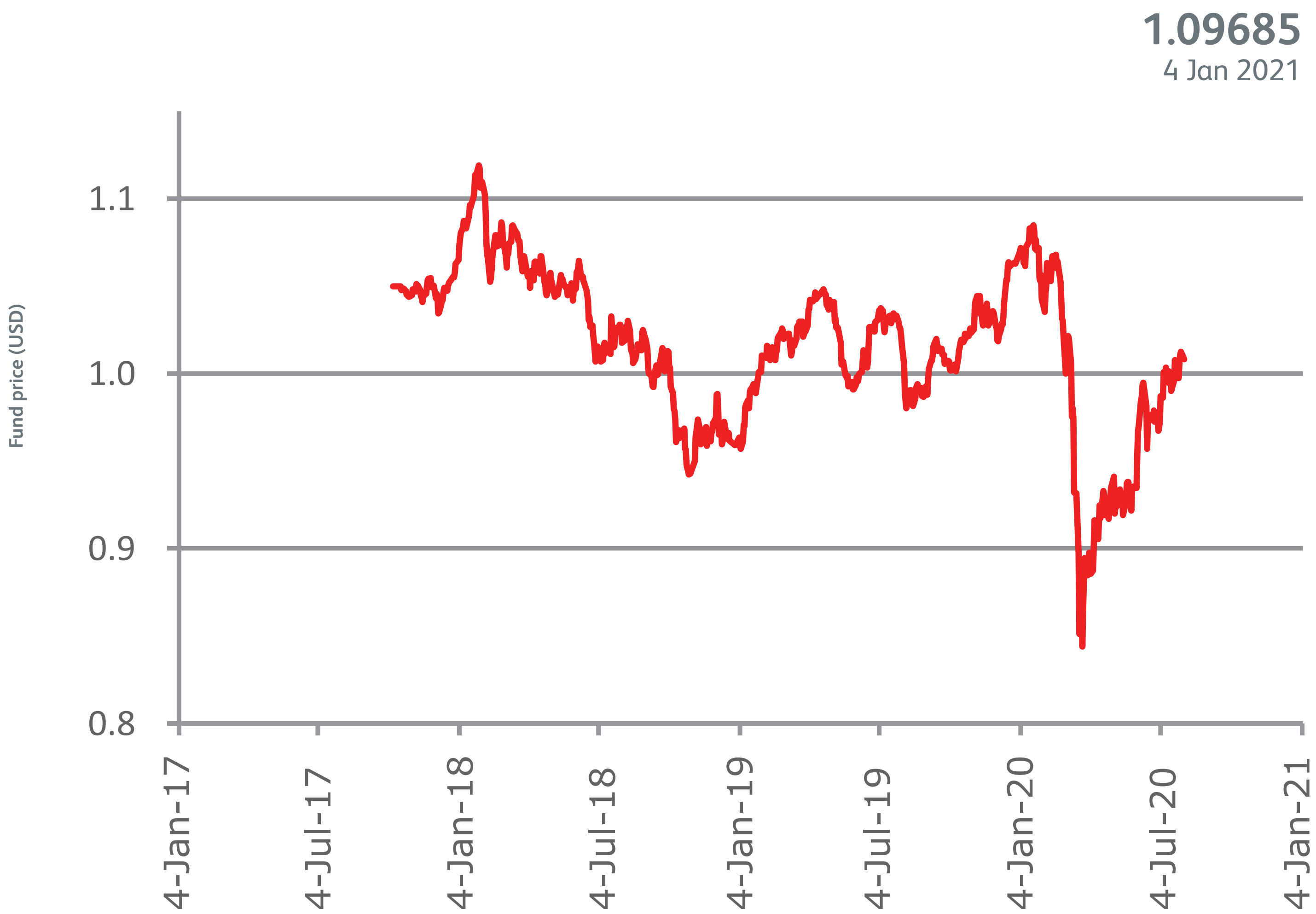
EASTSPRING INVESTMENTS ASIA PACIFIC EQUITY	58.31%
EASTSPRING INVESTMENTS ASIAN LCL BD D	26.31%
EASTSPRING INVESTMENTS ASIAN BOND D USD	15.08%
USD CASH & CASH EQUIVALENTS	0.30%

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 17) 1.00000
Highest (18 Dec 20) 1.10341
Lowest (24 Mar 20) 0.79397

► Performance chart



PRULink Asia Pacific Equity Fund

Global equity markets sold off in the first three months of the year on the back of the outbreak of the Coronavirus. However, markets rebounded and returned 16.8% in USD terms in 2020, supported by coordinated global fiscal and monetary policy support, better-than-expected recovery from lockdowns, and vaccine optimism.
Asia Pacific ex-Japan markets returned 22.8% in USD terms in 2020. Korea, Taiwan, and China outperformed Asian and emerging market peers during the year. Korea gained 45.2% on encouraging economic data and as the economy in its main export market, China began to recover. Taiwan was supported by its tech industry. In China, gains were tempered later in the year by a re-emergence of tensions between the US and China. Key activity data in Q1 2020 were much worse than expected as the coronavirus weighed on economic activity but recovered strongly thereafter.

Meanwhile, MSCI India rose 15.9% in USD terms in 2020 and underperformed broader Asian and emerging market peers. Sentiment during the year was weighed by a continued rise in domestic COVID-19 cases, downgrades by all three rating agencies and geopolitical tensions with China. During the year, the Indian central bank took significant steps to ease financial conditions while policymakers introduced a slew of policy measures including three rounds of stimulus. Among Southeast Asian markets, Vietnam led gains while Thailand and Singapore lagged during the period in review. In other markets, Australian equities returned 8.9% during the year.

From a Fund perspective, stock selection in Materials and Information Technology contributed to performance while stock selection in Financials and Consumer Discretionary dragged on performance. Among countries, stock selection in Taiwan and overweight to South Korea helped performance while picks in China detracted from performance.
For most of 2020 investors have chased outperforming stocks and have been happy to pay a very high price for growth and quality stocks while ignoring most value stocks. We saw this trend reverse in the fourth quarter as value stocks outperformed substantially into yearend. However, the valuation anomaly within Asian equity markets between value and quality/growth stocks remains near extreme levels and the Fund is well-positioned to capture the opportunity as it unfolds.

We continue to follow our disciplined valuation-driven approach with a longer-term investment view to identifying investment opportunities across Asian equity markets.

Sector allocation

- 23.00% Information technology
- 21.13% Financials
- 13.18% Consumer discretionary
- 11.34% Communication
- 6.57% Materials
- 6.03% Real estate
- 4.87% Industrials
- 4.44% Energy
- 4.04% Cash securities
- 2.76% Consumer staples
- 2.38% Utilities
- 0.24% Health care

Performance

6.78%
Actual year-on-year

1.75%
Since inception
(per annum)

USD 1.14639
Unit price
as of 4 Jan 2021

Top five holdings

SAMSUNG ELECTRONICS CO LTD	7.55%
TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	6.63%
TENCENT HOLDINGS LTD	5.89%
ALIBABA GROUP HOLDING ADR	5.77%
USD CASH & CASH EQUIVALENTS	3.74%

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 13) 1.00000
Highest (29 Jan 18) 1.24563
Lowest (22 Jan 16) 0.69551

Performance chart

PRULink Global Emerging Markets Dynamic Fund

Global equity markets sold off in the first three months of the year on the back of the outbreak of the COVID-19. However, markets rebounded and returned 16.8% in USD terms in 2020, supported by coordinated global fiscal and monetary policy support, better-than-expected recovery from lockdowns, and vaccine optimism.

