PRU LIFE U.K.

2016 Annual Report

A commitment to progress

CONTENTS

Pru Life UK's domestic footprint

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

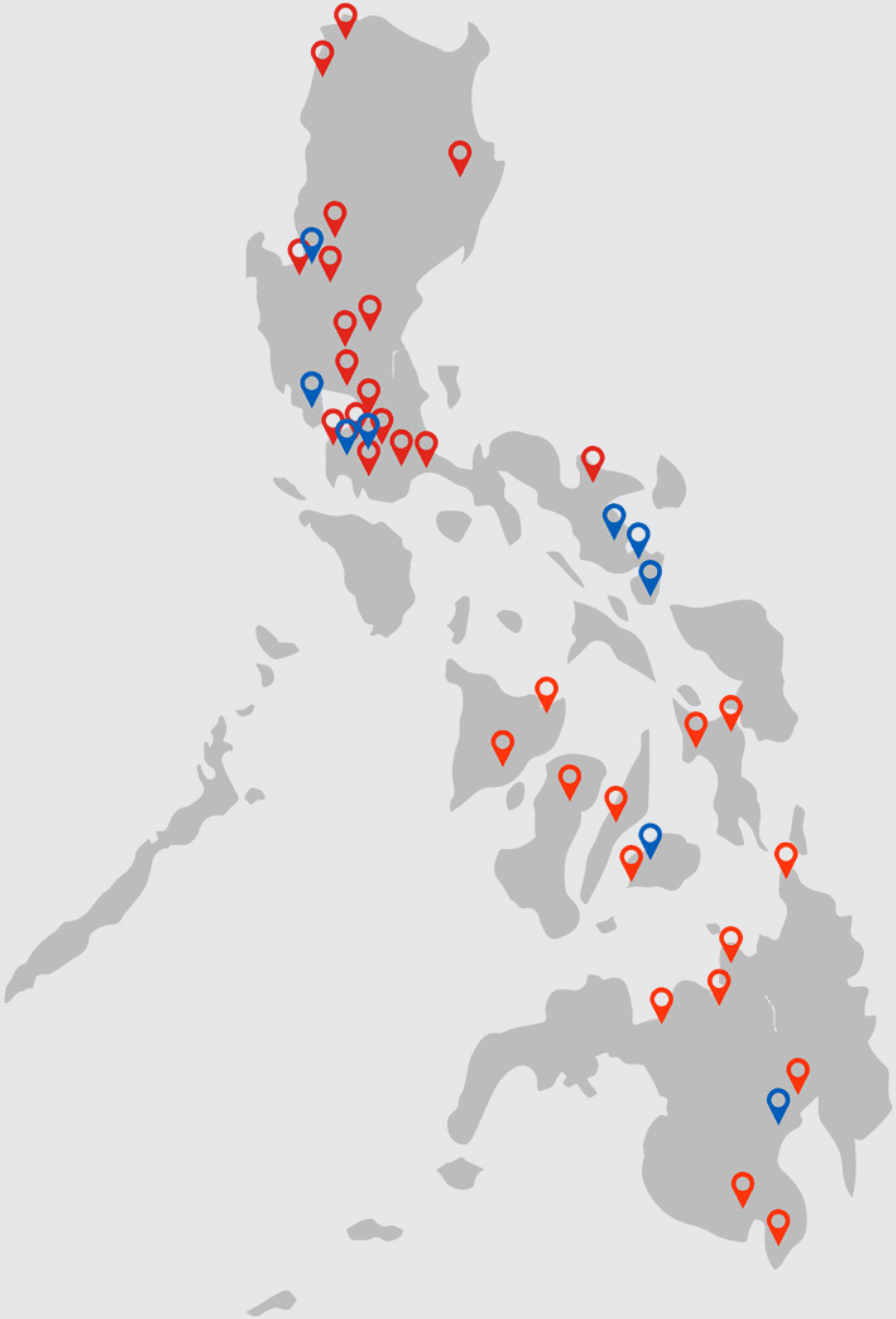
78

BRANCHES

27

GENERAL AGENCIES

as of 5 June 2017



Message from the Chairman

"There is nothing permanent except change". This oft used line has never been truer than in recent years, as we've witnessed the world constantly evolve at a relentless pace. The changing needs, expectations, and priorities of Filipino consumers paved the way for Pru Life UK to respond and create ingenious insurance and investment solutions. We firmly believe that our strategic focus on innovation and inclusive approach to protection, backed by Asia's largest retail asset manager, Eastspring Investments[1], has allowed the Company to weather unpredictable economic environments and volatile market behavior.

Last year, the financial markets experienced increased volatility associated with political uncertainties such as the U.S. Presidential Elections and BREXIT. Global growth was at about 2.3%, due in part to stagnant trade and subdued investments[2]. Fortunately, the Philippine economy steadily accelerated, with a Gross Domestic Product growth rate of 6.8%, on the back of robust domestic demand and private consumption[3].

Amidst erratic conditions, 2016 proved to be a great year for Pru Life UK as it came out with two new pioneering products in response to the shifting needs of Filipino consumers – the PRUlink elite protector 5 (Elite 5) and PRUmax invest. These two new offerings helped boost the Company's brand image and drive sales to new heights. Catering to two different spectrums of the Filipino market, the Elite 5 and PRUmax invest were designed to support our goal of addressing the widening protection gap in the Philippines.

As we move into the next 20 years, we believe bigger opportunities abound. While our current clientele consists of urban dwellers from the high-income segment, we are now also focused on reaching untapped markets throughout the country in an effort to achieve sustainable growth. We foresee that regional development and financial inclusion will eventually shape the landscape of the life insurance business in the Philippines.

On behalf of the Board, I would like to congratulate PRU's highly effective senior management, employees, and over 17,000 agents for the Company's record-breaking performance last year. Thank you for tirelessly pursuing excellence and delivering progressive results. I would also like to express my gratitude to our valued customers, for their continued trust and confidence in Pru Life UK. We remain steadfast in our mission to make lives better for you and the Filipino community, by building on PRU's reputation of integrity, forward-thinking, and social responsibility.