Emerging markets (EM) outperformed developed markets in 2020 and the Morgan Stanley Composite Index (MSCI) EM index returned 18.7% in USD terms. Among emerging markets, EM Asia was the best performing region and gained 26.0%, while EM Latin America (EM LATAM) lagged and returned -13.5%. Meanwhile, EM Europe, the Middle East, and Africa (EMEA) returned -6.5%.

Among EM equities in 2020, Korea, Taiwan, and China were the top to outperform, whilst Greece, Egypt, and Brazil lagged. In EM sectors, IT, Healthcare, and Consumer Discretionary led the way, whilst Real Estate, Energy, and Financials were the laggards. EM Asia Purchasing Managers' Indices (PMI)s all look healthy on recovery, and EM Economic Surprise are positive across all sub-regions. In the commodity space, metals have seen a strong rally due to the speculative demand from electric vehicles and continued tension between China/Australia.

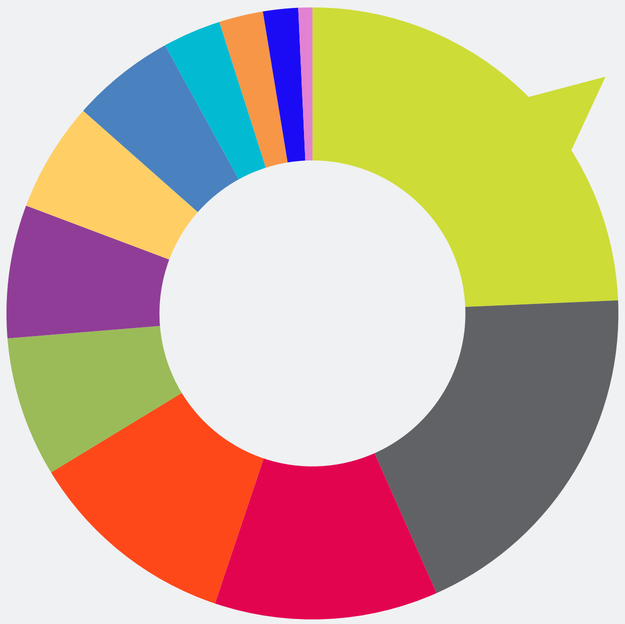
Within Asian markets, Korea gained 45.2% on encouraging economic data and as the economy in its main export market, China, began to recover. Taiwan was supported by its tech industry. In China, gains were tempered later in the year by a re-emergence of tensions between the US and China. Key activity data in Q1 2020 were much worse than expected as the coronavirus weighed on economic activity but recovered strongly thereafter.

Meanwhile, MSCI India rose 15.9% in USD terms in 2020 and underperformed broader Asian and emerging market peers. Sentiment during the year was weighed by a continued rise in domestic COVID-19 cases, downgrades by all three rating agencies and geopolitical tensions with China. During the year, the Indian central bank took significant steps to ease financial conditions while policymakers introduced a slew of policy measures including three rounds of stimulus. Among Southeast Asian markets, Vietnam led gains while Thailand and Singapore lagged during the period in review.

While EM LATAM underperformed year-to-date, the region rebounded and outperformed in the last quarter of 2020, helped by Colombia, Turkey and Brazil. In Q4 2020, Colombia was buoyed by the Energy and Financial sectors while Brazil was supported by a recovery in its manufacturing sector and the Brazilian Real. In Turkey, President Tayyip Erdogan fired central bank governor Murat Uysal and replaced him with ex-finance minister Naci Agbal. Naci Agbal is the fourth Turkish central bank governor in five years.

From a Fund perspective, our stock picks in South Africa, Mexico and Philippines contributed to performance. On the downside, our stock choices in China and South Korea detracted from performance. On the sector front, exposure to Financials and Materials added to relative performance during the year, while picks within Consumer Discretionary and Consumer Discretionary lagged.

► Sector allocation



Financials	24.32%	Utilities	5.79%
Information technology	19.03%	Materials	5.48%
Consumer discretionary	11.81%	Consumer staples	3.08%
Communication	11.14%	Cash Securities	2.33%
Industrials	7.40%	Real estate	1.85%
Energy	7.03%	Health care	0.74%

► Performance

4.07%
Actual year-on-year

2.02%
Since inception
(per annum)

USD 1.14501
Unit price
as of 4 Jan 2021

► Top five holdings

SAMSUNG ELECTRONICS CO LTD	8.91%
BAIDU INC	5.46%
LENOVO GROUP LTD	4.11%
NASPERS LTD	3.62%
ICICI BANK LTD	3.50%

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 14) 1.00000
Highest (29 Jan 18) 1.24055
Lowest (22 Jan 16) 0.63696

► Performance chart

Investment Outlook

Looking ahead to our outlook over 2021, fiscal policy should remain supportive, even more so in the US, after the Democrats won control of the Senate and now control both chambers of Congress. This will ease the confirmation process for President Biden's cabinet picks and allow Democrats to control the process of which legislation gets passed into law. Vaccine momentum and a warmer spring season should help contain COVID-19 spread.

The economic recovery will likely to continue at moderate pace with demand expected to return as social and economic conditions return to a more normalized state and macro risk will likely remain at low level, with the continued support of low interest rates and supportive monetary policy.

Asian countries have generally been relatively successful in the fight against COVID-19, allowing the region's economies to recover faster and keeping default risks manageable. This should accelerate in 2021 as vaccines are rolled out globally. Realistically speaking though, the growth boost from virus immunization should come only in the second half of the year, given major hurdles in vaccine distribution and the near-term challenges mentioned above. Both fiscal and monetary policies are likely to remain accommodative to nurse the still fragile economic recovery.

The favourable macro backdrop suggests that Asian bonds should continue to perform well in 2021. Low-to-negative rates in most developed markets will encourage capital inflows to Asia, where the growth outlook is being supported by a better management of the pandemic. Meanwhile, global emerging market equities continue to offer attractive valuation opportunities in absolute terms and remain very cheap relative to the developed markets of the west.

On the Philippine front, we remain optimistic that there will be some meaningful growth recovery in 2021 as the vaccine for COVID-19 is gradually rolled out globally. Headline inflation has continued to remain elevated, but we view it as transitory and expect it to remain within the target band. We also believe the Bangko Sentral ng Pilipinas will continue its accommodative monetary policy stance in order to support growth recovery. However, we acknowledge that there is now lesser room for further monetary easing as well.

While there is a fair bit of uncertainty over the strength of global recovery due to emergence of new virus strains and the struggle of some countries to contain infections, we still are optimistic that Philippines' growth will recover in a meaningful manner this year.

We continue to follow our disciplined balanced of indicator approach with a longer-term view to identifying investment opportunities.

Fund managers' Profile

Low Guan Yi

Chartered Financial Analyst
Chief Investment Officer –
Fixed Income
Eastspring Investments

Guan Yi is the portfolio manager of PRULink Asian Local Bond Fund. She joined Eastspring Investments 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
Director – Fixed Income
Eastspring Investments

Danny is the lead portfolio manager of PRULink USD Bond Fund and PRULink Bond Fund. He joined Eastspring Investments 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 (Honors) from Nanyang Technological University, Singapore.

Kenneth Lee

Chartered Financial Analyst
Senior Executive – Fixed Income
Eastspring Investments

Kenneth is the joint Portfolio Manager of PRULink USD Bond Fund and PRULink Bond Fund. Kenneth joined Eastspring Investments 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

Director
Investment Solutions
Eastspring Investments

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 joined Eastspring Investments 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 of 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 Honors) in Economics from the London School of Economics (1998), London, UK.

Andrew Cormie

Chartered Financial Analyst
Director – Global Emerging Markets and Regional Asia Equities
Eastspring Investments

PRULink Asia Pacific Equity Fund and PRULink Global Emerging Markets (GEM) Dynamic Fund are managed by Andrew Cormie. Andrew leads Eastspring Investments' GEM and Regional Asia Value equity team, responsible for the firm's GEM and Asia equity value offering (including China-India funds). He is also the lead portfolio manager for the Asia Pacific equity strategy as well as GEM Dynamic Fund.

With more than 35 years investment experience, Andrew has been with Eastspring since he joined as a Portfolio Manager in 2008.

Prior to joining Eastspring, Andrew was the Founding Partner and Director of Voyager Funds Management Pty Limited and, before this, he was a Managing Director, heading up the Global Equity team of JP Morgan Investment, London, for ten years. He also worked at JP Morgan Investment Management, Melbourne, later on as their Director, responsible for the Australia Equity and Balanced business. Andrew began his investment career with National Mutual Life Association.

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
Portfolio Manager – Equity
Eastspring Investments

Wing Kin is the lead manager of the PRULink Equity Fund. Wing Kin is the team leader of the ASEAN Equity focus team and joined Eastspring Investments in 1999. Wing Kin is also the lead portfolio manager for the Indonesia and Philippines equity strategies and co-manages the Singapore-ASEAN strategy.

Previously, Wing Kin was an investment analyst at The Insurance Corporation of Singapore. In all, Wing Kin has over 23 years of investment experience.

Wing Kin is a CFA charterholder and holds a Bachelor of Business degree from Nanyang Technological University, Singapore.

Charles Wong

Head of Equities
Pru Life UK Investments

Charles is the fund manager of PRULink Equity Index Tracker Fund. He joined Pru Life UK Investments as Head of Equities - Investment Management Group in 2019.

Charles has 15 years of investment experience with 10 years spent as an equities broker. He was the Portfolio Manager for Equity Investments of Philamlife Asset Management Inc. He worked in the Trust Banking of the Metropolitan Bank and Trust Company (Metrobank) from 2015 to 2018. He has also worked overseas, more specifically in Hongkong, as the Head of Dealing and Trading in Goldenway Securities Company Ltd.

Charles received his Master of Science degree in Financial Analysis from the Hong Kong University of Science and Technology, and his Bachelor of Science degrees in Management of Financial Institutions and Commerce and Applied Economics from De La Salle University.

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 18 June 2020, the following were elected as members of the Board of Directors for the year 2020 to 2021 and until their successors shall have been duly elected and qualified:

1. Henry Joseph "Henry" M. Herrera
Independent Chairman of the Board of Directors

- **Committee memberships (as of 19 November 2020):**
  Independent Member, Audit Committee
  Independent Member, Risk Committee
  Independent Member, Related Party Transactions Committee
- **Age:** 61 years old
- **Date of first appointment:**
  17 June 2010 as Board Member
  23 August 2012 as Chairman of the Board
- **Length of service:** 10 years (Term of 5 years as independent director, reckoned from 2 January 2015 in accordance with Insurance Commission Circular Letter No. 2018-36)
- **Directorships in publicly-listed companies or other Insurance Commission Regulated Entities:** None

- **Qualifications:**
  Henry is a Statistics cum laude and Masters of Business Administration graduate of the University of the Philippines. He has accomplished courses at the Asian Institute of Management, the Wharton Graduate School of Business, and the Harvard School of Business and has 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. Antonio Manuel "Jumbing" G. De Rosas
Executive Board Member

- **Committee memberships (as of 19 November 2020):** None
- **Age:** 56 years old
- **Date of first appointment:**7 December 2010
- **Length of service:** 10 years
- **Directorships in publicly-listed companies or other Insurance Commission Regulated Entities:** 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, is 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.

3. Teoh Kwui Ying
Non-executive Board Member

- **Committee memberships (as of 19 November 2020):** Non-executive Member, Risk Committee
- **Age:** 50 years old
- **Date of first appointment:** 24 August 2017
- **Length of service:** 3 years
- **Directorships in publicly-listed companies or other Insurance Commission Regulated Entities:** 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. Romerico "Romy" S. Serrano
Independent Board Member

- **Committee memberships (as of 19 November 2020):**
  Independent Chairman, Risk Committee
  Independent Member, Audit Committee
  Independent Member, Governance and Nomination Committee
  Independent Member, Related Party Transactions Committee
  Independent Member, Remuneration Committee
- **Age:** 70 years old
- **Date of first appointment:** 2 August 2006
- **Length of service:** 14 years (Term of 5 years as independent director, reckoned from 2 January 2015 in accordance with Insurance Commission Circular Letter No. 2018-36)
- **Directorships in publicly-listed companies or other Insurance Commission Regulated Entities:** 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.

5. Angelica "Nenet" H. Lavares
Independent Board Member

- **Committee memberships (as of 19 November 2020):**
  Independent Chairman, Governance and Nomination Committee
  Independent Chairman, Related Party Transactions Committee
  Independent Chairman, Remuneration Committee
  Independent Member, Audit Committee
- **Age:** 67 years old
- **Date of first appointment:** 18 June 2020
- **Length of service:** 1 year
- **Directorships in publicly-listed companies or other Insurance Commission Regulated Entities:** 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.

6. Wilfred "Wilf" John Blackburn
Non-executive Board Member

- **Committee memberships (as of 19 November 2020):**
  Non-executive Member, Remuneration Committee
- **Age:** 54 years old
- **Date of first appointment:** 18 June 2020
- **Length of service:** 6 months
- **Directorships in publicly-listed companies or other Insurance Commission Regulated Entities:** None

- **Academic qualifications:**
  Postgraduate – City University (now CASS)
  Postgraduate – SAID Business School (Oxford University)
  Postgraduate – Harvard Business School
  MBA – University of Bath
  Bsc in Mathematics – University of Newcastle upon Tyne

- **Other qualification:**
  Fellowship of the Institute and Faculty of Actuaries (FIA)

- **Relevant experience:**
  Wilf Blackburn is Regional CEO, Insurance Growth Markets at Prudential Corporation Asia, a position he assumed with effect from February 2020. In this role, he is responsible for steering 16 markets across Asia and Africa. Prior to this, Wilf was the CEO of Prudential Assurance Company Singapore (Prudential Singapore), a position he held for four years.

  Wilf is an industry veteran with close to three decades of diverse life insurance experience, having lived in seven Asian countries over the past 18 years.

  He joined Prudential Corporation Asia in 2012 and initially led new market initiatives out of Hong Kong. This role included overseeing the launch of Prudential's business operations in Cambodia and the establishment of Prudential's representative office in Myanmar and Laos. In July 2014, he was appointed CEO of Prudential Vietnam, and subsequently as Vietnam Country Head, where he also oversaw the asset management and consumer finance business.