Cheers,

Henry Joseph M. Herrera
Chairman

Sources:

[1]Eastspring Investments (Singapore) Limited, Pru Life UK's fund manager, is a unit of Eastspring Investments which was Asia's largest retail fund manager for three years in a row from 2012 - 2014, according to an annual survey by Asia Asset Management. Eastspring Investments was also recently hailed as Asia Fund House of the Year at the Asset Management Awards 2017.

[2]http://www.worldbank.org/en/publication/global-economic-prospects
[3]https://www.adb.org/countries/philippines/economy

Message from the CEO

A decade ago, Pru Life UK was still relatively small and finding its niche in the life insurance industry. But as we celebrated our 20th year in 2016, we broke records that we only hoped of achieving then, solidifying our path to becoming bigger, bolder and stronger in the years to come.

Against a backdrop of economic and political uncertainties, we continue to become bigger. In 2016, our regional head office Prudential Corporation Asia delivered another year of progress as Asia continues to be a key driver for the Group and both our life insurance and asset management businesses are in strong positions.

In the Philippines, our Company posted an annualized premium equivalent of PhP 4.5 billion and grew 10% in 2016. We also grew 27% in the fourth quarter and were highlighted by the Prudential Corporation Asia as one of the eight businesses in Asia which grew more than 20% during the period. Moreover, our weighted total premium[1] was at PhP 13 billion with a growth of 21%.

These figures clearly indicate the success of the outstanding delivery of our strategy, and part of this is making our portfolio of products even broader to support our customers' diverse needs. In 2016, we launched the PRUlink elite protector 5 and the PRUmax invest, both of which offer not only comprehensive financial protection coverage but also the opportunity to grow their hard-earned money. These products are the result of our credo of always listening to and always understanding the evolving needs of our customers.

We continue to be bolder with our culture of delivering excellent quality of our business. The solvency of our Company remains ever steadfast as we are one of the most compliant in the book of the insurance industry, further substantiating our British forefathers' legacy of financial strength, management expertise, and product innovation and distribution expertise.

We have become stronger in terms of our agency force. Our Company now boasts of having the largest agency force in the industry – we posted a 22% increase from last year with our 17,583-strong knowledgeable and passionate Men and Women from the PRU who have the heart to make life better for every Filipino. More and more Filipinos can now be given sound financial advice because of the unwavering commitment of our agents to deliver not only business but positive change to the lives of the customers we serve.

Likewise, in 2016, we have made it our goal to empower not only our own people but also the communities we serve in. In June, Prudential employees from across the region have come together once again to continue in helping rebuild the lives of super-typhoon Yolanda survivors, brick by brick, during the fourth leg of the Regional PRUvolunteer Programme of Prudence Foundation in Bantayan Island, Cebu.

We have also taught the money-smart values of earning, saving, smart spending, and donating to over 100,000 students and 100 partner schools nationwide through our flagship corporate social responsibility program Cha-Ching Financial Literacy for the Youth. We held the Third Cha-Ching Educators' Conference on Financial Literacy, further building our network of Cha-Ching ambassadors who share the same advocacy in promoting financial literacy in the Philippines.

Ten years ago, Pru Life UK was still relatively small. But today, we are bigger, bolder, stronger, and have sealed our position in the industry. We have already achieved so much, but with our core values of caring, collaborating, innovating, and delivering excellence integrated in all our business strategies, without a doubt, we can exceed the growth we have achieved in the past 20 years.

Mabuhay kayong lahat!

Antonio G. De Rosas
President and Chief Executive Officer

Note:
[1]Total premium where single premium income is taken at 10%

Corporate objectives, mission, vision, and guiding principles

Coinciding with the Company's 20th year in the Philippines, Pru Life UK recently moved to its new head office in Uptown Bonifacio, Taguig City.

Corporate objectives

Distribution

- Pursue geographic expansion nationwide by increasing the number of sales offices by more than 25% by the end of year 2016.
- Expand the agency force by increasing manpower by more than 20% for year 2016.

Operations & IT

- Enhance operational capabilities through the full implementation of the new and improved Enterprise Content Management System by the end of 2016.
- By the end of the first quarter of 2016, launch a customer service program that will provide an effortless customer experience through providing, among others, one call resolution, available preferred contact channels, and staff as subject matter experts.

Products

- Develop a healthy mix of protection and investment products for year 2016 to address the changing preferences of customers.

Mission and vision

We take the risk out of people's lives.

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

We are committed to:

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

Our guiding principles

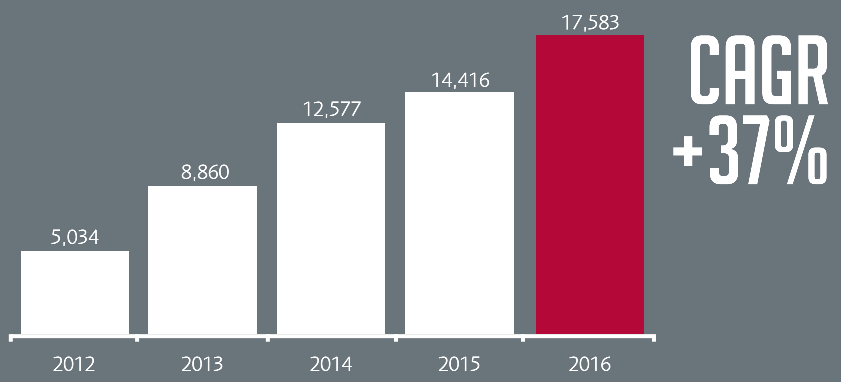
- We maintain and develop the Company's reputation for integrity, fair dealing and security.
- We work as a team, as a family, unified in purpose, treating each other with respect and care in an atmosphere of mutual trust and in a happy working environment.
- We promote the art of listening as it is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

Management's discussion and analysis

(Financial and non-financial indicators)

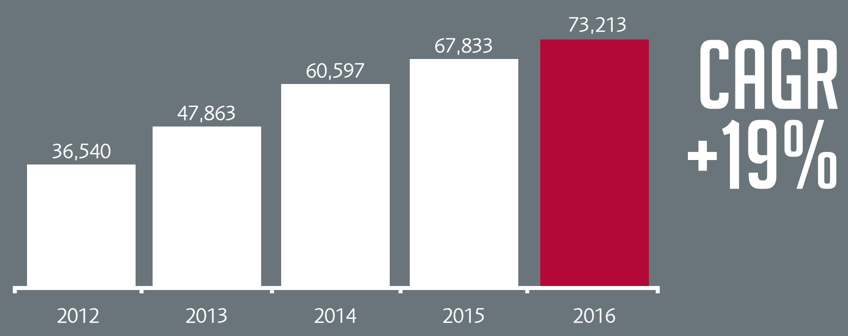
Pru Life UK continued to build up on its gains with stellar results in 2016. The re-introduction of a five-pay unit-linked life insurance product in the early 2016 caught on with the Agency Force and induced a shift in the sales mix away from the single-pay unit-linked product. The revamped five-pay unit-linked product was largely credited for the 10% growth in sales even as local financial markets particularly stocks posted another disappointing year with negative returns.

NUMBER OF AGENTS



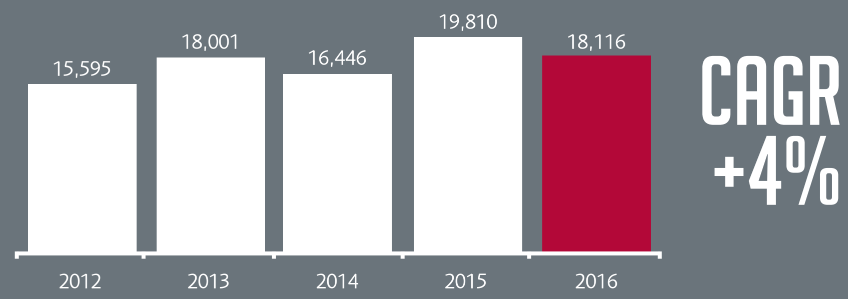
The Company boasts of having the largest agency force in the industry with 17,583 agents in 2016, a 22% increase over the previous year. The Build-Your-Business strategy of recruiting potential agents has proven to be vital and effective in the achievement of the Company's long term objectives.

LINKED FUNDS in PhP'm



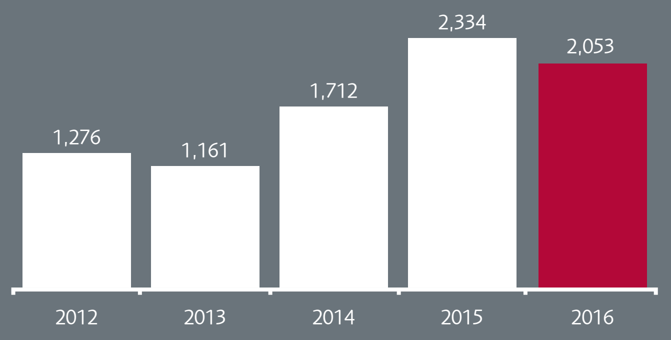
The Company's unit-linked funds registered a modest growth of 8% in 2016. A reduction in net flows resulted from the shift in sales mix from single-pay unit-linked product to five-pay unit-linked product. Also, a number of customers locked in gains amid the then-robust stock market performance in the second and third quarters, with the consequent increase in unit-linkedfund surrenders. However, higher investment income compensated for the low net flows in 2016.

TOTAL NET PREMIUM INCOME in PhP'm



The decline in total net premium income in 2016 was mainly attributed to the shift in sales mix to five-pay unit-linked product from single-pay linked product. Excluding single premium income, the Company's first year and renewal years' premium income grew by 31% and 26%, respectively.

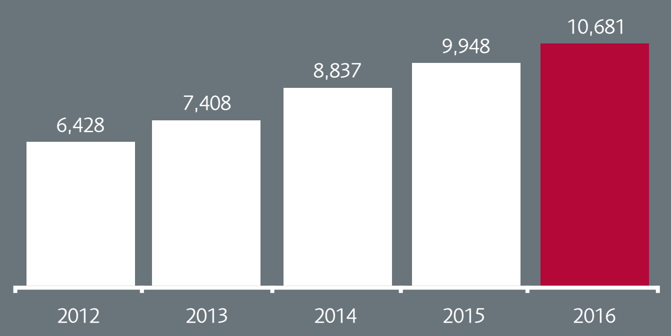
NET INCOME EXCLUDING UNREALIZED GAINS/LOSSES in PhP'm



CAGR +13%

Net income is reported inclusive of unrealized gains/losses based on market valuation through Fair Value through Profit and Loss. Excluding unrealized gains/losses, net income in 2016 contracted by 12% due to outlays related to the transfer to the new head office as well as investments in technology-related projects to improve operational efficiency.

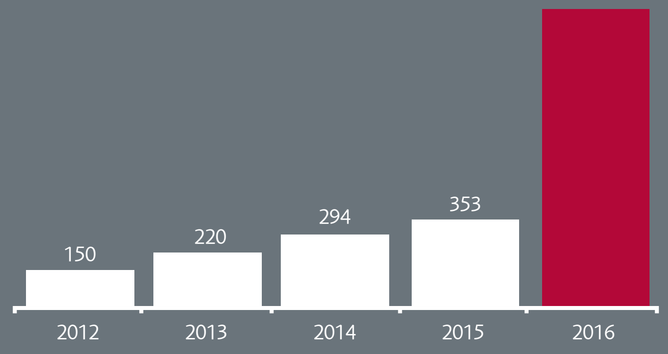
EQUITY in PhP'm



CAGR +14%

The Company's equity position chalked up a modest growth of 7% in 2016. The lower growth was traced to the significant increase in gross cash remittance from PhP 353 million in 2015 to PhP 1,176 million in 2016.