  Prior to joining Prudential, Wilf was with Allianz for over 11 years, where his roles included CEO of their life insurance joint ventures in China, Thailand, and the Philippines and Regional GM, Life & Health Insurance for Asia. Before Allianz, Wilf worked in the United Kingdom for three life insurers after commencing his career with a firm of consulting actuaries.

7. Cesar P. Manalaysay
Independent Board Member (until 20 August 2020)

- **Committee memberships:**
  Independent Chairman, Nomination Committee
  Independent Chairman, Related Party Transactions Committee
  Independent Member, Audit Committee
  Independent Member, Risk Committee
- **Age:** 72 years old
- **Date of first appointment:** 2 August 2006
- **Length of service:** 13 years
- **Directorships in publicly-listed companies or other Insurance Commission Regulated Entities:** 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.

In view of the resignation of Atty. Cesar P. Manalaysay from the Board of Directors, Ms. Imelda C. Tiongson was elected as replacement director during the regular meeting of the Board of Directors held on 20 August 2020.

8. Imelda C. Tiongson
Independent Board Member

- **Committee memberships (as of 19 November 2020):**
  Independent Chairman, Audit Committee
  Independent Member, Risk Committee
  Independent Member, Governance and Nomination Committee
- **Age:** 55 years old
- **Date of first appointment:** 20 August 2020
- **Length of service:** 4 months
- **Directorships in publicly-listed companies or other Insurance Commission Regulated Entities:** Xurpas, Inc.

- **Academic qualifications:**
  Bachelor of Business in Accountancy – Royal Melbourne Institute of Technology
  Postgraduate Course in Remedial Management – Asian Institute of Management

- **Relevant experience:**
  Ida is the President and Chief Executive Officer of Opal Portfolio Investments (SPV-AMC), Inc. and is a Teaching Fellow and Trustee of the Institute of Corporate Directors ("ICD"). She also serves as independent director of Xurpas, Inc., as director of SeedIn Technologies Inc. and is a Trustee of Fintech Alliance.Ph and Fintech Association Philippines.

  Ida has extensive experience in risk management. She was previously Senior Vice President of Philippine National Bank, heading Remedial Management and in charge of risk. She was also in the Board of Vitarich PLC and served in its Audit and Risk Board Committees. For the past five years, she has lectured on risk management in the ICD and IFC Worldbank. She is also a regular speaker at Indonesia's Enterprise Risk Management Summits.

II. Training and continuing education programme of directors

For the year 2020, the directors attended the following training and continuing education programs:

Director	Training and continuing education programme attended	Conducted by	No. of hours
1. Henry Joseph M. Herrera	Pru Life UK Board Education Session:	Pru Life UK	2
	a. Revised Code of Corporate Governance for Insurance Commission Regulated Companies b. Anti-Money Laundering, Counter Terrorist Financing and Sanctions Updates	Prudential Corporation Asia	
	Technology Governance for Directors	Institute of Corporate Directors	8
	Total		**10**
2. Antonio Manuel G. De Rosas	Pru Life UK Board Education Session: Revised Code of Corporate Governance for Insurance Commission Regulated Companies	Pru Life UK	1.5
3. Romerico S. Serrano	Pru Life UK Board Education Session:	Pru Life UK	2
	a. Revised Code of Corporate Governance for Insurance Commission Regulated Companies b. Anti-Money Laundering, Counter Terrorist Financing and Sanctions Updates	Prudential Corporation Asia	
	Technology Governance for Directors	Institute of Corporate Directors	8
	Total		**10**
4. Teoh Kwui Ying	Pru Life UK Board Education Session:	Pru Life UK	1.5
	a. Revised Code of Corporate Governance for Insurance Commission Regulated Companies		
	Technology Governance for Directors	Institute of Corporate Directors	8
	Total		**9.5**
5. Angelica H. Lavares	Pru Life UK Board Education Session:	Pru Life UK	2
	a. Revised Code of Corporate Governance for Insurance Commission Regulated Companies b. Anti-Money Laundering, Counter Terrorist Financing and Sanctions Updates	Prudential Corporation Asia	
	Technology Governance for Directors	Institute of Corporate Directors	8
	Risk Management in the Age of COVID		2
	Home is Where the Work is – How to Make WFH Work		2
	Future Ready Boards: A Deep Dive		2
	The Urgency of Building Corporate Trust in Times of Crisis		2
	Distinguished CG Speaker Series: Lessons in Global Financial Crisis		2
	7th SEC-PSE Corporate Governance Forum	SEC/PSE/Institute of Corporate Directors	2
	Total		**22**

Director	Training and continuing education programme attended	Conducted by	No. of hours
6. Wilfred John Blackburn	Pru Life UK Board Education Session:	Pru Life UK	2
	a. Revised Code of Corporate Governance for Insurance Commission Regulated Companies		
	Corporate Governance Orientation Program	Institute of Corporate Directors	8
	Total		**9.5**
7. Imelda C. Tiongson	Pru Life UK Board Education Session:	Pru Life UK	2
	a. Revised Code of Corporate Governance for Insurance Commission Regulated Companies b. Anti-Money Laundering, Counter Terrorist Financing and Sanctions Updates	Prudential Corporation Asia	
	Technology Governance for Directors	Institute of Corporate Directors	8
	Crisis-Ready Boards: How to Lead in Times of Turbulence		2
	Survive and Thrive: Building Business Resilience in the Corporate Strategy		2
	Future Ready Boards: A Deep Dive		2
	Data Science and AI Ethics Webinar	Union Bank of the Philippines	2
	Total		**18**

III. Board meetings

For the year 2020, the Board of Directors of Pru Life UK held 8 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. Joint Special Meeting of the Shareholders and the Board of Directors held on 8 January 2020	Henry Joseph M. Herrera Stephen Paul Bickell Teoh Kwui Ying Antonio Manuel G. De Rosas Cesar P. Manalaysay Romerico S. Serrano	Angelica H. Lavares
2. Regular Meeting of the Board of Directors held on 19 March 2020	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
3. Special Meeting of the Board of Directors held on 21 May 2020	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. Organizational Meeting of the Board of Directors held on 18 June 2020	Henry Joseph M. Herrera Antonio Manuel G. De Rosas Teoh Kwui Ying Cesar P. Manalaysay Romerico S. Serrano Angelica H. Lavares	Wilfred John Blackburn
5. Regular Meeting of the Board of Directors held on 20 August 2020	Henry Joseph M. Herrera Antonio Manuel G. De Rosas Wilfred John Blackburn Teoh Kwui Ying Romerico S. Serrano Angelica H. Lavares Imelda C. Tiongson	None
6. Board of Directors' Education Session held on 20 August 2020	Henry Joseph M. Herrera Antonio Manuel G. De Rosas Wilfred John Blackburn Teoh Kwui Ying Romerico S. Serrano Angelica H. Lavares Imelda C. Tiongson	None
7. Special Meeting of the Board of Directors held on 23 October 2020	Henry Joseph M. Herrera Antonio Manuel G. De Rosas Wilfred John Blackburn Teoh Kwui Ying Romerico S. Serrano Angelica H. Lavares Imelda C. Tiongson	None
8. Regular Meeting of the Board of Directors held on 19 November 2020	Henry Joseph M. Herrera Antonio Manuel G. De Rosas Wilfred John Blackburn Romerico S. Serrano Angelica H. Lavares Imelda C. Tiongson	Teoh Kwui Ying