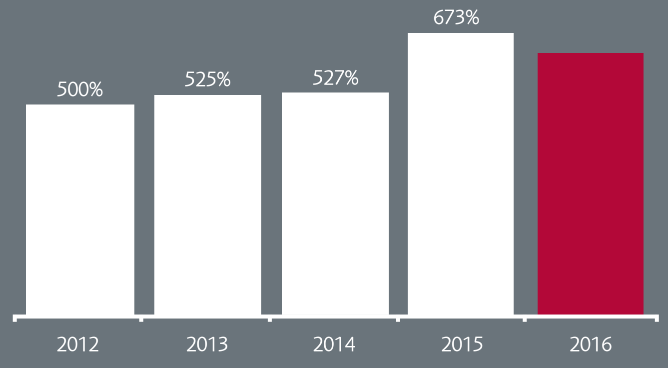
GROSS CASH REMITTANCE in PhP'm



1,176

Remarkably, the Company's gross cash remittance of PhP 1,176 million in 2016 was triple the amount paid in the previous year. To date, it has repatriated a total of PhP 2,050 million (net of taxes) to its principal shareholder, Prudential Corporation Holdings Limited (PCHL).

RBC RATIO



623%

Under the Insurance Commission's current regulations, insurance companies must comply with prescribed minimum capital requirements and Risk-Based Capital (RBC) ratios to mitigate the risk of insolvency and default.

The Company has exceeded the minimum RBC ratio requirement of 100% over the recent years by a substantial margin. Notably, the sharp increase in cash remittances to its principal shareholder resulted in a negligible decline in the 2016 ratio.

Financial statements

PRU LIFE INSURANCE CORPORATION OF U.K.

(A wholly-owned subsidiary of Prudential Corporation Holdings Limited)

FINANCIAL STATEMENTS
December 31, 2016 and 2015

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

Opinion

We have audited the accompanying financial statements of Pru Life Insurance Corporation of U.K. (the Company), a wholly-owned subsidiary of Prudential Corporation Holdings Limited, which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

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 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 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 financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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 financial statements taken as a whole. The supplementary information in Note 29 to the basic financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic 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 financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic 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. SP-2014/030-O, Group A,
valid until August 17, 2017
SEC Accreditation No. 1472-A, Group A,
valid until March 30, 2018
Tax Identification No. 162-411-175
BIR Accreditation No. 08-001987-34-2014
Issued October 15, 2014; valid until October 14, 2017
PTR No. 5904929MD
Issued January 3, 2017 at Makati City

March 30, 2017
Makati City, Metro Manila

Report of independent auditors to accompany 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 financial statements of Pru Life Insurance Corporation of U.K. (the Company), a wholly-owned subsidiary of Prudential Corporation Holdings Limited, as at and for the year ended December 31, 2016, on which we have rendered our report dated March 30, 2017.

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

TIRESO RANDY F. LAPIDEZ
Partner

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PTR No. 5904929MD
Issued January 3, 2017 at Makati City

March 30, 2017
Makati City, Metro Manila

Report of independent auditors to accompany financial statements for filing with the Securities and Exchange Commission

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

We have audited the accompanying financial statements of Pru Life Insurance Corporation of U.K. (the Company), a wholly-owned subsidiary of Prudential Corporation Holdings Limited, as at and for the year ended December 31, 2016, on which we have rendered our report dated March 30, 2017.

In compliance with Securities Regulation Code Rule 68, As Amended, we are stating that the Company has one (1) stockholder owning one hundred (100) or more shares.

R.G. MANABAT & CO.

Tireso Randy F. Lapidez

TIRESO RANDY F. LAPIDEZ
Partner

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Issued January 3, 2017 at Makati City

March 30, 2017
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 financial statements of Pru Life Insurance Corporation of U.K. (the Company), a wholly-owned subsidiary of Prudential Corporation Holdings Limited, as at and for the year ended December 31, 2016, on which we have rendered our report dated March 30, 2017.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management.

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedule of Philippine Financial Reporting Standards

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

R.G. MANABAT & CO.

TIRESO RANDY F. LAPIDEZ
Partner

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PRU LIFE INSURANCE CORPORATION OF U.K.
(A wholly-owned subsidiary of Prudential Corporation Holdings Limited)

STATEMENTS OF FINANCIAL POSITION
(Amounts in thousands)

		December 31	
	Note	**2016**	2015
ASSETS			
Cash and cash equivalents	*7*	**P2,220,198**	P2,605,114
Interest receivable		**128,266**	125,751
Investments	*8*	**9,916,652**	9,616,867
Premiums due from policyholders		**29,593**	31,915
Policy loans receivables - net	*9*	**452,955**	457,571
Coverage debt receivables - net	*11*	**218,145**	217,047
Reinsurance assets		**11,349**	32,288
Property and equipment - net	*12*	**607,057**	487,121
Deferred acquisition costs	*5, 13*	**5,677,319**	4,965,663
Other assets - net	*14*	**728,958**	392,594
Total general assets		**19,990,492**	18,931,931
Assets held to cover linked liabilities	*10*	**73,213,153**	67,832,693
		P93,203,645	P86,764,624
LIABILITIES AND EQUITY			
General liabilities			
Legal policy reserves	*15*	**P5,007,216**	P4,914,082
Claims payable	*16*	**319,453**	286,485
Reinsurance payable	*17*	**77,553**	93,356
Deferred tax liabilities - net	*24*	**671,052**	557,215
Accounts payable, accrued expenses and other liabilities	*18*	**3,234,401**	3,132,474
Total general liabilities		**9,309,675**	8,983,612
Equity			
Capital stock	*27*	**500,000**	500,000
Additional paid-in capital	*27*	**462,000**	462,000
Total paid-up capital		**962,000**	962,000
Contributed surplus		**50,386**	50,386
Fair value reserve	*8*	**(4,259)**	(4,790)
Retirement fund reserve		**(5,218)**	(9,443)
Retained earnings	*27*	**9,677,908**	8,950,166
Total equity		**10,680,817**	9,948,319
Total general liabilities and equity		**19,990,492**	18,931,931
Technical provisions for linked liabilities	*10*	**73,213,153**	67,832,693
		P93,203,645	P86,764,624

See Notes to the Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.

(A wholly-owned subsidiary of Prudential Corporation Holdings Limited)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Amounts in thousands)

	Note	Years Ended December 31 2016	2015
NET PREMIUMS			
Premiums	*19*	**P18,554,100**	P20,268,664
Premiums ceded to reinsurers	*17, 19*	**(437,732)**	(458,850)
		18,116,368	19,809,814
OTHER REVENUE			
Policy administration fees	*20*	**1,478,021**	1,335,762
Investment income (loss) - net	*21*	**20,699**	(165,406)
Others - net		**73,654**	87,543
		1,572,374	1,257,899
BENEFITS AND CLAIMS			
Costs on premiums of variable insurance	*10*	**6,758,932**	10,604,990
Gross benefits and claims	*22*	**5,831,728**	4,397,997
Reinsurer's share of gross benefits and claims	*22*	**(16,972)**	(33,022)
Gross change in legal policy reserves	*22*	**93,134**	84,432
		12,666,822	15,054,397
OPERATING EXPENSES			
Commissions, bonuses and other agents' expenses		**2,876,193**	2,766,079
Salaries, allowances and employees' benefits		**991,848**	992,152
Trainings, seminars and contests		**429,393**	466,547
Rent	*26*	**247,904**	165,260
Utilities		**227,183**	155,864
Dividends to policyholders		**116,351**	107,365
Advertising and marketing		**127,736**	101,759
Depreciation and amortization	*12*	**142,211**	85,883
Communications		**78,375**	70,139
Office supplies		**84,621**	57,508
Interest expense related to policies		**51,316**	48,194
Security and janitorial services		**49,241**	44,111
Representation and entertainment		**41,949**	39,036
Professional fees		**43,194**	37,588
Taxes and licenses		**78,979**	25,748
Insurance taxes, licenses and fees		**47,134**	19,529
Amortization of software development costs	*14*	**26,965**	15,332
Others		**36,706**	38,611
Deferred expenses - net	*13*	**(711,656)**	(741,129)
		4,985,643	4,495,576

Forward

	Note	Years Ended December 31 2016	2015
INCOME BEFORE INCOME TAX EXPENSE		**P2,036,277**	P1,517,740
INCOME TAX EXPENSE	*24*	**132,065**	43,874
NET INCOME		**1,904,212**	1,473,866
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that may be reclassified to profit or loss			
Net gain (loss) on fair value changes of available-for-sale financial assets	*8*	**531**	(185)
Items that will not be reclassified to profit or loss			
Net income (loss) on remeasurement of retirement liability	*23*	**6,036**	(13,490)
Income tax effect	*24*	**(1,811)**	4,047
		4,756	(9,628)
TOTAL COMPREHENSIVE INCOME		**P1,908,968**	P1,464,238

See Notes to the Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.

(A wholly-owned subsidiary of Prudential Corporation Holdings Limited)

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(Amounts in thousands)

	Note	Capital Stock (Note 27)	Additional Paid-in Capital (Note 27)	Contributed Surplus	Fair Value Reserve (Note 8)	Retirement Fund Reserve	Retained Earnings (Note 27)	Total Equity
Balance at January 1, 2016		**P500,000**	**P462,000**	**P50,386**	**(P4,790)**	**(P9,443)**	**P8,950,166**	**P9,948,319**
Total comprehensive income								
Net income		-	-	-	-	-	**1,904,212**	**1,904,212**
Other comprehensive income:								
Item that may be reclassified to profit or loss	*8*	-	-	-	**531**	-	-	**531**
Items that will never be reclassified to profit or loss		-	-	-	-	**4,225**	-	**4,225**
Total comprehensive income		-	-	-	**531**	**4,225**	**1,904,212**	**1,908,968**
Transaction with owner of the Company								
Dividends	*27*	-	-	-	-	-	**(1,176,470)**	**(1,176,470)**
Balance at December 31, 2016		**P500,000**	**P462,000**	**P50,386**	**(P4,259)**	**(P5,218)**	**P9,677,908**	**P10,680,817**
Balance at January 1, 2015		P500,000	P462,000	P50,386	(P4,605)	P -	P7,829,241	P8,837,022
Total comprehensive income								
Net income		-	-	-	-	-	1,473,866	1,473,866
Other comprehensive income:								
Item that may be reclassified to profit or loss	*8*	-	-	-	(185)	-	-	(185)
Items that will not be reclassified to profit or loss		-	-	-	-	(9,443)	-	(9,443)
Total comprehensive income	-	-	-	-	(185)	(9,443)	1,473,866	1,464,238
Transaction with owner of the Company								
Dividends	*27*	-	-	-	-	-	(352,941)	(352,941)
Balance at December 31, 2015		P500,000	P462,000	P50,386	(P4,790)	(P9,443)	P8,950,166	P9,948,319

See Notes to the Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.
(A wholly-owned subsidiary of Prudential Corporation Holdings Limited)

STATEMENTS OF CASH FLOWS

(Amounts in thousands)

		Years Ended December 31	
	Note	**2016**	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax expense		**P2,036,277**	P1,517,740
Adjustments for:			
Unrealized loss on valuation of investments	*8, 21*	**165,556**	868,418
Amortization of deferred acquisition costs	*13*	**666,770**	563,692
Depreciation and amortization	*12*	**142,211**	85,883
Interest expense related to policies		**51,316**	48,194
Amortization of software development costs	*14*	**26,965**	15,332
Provision for impairment losses	*9, 11, 14*	**17,625**	47,305
Reversal of provision for impairment losses	*9, 11, 14*	**(323)**	(28,829)
Loss (gain) on disposal of property and equipment		**4,128**	(3,441)
Foreign exchange gain		**(32,372)**	(17,492)
Interest income	*21*	**(536,966)**	(547,713)
Gain on disposal of investments	*8, 21*	**(763)**	(606,818)
Operating income before working capital changes		**2,540,424**	1,942,271
Changes in:			
Premiums due from policyholders		**2,322**	54,780
Policy loans receivables		**1,038**	2,152
Coverage debt receivables		**(13,969)**	(49,659)
Deferred acquisition costs		**(1,378,426)**	(1,304,821)
Reinsurance assets		**20,939**	(10,330)
Other assets		**(269,413)**	183,282
Legal policy reserves	*22*	**93,134**	84,432
Claims payable		**32,968**	31,681
Reinsurance payable		**(15,803)**	18,796
Accounts payable, accrued expenses and other liabilities		**148,784**	594,187
Net cash provided by operations		**1,161,998**	1,546,771
Interest received		**534,451**	546,884
Interest paid		**(50,439)**	(47,413)
Contributions to retirement fund	*23*	**(43,509)**	(32,204)
Income tax paid		**(18,228)**	(20,564)
Net cash provided by operating activities		**1,584,273**	1,993,474