Board Member	Percentage of attendance
Henry Joseph M. Herrera	100%
Antonio Manuel G. De Rosas	100%
Romerico S. Serrano	100%
Teoh Kwui Ying	87.5%
Angelica H. Lavares	87.5%
Wilfred John Blackburn (elected 18 June 2020)	80%
Imelda C. Tiongson (elected 20 August 2020)	100%
Stephen Paul Bickell (resigned effective 18 June 2020)	100%
Cesar P. Manalaysay (resigned effective 20 August 2020)	100%

IV. The Governance and Nomination Committee

During the organizational meeting of the Board of Directors held on 18 June 2020, the following were elected as members of the Nomination Committee for the year 2020 to 2021 and until their successors shall have been duly elected and qualified:

Cesar P. Manalaysay – *Independent Chairman*
Angelica H. Lavares – *Independent Member*
Romerico S. Serrano – *Independent Member*

At the regular meeting of the Board of Directors held on 20 August 2020, the Board approved the creation of the Governance and Nomination Committee, which took the place of the Nomination Committee. The following were elected as its members:

Angelica H. Lavares *– Independent Chairman*
Romerico S. Serrano *– Independent Member*
Imelda C. Tiongson *– Independent Member*

For the year 2020, the Governance and Nomination Committee held 4 meetings. Below is the attendance of each member for said meetings:

Date and Type of Meeting	Members Present	Members Absent
1. Regular meeting held on 19 March 2020	Cesar P. Manalaysay Henry Joseph M. Herrera Romerico S. Serrano	None
2. Special meeting held on 21 May 2020	Cesar P. Manalaysay Romerico S. Serrano Henry Joseph M. Herrera	None
3. Special meeting held on 20 August 2020	Romerico S. Serrano Angelica H. Lavares	None
4. Regular meeting held on 19 November 2020	Angelica H. Lavares Romerico S. Serrano Imelda C. Tiongson	None

Committee member	Percentage of attendance
Romerico S. Serrano	100%
Angelica H. Lavares (appointed 18 June 2020)	100%
Imelda C. Tiongson (appointed 19 November 2020)	100%
Henry Joseph M. Herrera (member until 18 June 2020)	100%
Cesar P. Manalaysay (resigned effective 20 August 2020)	100%

V. The Remuneration Committee

During the organizational meeting of the Board of Directors held on 18 June 2020, the following were elected as members of the Remuneration Committee for the year 2020 and 2021 and until their successors shall have been duly elected and qualified:

Romerico S. Serrano – Independent Chairman
Wilfred John Blackburn – Non-executive Member
Angelica H. Lavares – Independent Member

At the regular meeting of the Board of Directors held on 19 November 2020, the following were elected as members of the Remuneration Committee in order to meet the requirements of the Revised Code of Corporate Governance for Insurance Commission Regulated Companies:

Angelica H. Lavares – Independent Chairman
Wilfred John Blackburn – Non-executive Member
Romerico S. Serrano – Independent Member

For the year 2020, the Remuneration Committee held 2 meetings. Below is the attendance of each member for the said meetings:

Date and Type of Meeting	Members Present	Members Absent
1. Regular meeting held on 19 March 2020	Romerico S. Serrano Henry Joseph M. Herrera Teoh Kwui Ying	None
2. Regular meeting held on 19 November 2020	Romerico S. Serrano Angelica H. Lavares Wilfred John Blackburn	None

Committee member	Percentage of attendance
Romerico S. Serrano	100%
Angelica H. Lavares (appointed 18 June 2020)	100%
Wilfred John Blackburn (appointed 18 June 2020)	100%
Teoh Kwui Ying (member until 18 June 2020)	100%
Henry Joseph M. Herrera (member until 18 June 2020)	100%

VI. The Audit Committee

During the organizational meeting of the Board of Directors held on 18 June 2020, the following were elected as members of the Audit Committee for the year 2020 to 2021 and until their successors shall have been duly elected and qualified:

Henry Joseph M. Herrera – Independent Chairman
Cesar P. Manalaysay – Independent Member
Romerico S. Serrano – Independent Member
Angelica H. Lavares – Independent Member

In view of the resignation of Atty. Cesar P. Manalaysay from the Board of Directors, the following were elected as members of the Audit Committee at the regular meeting of the Board of Directors held on 20 August 2020:

Henry Joseph M. Herrera – Independent Chairman
Romerico S. Serrano – Independent Member
Angelica H. Lavares – Independent Member
Imelda C. Tiongson – Independent Member

At the regular meeting of the Board of Directors held on 19 November 2020, the following were elected as members of the Audit Committee in order to meet the requirements of the Revised Code of Corporate Governance for Insurance Commission Regulated Companies:

Imelda C. Tiongson – Independent Chairman
Henry Joseph M. Herrera – Independent Member
Romerico S. Serrano – Independent Member
Angelica H. Lavares – Independent Member

For the year 2020, the Audit Committee held 4 meetings. Below is the attendance of each member for said meetings:

Date and Type of Meeting	Members Present	Members Absent
1. Regular Meeting of the Audit Committee held on 19 March 2020	Henry Joseph M. Herrera Cesar P. Manalaysay Romerico S. Serrano Angelica H. Lavares	None
2. Regular Meeting of the Audit Committee held on 18 June 2020	Henry Joseph M. Herrera Cesar P. Manalaysay Romerico S. Serrano Angelica H. Lavares	None
3. Regular Meeting of the Audit Committee held on 20 August 2020	Henry Joseph M. Herrera Romerico S. Serrano Angelica H. Lavares	None
4. Regular Meeting of the Audit Committee held on 19 November 2020	Henry Joseph M. Herrera Romerico S. Serrano Angelica H. Lavares Imelda C. Tiongson	None

Committee member	Percentage of attendance
Henry Joseph M. Herrera	100%
Romerico S. Serrano	100%
Angelica H. Lavares	100%
Imelda C. Tiongson (appointed 20 August 2020)	100%
Cesar P. Manalaysay (resigned effective 20 August 2020)	100%

VII. The Risk Committee

During the organizational meeting of the Board of Directors held on 18 June 2020, the following were elected as members of the Risk Committee for the year 2020 to 2021 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
Cesar P. Manalaysay – Independent Member

In view of the resignation of Atty. Cesar P. Manalaysay from the Board of Directors, the following were elected as members of the Risk Committee at the regular meeting of the Board of Directors held on 20 August 2020:

Romerico S. Serrano – Independent Chairman
Teoh Kwui Ying – Non-executive Member
Henry Joseph M. Herrera – Independent Member
Imelda C. Tiongson – Independent Member

For the year 2020, the Risk Committee held 4 meetings. Below is the attendance of each member for said meetings:

Date and Type of Meeting	Members Present	Members Absent
1. Regular Meeting of the Risk Committee held on 19 March 2020	Romerico S. Serrano Henry Joseph M. Herrera Cesar P. Manalaysay Stephen Paul Bickell	None
2. Regular Meeting of the Risk Committee held on 18 June 2020	Romerico S. Serrano Henry Joseph M. Herrera Cesar P. Manalaysay	None
3. Regular Meeting of the Risk Committee held on 20 August 2020	Romerico S. Serrano Henry Joseph M. Herrera Teoh Kwui Ying	None
4. Regular Meeting of the Risk Committee held on 19 November 2020	Romerico S. Serrano Henry Joseph M. Herrera Teoh Kwui Ying Imelda C. Tiongson	None

Committee member	Percentage of attendance
Henry Joseph M. Herrera	100%
Romerico S. Serrano	100%
Teoh Kwui Ying (appointed 18 June 2020)	100%
Imelda C. Tiongson (appointed 20 August 2020)	100%
Stephen Paul Bickell (resigned effective 18 June 2020)	100%
Cesar P. Manalaysay (resigned effective 20 August 2020)	100%

VIII. The Related Party Transactions Committee

During the organizational meeting of the Board of Directors held on 18 June 2020, the following were elected as members of the Related Party Transactions Committee for the year 2020 to 2021 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

In view of the resignation of Atty. Cesar P. Manalaysay from the Board of Directors, the following were elected as members of the Related Party Transactions Committee at the regular meeting of the Board of Directors held on 20 August 2020:

Angelica H. Lavares – Independent Chairman
Henry Joseph M. Herrera – Independent Member
Romerico S. Serrano – Independent Member

For the year 2020, the Related Party Transactions Committee held 2 meetings. Below is the attendance of each member for the said meetings:

	Date and Type of Meeting	Members Present	Members Absent
1.	Regular Meeting of the Related Party Transactions Committee held on 19 March 2020	Cesar P. Manalaysay Henry Joseph M. Herrera Romerico S. Serrano	None
2.	Regular Meeting of the Related Party Transactions Committee held on 20 August 2020	Romerico S. Serrano Henry Joseph M. Herrera	None

Committee member	Percentage of attendance
Henry Joseph M. Herrera	100%
Romerico S. Serrano	100%
Cesar P. Manalaysay (resigned effective 20 August 2020)	100%

IX. Year 2020 Annual Performance Assessments of the Board of Directors, the Individual Board Members, the Board Committees, the Chairman of the Board 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, the Chairman of the Board, and the Chief Executive Officer. The Annual Performance Assessment is based on the requirements and recommendations of the ASEAN Corporate Governance Scorecard and the Revised Code of Corporate Governance for Insurance Commission Regulated Companies.

For 2020, the Annual Performance Assessment Form was distributed to the directors after the Regular Meeting of the Board of Directors on 21 November 2020. The Corporate Secretary received the duly accomplished forms before the Board and Board Committee meetings held on 8 April 2021. The results of the performance assessments were tallied and summarized by the Corporate Secretary and reported to and discussed by the Board, and the Governance and Nomination Committee during the Board, and Governance and Nomination Committee meetings held on 8 April 2021. Recommendations and action items based on the results of the performance assessments were likewise discussed during the said meetings.

X. External auditor

The Audit Committee, at its meeting held on 19 June 2020, endorsed to the shareholders of Pru Life UK the appointment of R.G. Manabat & Co. as external auditor for the audit year 2020. The shareholders approved the appointment of R.G. Manabat & Co. as the external auditor for audit year 2020 at the Annual Meeting of the Shareholders held on 18 June 2020. The Board of Directors of Pru Life UK also approved the appointment of R.G. Manabat & Co. at its regular meeting held on 19 November 2020 and approved the audit fees of R.G. Manabat & Co. amounting to PhP 2,249,590.00.

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 2020, Pru Life UK paid R.G. Manabat & Co. a total of PhP 2,249,590.00 for audit fees, exclusive of out-of-pocket expenses and 12% value added tax.

R.G. Manabat & Co. did not perform any non-audit services for Pru Life UK in 2020 and no non-audit fees were paid.

XI. Dividend policy

The amount of dividends declared and paid by Pru Life UK are 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.

In the first half of 2020, Pru Life UK declared and paid cash dividends of one billion pesos (PhP 1,000,000,000.00) inclusive of final tax. During the latter part of the year, Pru Life UK declared additional cash dividends of two billion pesos (PhP 2,000,000,000.00) inclusive of final tax, which is expected to be remitted in the following year.

XII. Compliance and Risk Management

Pru Life UK's Board Audit Committee (AC) and Board Risk Committee (RC) provide the risk oversight roles at the board level. These include review of Pru Life UK'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, 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 2020, 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 2020, 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.

XIII. 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.

Speak Out	
Dial direct access number (depending on your telecommunications provider) Philippines:	1800-1-322-0285 or 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
Website	
www.prudentialspeakout.ethicspoint.com	

XIV. Code of Corporate Governance

As part of the Prudential Group, Pru Life UK is required to comply with the Prudential Group Corporate Governance standard. Pru Life UK runs an annual self-certification exercise (Turnbull*) to ensure compliance with the governance manual. For the year 2020, the Chief Executive Officer and Chief Risk Officer of Pru Life UK presented to the 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).*

XV. 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.

XVI. Fee Structure and Remuneration of Directors

The non-executive external directors* of Pru Life UK (Henry Joseph M. Herrera, Romerico S. Serrano, Angelica H. Lavares and Imelda C. Tiongson) 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 (Wilfred John Blackburn 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 2020:

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 PhP 946,000.00
Wilfred John Blackburn	Non-Executive (Internal) Board Member (elected 18 June 2020)	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
Romerico S. Serrano	Independent Non-Executive (External) Board Member	Total annual gross director's fee in the amount of PhP 371,000.00
Angelica H. Lavares	Independent Non-Executive (External) Board Member	Total annual gross director's fee in the amount of PhP 305,000.00
Imelda C. Tiongson	Independent Non-Executive (External) Board Member (elected 20 August 2020)	Total annual gross director's fee in the amount of PhP 162,000.00
Stephen Paul Bickell	Non-Executive (Internal) Board Member (resigned 18 June 2020)	Did not receive any director's fee
Cesar P. Manalaysay	Independent Non-Executive (External) Board Member (resigned 20 August 2020)	Total annual gross director's fee in the amount of PhP 137,000.00

**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*

XVI. 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 under 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, 2020 (amounts in PhP millions):