Forward

		Years Ended December 31	
	Note	**2016**	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of investments	*8*	**(P966,505)**	(P2,628,016)
Proceeds from disposal of investments	*8*	**519,215**	1,873,347
Acquisitions of property and equipment	*12*	**(297,844)**	(328,190)
Proceeds from disposal of property and equipment		**31,569**	6,684
Acquisitions of software costs	*14*	**(94,769)**	(61,353)
Net cash used in investing activities		**(808,334)**	(1,137,528)
CASH FLOWS FROM A FINANCING ACTIVITY			
Dividends paid	*27*	**(1,176,470)**	(352,941)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(400,531)**	503,005
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*7*	**2,605,114**	2,092,794
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS		**15,615**	9,315
CASH AND CASH EQUIVALENTS AT END OF YEAR	*7*	**P2,220,198**	P2,605,114

See Notes to the Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.
(A wholly-owned subsidiary of Prudential Corporation Holdings Limited)

NOTES TO THE 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.

The Company has a Certificate of Authority No. 2016/35-R issued by the IC to transact in life insurance business until December 31, 2018.

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 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 (PASs), and Philippine Interpretations.

The financial statements were authorized for issue by the Board of Directors (BOD) on March 30, 2017.

Basis of measurement

The 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 treasury notes and other funds under "Assets held to cover linked liabilities"	Fair value
Technical Provisions for Linked Liabilities	Fair value
Retirement liability	Present value of the defined benefit obligation less the fair value of the plan assets

Functional and presentation currency

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

3. Summary of significant accounting policies

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

Adoption of new or revised standards, amendments to standards and interpretations

The Company has adopted the following amendments to standards and new interpretation starting January 1, 2016. The adoption of these amendments to standards and interpretations did not have any significant impact on the Company's financial statements.

▸ *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 Property Plant and Equipment and PAS 38 Intangible Assets).* The amendments to PAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The amendments to PAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g., changes in sales volumes and prices.

▸ *Disclosure Initiative (Amendments to PAS 1 Presentation of Financial Statements)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:

- Information should not be obscured by aggregating or by providing immaterial information.
- Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.
- The list of line items to be presented in the statements of financial position and statements of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.
- An entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

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 the "Dividends payable to policyholders" account which is included in "Accounts payable, accrued expenses and other liabilities" account in the 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 for policies that are in-force as of each reporting date. The liability is determined as the expected future discounted value of the benefit payments that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefit expenses based on the valuation assumptions used. The liability is based on assumptions as to mortality, reserve method, and interest rate approved by the IC.

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

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

Management assessed that the insurance contracts have no derivative components.

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

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

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

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

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

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

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

Financial instruments
Date of recognition. Financial instruments are recognized in the 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) investment, 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, 2016 and 2015, 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 are 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 statement of financial position at fair value, with changes in fair value recorded in profit or loss.

These are allowed to be designated by management on initial recognition in this category when any of the following criteria are met:

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

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

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

As at December 31, 2016 and 2015, the Company does not have any financial asset designated by management as financial instruments at FVPL. However, the Company's held-for-trading investments portfolio under "Investments" in the statement of financial position amounted to PhP 9.92 billion and PhP 9.62 billion as at December 31, 2016 and 2015, respectively (see Note 8). Also, the Company's held-for-trading investments portfolio under "Assets held to cover linked liabilities" amounted to PhP 104.68 billion and PhP 97.74 billion as at December 31, 2016 and 2015 (see Note 10).

As at December 31, 2016 and 2015, the Company's held-for-trading securities include government, quasi-government, corporate debt and equity securities.

The Company's technical provisions for linked liabilities classified as financial liabilities at FVPL amounted to PhP 73.21 billion and PhP 67.83 billion as at December 31, 2016 and 2015, respectively (see Note 10).

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, 2016 and 2015, 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 affiliates are classified under this category. Cash and cash equivalents, interest receivable, receivable from life fund, and other assets 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 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, 2016 and 2015, the Company's AFS financial assets amounted to PhP 7.33 million and PhP 7.44 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 premium suspense account, premium deposit fund and liabilities to government agencies). This category also includes liability to other funds, accrued expense, and trade payable 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 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 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 is recognized under "Other assets" (see Note 14).

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 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 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.

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.

Retained earnings

Retained earnings represents profit attributable to the equity holders of the Company and reduced by dividends.

Retained earnings may also include effect of changes in accounting policy as may be required by the transitional provision of the standard.

Revenue recognition

Premiums

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

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

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

Policy administration fees

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

Investment income or loss

Investment income 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;
- whether the Company has discretion in establishing prices; and
- whether the Company bears the credit risk.

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 monthly salary payable to an employee with the required credited years of 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.

Leases

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

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.

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 carryforward 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 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 financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

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 financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

New or revised 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, 2016. However, the Company has not applied the following new or revised and amended standards in preparing these financial statements. The Company is currently assessing the potential impact of these on its financial statements.

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

Effective January 1, 2017

- *Disclosure Initiative (Amendments to PAS 7 Statement of Cash Flows).* The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g., by providing a reconciliation between the opening and closing balances in the statements of financial position for liabilities arising from financing activities.

  The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. When an entity first applies the amendments, it is not required to provide comparative information for preceding periods.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12 Income Taxes).* The amendments clarify that:

  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;
  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;
  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

  The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2017. Early adoption is permitted. On initial application, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If an entity applies the relief, it shall disclose that fact.

Effective January 1, 2018

- *PFRS 9 Financial Instruments (2014). PFRS 9 (2014) replaces PAS 39 Financial Instruments: Recognition and Measurement* 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 new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

- *Applying PFRS 9 with PFRS 4 (Amendments to PFRS 4).* The amendments 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. A qualified entity is permitted to apply the temporary exemption for annual reporting periods beginning before January 1, 2021. The amendments also provide an overlay approach to presentation when applying PFRS 9 where an entity is permitted to reclassify between profit or loss and other comprehensive income the difference between the amounts recognized in profit or loss under PFRS 9 and those that would have been reported under PAS 39, for designated financial assets. A financial asset is eligible for designation if it is not held for an activity that is unconnected with contracts in the scope of PFRS 4, and if it is measured at fair value through profit or loss under PFRS 9, but would not have been under PAS 39. An entity is generally permitted to start applying the overlay approach only when it first applies PFRS 9, including after previously applying the temporary exemption.

  The amendments permitting the temporary exemption is for annual periods beginning on or after January 1, 2018 and the amendments allowing the overlay approach are applicable when an entity first applies PFRS 9.

- *PFRS 15 Revenue from Contracts with Customers replaces PAS 11 Construction Contracts, PAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services.* The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

  The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Effective January 1, 2019

- PFRS 16 Leases supersedes PAS 17 Leases and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

  PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16.

4. Use of judgments and estimates

The Company makes judgments and key 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

(a) Impairment of financial assets

Investments at fair value

The Company considers that investments are impaired when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged decline requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share/market price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

As at December 31, 2016 and 2015, 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, 2016 and 2015, the Company has recognized impairment loss amounting to PhP 140.10 million and PhP 122.80 million (see Notes 9,11 and 14), respectively.

(b) Classifying financial instruments

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the 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, 2016 and 2015, the Company classified its financial instruments as financial instruments at FVPL, AFS financial assets, loans and receivables, and other financial liabilities.

Estimates

(a) Liabilities arising from claims made under insurance contracts

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

Claims estimation by the Company considers many factors such as industry average mortality or morbidity experience, with adjustments to reflect Company's historical experience. These liabilities form part of the Company's IBNR which amounted to PhP 21.31 million and PhP 49.62 million as at December 31, 2016 and 2015, respectively (see Note 16).

(b) Legal policy reserves

The Company estimates the amount of its liability to policyholders in two stages. 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. Certain profit targets are also set at this stage. These assumptions are used in calculating liabilities during the life of the contracts. A margin for risk and uncertainty is added to these assumptions. In order to minimize risk, 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, 2016 and 2015 computed under the requirements of PFRS 4, amounted to cash inflows of PhP 7.07 billion and PhP 5.20 billion, respectively. Accordingly, the recorded legal policy reserves which is calculated in accordance with the requirements of the Insurance Code amounting to PhP 5.01 billion and PhP 4.91 billion as at December 31, 2016 and 2015, respectively (see Note 15), is adequate using best estimate assumptions.

(c) Fair value estimation

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

As at December 31, 2016 and 2015, the Company's financial instruments carried at fair value are classified as Level 1 and 2 in the fair value hierarchy.

(d) Estimating useful lives of property and equipment and software development costs

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

As at December 31, 2016 and 2015, the carrying amounts of property and equipment and software development costs amounted to PhP 757.57 million and PhP 569.83 million, respectively (see Notes 12 and 14).

(e) Estimating amortization period of deferred acquisition costs

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

As at December 31, 2016 and 2015, the carrying amount of deferred acquisition costs amounted to PhP 5.68 billion and PhP 4.97 billion, respectively (see Note 13).

(f) Estimating impairment of financial assets

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

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

As at December 31, 2016 and 2015, the carrying value of the Company's policy loans receivables, coverage debt receivables and advances to employees and agents amounted to PhP 731.97 million and PhP 723.39 million, respectively. Provisions for impairment losses amounted to PhP 17.63 million and PhP 47.31 million in 2016 and 2015, respectively (see Notes 9, 11 and 14).

(g) Estimating retirement and other employee benefits

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

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

As at December 31, 2016 and 2015, the Company's net retirement liability amounted to PhP 65.99 million and PhP 48.92 million, respectively (see Note 23).

(h) Estimating realizability of deferred tax assets

The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Any deferred tax asset will be re-measured 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, 2016 and 2015, the Company recognized deferred tax assets amounting to PhP 1.03 billion and PhP 932.49 million, respectively. However, unrecognized deferred tax assets from NOLCO amounted to nil and PhP 160.37 million as at December 31, 2016 and 2015, respectively (see Note 24).

5. Capital, insurance and financial risks 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 PhP 250.00 million by June 30, 2013. Furthermore, said company must have an additional PhP 300.00 million in net worth by December 31, 2016; an additional PhP 350.00 million in networth by December 31, 2019; and an additional PhP 400.00 million in net worth by December 31, 2022.

As at December 31, 2016 and 2015, the Company has complied with the minimum networth requirements.

RBC Requirements

IC Memorandum Circular (IMC) No. 6-2006 provides for the RBC framework for the life insurance industry to establish the required amounts of capital to be maintained by the life insurance companies in relation to their investments and insurance risks. Every life insurance company is required annually to maintain a minimum RBC ratio of 100% and not fail the trend test. Failure to meet the minimum RBC ratio shall subject the life insurance company to corresponding regulatory intervention which has been defined at various levels.

The RBC ratio shall be calculated as networth divided by the RBC requirement. Net worth shall consist of the total paid-up capital, contributed surplus, retained earnings and revaluation of assets as may be approved by the Commissioner of IC.

The following table shows the RBC ratio of the Company as at December 31, 2016 and 2015.

	2016	2015
Networth	**P4,208,422**	P4,232,605
RBC requirement	**674,993**	629,364
RBC ratio	**623%**	673%

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 admitted and non-admitted assets as defined under the Insurance Code. As at December 31, 2016 and 2015, 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 statement of financial position. These assets, which are subject to final determination by the IC, are as follows:

	Note	2016	2015
Deferred acquisition cost	13	**P5,677,319**	P4,965,663
Property and equipment - net		**516,347**	377,596
Unrealized fair value gains - net		**370,175**	494,094
Other assets		**369,606**	225,574
		P6,933,447	P6,062,927

December 28, 2016, the Insurance Commission released CL No. 2016-69 which provides, among other things, that the level of sufficiency for the Amended Risk-Based Capital (RBC 2) Framework shall be at 95th percentile level of sufficiency for the year 2017, 97.5th percentile for the year 2018, and 99.5th percentile for the year 2019. RBC 2 Framework shall be made effective January 1, 2017.