Related Party	Nature	Transaction amount	Balance (as of Dec 31, 2020)	Terms	Rationale for Transaction
Eastspring Investment (Singapore) Limited	Management fees for fund management and investment marketing services	268	69	30 days upon billing	In the normal course of business, the Company has an investment management services agreement with Eastspring, whereby the latter acts as investment advisor to the Company on the management of both the Company's investments and the investment funds in consideration for a quarterly service fee as may be mutually agreed upon on an annual basis.
Prudential Services Asia (PSA)	Cost of production application systems and infrastructure support	91	33	30 days upon billing	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.
Prudential Holdings Limited (PHL)	Cost of expenses advanced by PHL	-	-	30 days upon billing	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.
Prudential Corporation Holdings Limited (PCHL)	Cost of expenses advanced by PCHL	373	291	30 days upon billing	These pertain to advances made by PCHL on behalf of the Company for various expenses including software licenses.
Pru Life UK Asset Management and Trust Corporation (PAMTC)	Allocation of shared expenses such as rentals, utilities and others, and shared service fee. This is a receivable from PAMTC.	71	13	30 days upon billing	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.
Pru Life UK Asset Management and Trust Corporation (PAMTC)	Investments in PAMTC's Unit Investment Trust Funds (UITFs)	159	274	Upon investment	The Company entered into Fund Management agreements with PAMTC whereby PAMTC will manage some of the Company's investment funds as well as its agents' savings funds. The Company also invested in PAMTC's UITF.
Pru Life UK Asset Management and Trust Corporation (PAMTC)	Investments in Agents Savings Funds	426	426	Upon investment	
Pru Life UK Asset Management and Trust Corporation (PAMTC)	Management fees for fund management	3	3	30 days upon billing	
Pru Life UK Asset Management and Trust Corporation (PAMTC)	Investment service fee	6	6	30 days upon billing	The Company also has a financial advisory/ marketing services agreement with PAMTC, whereby the latter shall act as financial advisor to the Company.
Prudential Services Singapore	Cost of IT security services	46	46	30 days upon billing	The Company entered into a Master Services Agreement with PSS whereby PSS will provide IT security services to the Company such as identity services & access management, data security, vulnerability management, cloud infrastructure security, network security, endpoint security, application security, cyber awareness and readiness, threat monitoring and response and emergency support.
	Aggregate	**1,443**	**1,161**		

Corporate governance

The material RPTs with Eastspring, PSA, and PAMTC were approved by the following members of the Board of Directors and shareholders of Pru Life UK:

Director	Shareholder
Henry Joseph M. Herrera Antonio Manuel G. De Rosas Romerico S. Serrano Teoh Kwui Ying Angelica H. Lavares Wilfred John Blackburn (elected 18 June 2020) Imelda C. Tiongson (elected 20 August 2020) Stephen Paul Bickell (resigned effective 18 June 2020) Cesar P. Manalaysay (resigned effective 20 August 2020)	Prudential Corporation Holdings Limited (by proxy issued to Antonio Manuel G. De Rosas) Henry Joseph M. Herrera Antonio Manuel G. De Rosas Romerico S. Serrano Teoh Kwui Ying Angelica H. Lavares Cesar P. Manalaysay

The non-material RPTs with PHL were also approved by the abovementioned directors.

The material RPTs with PSS and non-material RPTs with PCHL will be presented for the approval of the Board of Directors on 8 April 2021. The PSS RPTs will also be presented for the approval of the shareholders at the Annual Shareholders' Meeting to be held on June 2021.

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 can 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 Governance and 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 to ensure the maintenance of an adequate risk exposure and solvency position from an 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 plc 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 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 a 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 (ERC) is chaired by Pru Life UK CEO, facilitated by Pru Life UK CRO, and supported by the Senior Management Team (SMT) 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 and Critical Third Party Committee, Operations, Risk & Compliance Steering Committee, Business Continuity Committee, OnePulse Steering Committee, Persistency Steering Committee, IFRS 17 Steering Committee, Sales Disciplinary Committee, and Obeya Working 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 Statements 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' interests. It is defined by a number of risk appetite statements, operationalized through measures such as limits and thresholds, triggers, and indicators. Aggregate risk limits are defined and monitored based on financial and non-financial stresses on earnings volatility, liquidity, statutory and capital requirements as well as limits on counterparty and credit exposure. There is no appetite for significant and material losses (direct or indirect) or breaches suffered as a result of failure to develop, implement, and monitor appropriate risk mitigation measures and controls to manage key operational risks and major financial models, and failure to comply with applicable legal and regulatory requirements.

The Risk Management Process includes risk identification (including top-down, bottom-up, and emerging risk identification), risk measurement and assessment (including Economic Capital, Statutory Capital, Earnings volatility, Liquidity, the 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 and Scenario Testing, Risk-Based Decision Making, Risk and Control Assessment activities on all risk and compliance areas). 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 to enhance 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 employees in all or targeted functions or groups, executive members, and 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 duration mismatch. Mitigating actions include establishing clear market risk-taking policies, risk appetite statements, limits and triggers, 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 and in force 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, business disruption due to natural disaster and pandemic, 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, regular review and update of business continuity plan and business continuity strategies, robust compliance processes and culture, timely and insightful management information on key operational, information security and data privacy, and compliance risk and control assessments, scenario analysis, internal and external incidents reporting, and deep dive reviews.

Corporate Officers

Antonio "Jumbing" G. De Rosas

President and Chief Executive Officer

Antonio Manuel G. De Rosas (Jumbing) is President and Chief Executive Officer of Pru Life UK Philippines. He joined Prudential in 2007 as General Manager and Chief Financial Officer and assumed the role of CEO in August 2010. Jumbing has more than 30 years of life insurance and banking experience, having worked in Hong Kong with Arthur Andersen, Ernst & Young and Asia Commercial Bank, where he was CFO. He moved to Manila in 1997 as Senior Vice President, CFO and Treasurer of Nippon Life Insurance Company of the Philippines, before joining Pru Life UK.

Jumbing graduated Summa Cum Laude from the University of San Francisco in the US with a Bachelor's degree in Business Administration and also holds a Master's degree in Business Economics from the University of Asia & the Pacific. He 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, is a Fellow of the Hong Kong Institute of Certified Public Accountants, and a Certified Information Systems Auditor.

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

Francis 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, pricing, research, and risk management. He was appointed as Chief Financial Officer in 2019 leading 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 25 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 Life UK. 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.

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 is concurrently a board member of Pru Life UK Investments, Pru Life UK's asset management and trust corporation.

He has extensive experience in both local and international banking, particularly in corporate communications, product management and brand management. He is also the Vice Chair of Rise Against Hunger, an international hunger relief organization distributing food and life-changing aid to the world's most vulnerable.

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, Corporate Secretary

Ma. Emeren V. Vallente currently serves as the Senior Vice President and Chief Legal and Government Relations Officer of Pru Life UK and a director of Pru Life UK Investments. 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

Rina 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.

Maria Teresa A. Co

Vice President and Compliance Officer, Data Privacy Officer, Money Laundering Reporting Officer, and Anti-Bribery and Corruption Officer

Maria Teresa "Tess" Co has had more than 20 years of work experience with multinational companies in the banking and insurance sectors, the latter covering life, pre-need (pension and education) and asset management businesses. She was with the Compliance team of Prudential Corporation Asia, Pru Life UK's regional head office, for four years from December 2011.

Prior to joining Pru Life UK, Ms. Co was with the AIA Group Head Office as Associate Director, Regulatory Compliance, based in the Hong Kong regional office. She further established her career as a Compliance professional overseas and held various regional roles with Sun Life, AXA, and New York Life International and Chubb Life (formerly ACE), and drove various compliance programs across different markets in Asia such as Hong Kong, China, Singapore, Taiwan, Korea, Malaysia, India, Indonesia, Thailand, Vietnam, Cambodia, and the Philippines.

Ms. Co has a degree in Accountancy and is a Certified Public Accountant. She is certified by the Australia Governance, Risk and Compliance (GRC) Institute for completing Certificate IV in Compliance and Risk Management. She is also a Certified Compliance Officer for pre-need companies by the Philippine Securities and Exchange Commission.

ACEDERA, Ma. Christia
Vice President - Strategic Initiatives

ARABIANA, Del Feliciano
Vice President - IT Operations

ARELLANO, Suzanne Patricia
Vice President - Legal

BABAEL, Ruthie Marie
Vice President - Customer Contact Management

BALBIN, Samuel
Vice President - Head of Life Operations

BANAS, Gadwyn
Vice President - Finance Transformation

BANTAYAN, Paul Adrian
Vice President – Ecosystems

CAPULE, Pocholo
Vice President - Customer Intelligence

CHONG, Kimberly
Vice President - Operations Transformation

DE LEON, Arnolfo
Vice President - Agency Operations

DEE, Garen
Vice President - Pricing and Product Development

DETALLA, Marylin
Vice President & National Sales Director

DINGLASAN, Abegaile
Vice President - Products and Propositions Management

EVANGELISTA, Bryan Peter
Vice President - Pru Agent Academy

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 - Enterprise Business

KATINDOY, Elaine
Vice President - PRU Leadership Academy

KINTANAR, Ma. Xenas
Vice President & Sector Head

MAGSAYSAY, Joseph Reuben
Vice President -Pru Academy for Entrepreneurs

As at 31 December 2020

MARAÑO, Ma. Cecilia
Vice President - Financial Planning, Reporting & Analysis

MARASIGAN, Dante
Vice President & Financial Controller

MERCADO, Diana Lynn
Vice President & Sector Head

RABOT, Maria Cecilia
Vice President -Head of Information Technology

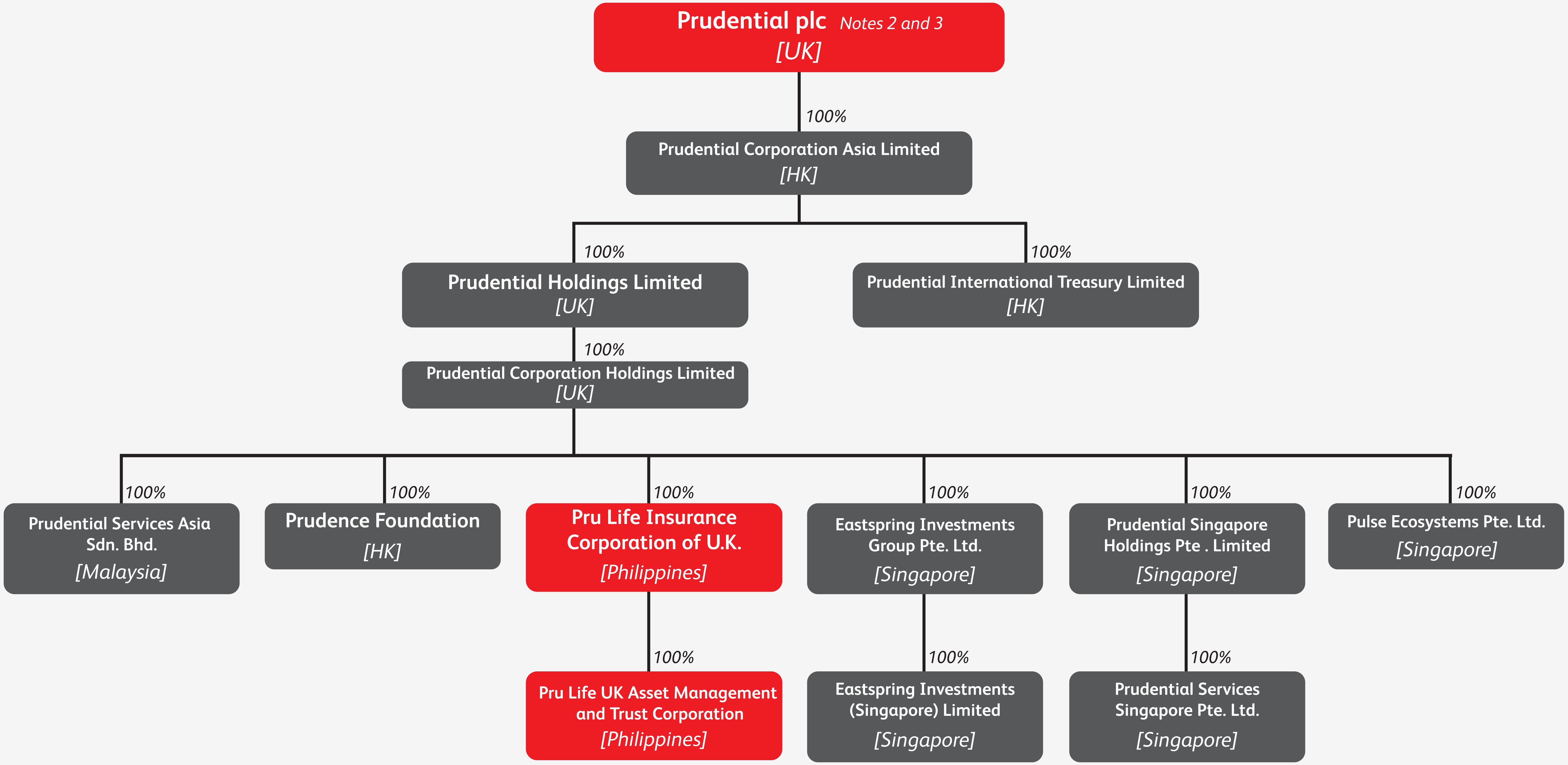
VALINO, Mark Anthony
Vice President - Investments

VILLAHERMOSA, Glolibeth
Vice President & Appointed Actuary

Shareholding structure
and group corporate structure

Position as at 31 December 2020

Holding structure for Pru Life Insurance Corporation of U.K. and its related parties



Notes:
1. *Place of incorporation of each company are being indicated in square brackets above*
2. *Prudential plc is a public limited company incorporated in UK, which is listed on the Stock Exchanges in London, Hong Kong, S ing apore and New York.*
3. *Refer to the public information available, BlackRock, Inc and Third Point LLC (they are non prudential entities and global investment managers) hold 5.08% and 5.04% interest respectively in Prudential plc.*
4. *Prudence Foundation, a company limited by guarantee*

2020 Annual Report

We DO Health

8/F Uptown Place Tower 1, 1 East 11th Drive, Uptown Bonifacio, 1634 Taguig City, Philippines
Office trunklines: (632) 8683 9000, (632) 8884 8484
Customer helpdesk: (632) 8887 LIFE within Metro Manila, 1 800 10 PRULINK for domestic toll-free

Established in 1996, Pru Life UK is the pioneer of insuravest, or investment-linked life insurance products, in the Philippines and is one of the first life insurance companies approved to distribute US dollar-denominated investment-linked life insurance policies in the country. Since its establishment, Pru Life UK has expanded its reach to over 190 branches in the Philippines, with the biggest life agency force of more than 35,000 licensed agents. The company ranked first (1st) among the country's life insurers based on the Insurance Commission's FY 2020 rankings in terms of new business annual premium equivalent. Pru Life UK is headquartered in Uptown Bonifacio, Taguig City. Pru Life UK and Prudential plc are not affiliated with Prudential Financial, Inc. of the United States, Prudential Assurance Company (a subsidiary of M&G plc, a company incorporated in the United Kingdom), Philippine Prudential Life Insurance Company, Prudentialife Plans, Inc. or Prudential Guarantee and Assurance, Inc. (all Philippine-registered companies). Pru Life UK is a life insurance company and is not engaged in the business of selling pre-need plans.

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