Insurance risk

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

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

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

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

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

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

Concentration of insurance risk

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

	2016	2015
Whole and term life	**P3,586,466**	P3,491,019
Endowment	**1,001,065**	1,072,401
Personal accident	**13,261**	11,096
Group and accident & health	**8,193**	13,846
Riders and others products	**398,231**	325,720
	P5,007,216	P4,914,082

Classification by attained age (based on 2016 and 2015 data of in-force policies)

The table below presents the concentration of risk by attained age as at December 31, 2016 and 2015. For individual insurance, exposure is concentrated on age brackets 40-44 to 55-59 in 2016 and 2015.

	2016 Individual		2015 Individual	
Attained Age	Exposure '000	Concentration (%)	Exposure '000	Concentration (%)
<20	**P411,077**	**8.22%**	P507,102	10.35%
20 - 24	**121,889**	**2.44%**	125,986	2.57%
25 - 29	**181,464**	**3.63%**	163,629	3.34%
30 - 34	**207,513**	**4.15%**	196,957	4.02%
35 - 39	**340,536**	**6.81%**	371,658	7.58%
40 - 44	**583,531**	**11.67%**	597,305	12.19%
45 - 49	**688,331**	**13.77%**	660,351	13.48%
50 - 54	**754,552**	**15.09%**	749,443	15.29%
55 - 59	**704,732**	**14.10%**	658,425	13.44%
60 - 64	**484,432**	**9.69%**	436,594	8.91%
65 - 69	**276,983**	**5.54%**	272,352	5.56%
70 - 74	**168,042**	**3.36%**	100,744	2.06%
75 - 79	**43,672**	**0.88%**	31,214	0.63%
80 +	**32,269**	**0.65%**	28,476	0.58%
Total	**P4,999,023**	**100.00%**	P4,900,236	100.00%

For group insurance, exposure is concentrated on age bracket 35 - 39 in 2016 and 35 - 39 and 50 - 54 in 2015.

	2016 Group			
	Gross of Reinsurance		Net Reinsurance	
Attained Age	Exposure '000	Concentration (%)	Exposure '000	Concentration (%)
20 - 24	P -	-	P -	-
25 - 29	-	-	-	-
30 - 34	-	-	-	-
35 - 39	8,174	99.76%	5,327	99.64%
40 - 44	-	-	-	-
45 - 49	1	0.01%	1	0.01%
50 - 54	16	0.20%	16	0.30%
55 - 59	2	0.03%	2	0.05%
60 +	-	-	-	-
Total	P8,193	100.00%	P5,346	100.00%

	2015 Group			
	Gross of reinsurance		Net reinsurance	
Attained Age	Exposure '000	Concentration (%)	Exposure '000	Concentration (%)
20 - 24	P6	0.04%	P6	0.05%
25 - 29	97	0.70%	96	0.87%
30 - 34	340	2.46%	337	3.04%
35 - 39	8,839	63.84%	6,078	54.92%
40 - 44	704	5.09%	698	6.31%
45 - 49	935	6.75%	928	8.38%
50 - 54	1,446	10.44%	1,446	13.06%
55 - 59	972	7.02%	972	8.78%
60 +	507	3.66%	507	4.59%
Total	P13,846	100.00%	P11,068	100.00%

Key assumptions

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

(a) 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 of accident or sickness, and recovery there from, for a defined group of people. For the purpose of liability valuation, rates are based on standard tables, as required by the Insurance Code.

(b) Valuation interest rates refer to the rates used in determining the value of life insurance liabilities. The value of life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expense directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows.

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.

		2016	2015
	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%	**(P84.31)**	(P76.39)
	-5%	**86.56**	84.76
Valuation interest rate	+ 100 basis points	**507.85**	511.08
	- 100 basis points	**(646.70)**	(652.98)

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

Investment risk

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

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

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

The Company invests in equity and debt instruments as dictated by the Company's investment management strategy. Asset allocation is determined by the Company's

Fund Manager, Eastspring Investments (Singapore) Limited, who manages the distribution of assets to achieve the investment objectives. Divergence from target asset allocations and the composition of the Company's portfolio is monitored by the Investment Committee.

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

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

Financial risk

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

- Credit risk
- Liquidity risk
- Market risk

There has been no change to the Company's exposure to financial risks (i.e. credit risk, liquidity risk and market 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 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 PhP 56.00 billion (90.01%) and PhP 58.84 billion (89.94%) of the Company's total financial assets as at December 31, 2016 and 2015, respectively (see Notes 8 and 10).

The table below provides information regarding the credit risk exposure of the Company as at December 31, 2016 and 2015 by classifying assets according to the Company's credit grading of counterparties.

2016

	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 in bank and cash equivalents	P2,219,621	P -	P2,219,621	P -	P2,219,621
Interest receivable	128,266	-	128,266	-	128,266
Coverage debt receivable	-	218,145	218,145	124,739	342,884
Investments in debt securities	9,909,321	-	9,909,321	-	9,909,321
Premiums due from policyholders	-	29,593	29,593	-	29,593
Policy loans receivable	-	452,955	452,955	11,724	464,679
Reinsurance assets	-	11,349	11,349	-	11,349
Other assets (excluding withholding tax receivables and nonrefundable deposits and prepayments)	-	306,960	306,960	3,641	310,601
Assets held to cover linked liabilities					
Cash and cash equivalents	1,818,992	-	1,818,992	-	1,818,992
Interest receivables	349,712	-	349,712	-	349,712
Receivable from life fund	162,927	-	162,927	-	162,927
Investment in debt securities	46,349,855	-	46,349,855	-	46,349,855
Other assets	84,450	-	84,450	-	84,450
	P61,023,144	P1,019,002	P62,042,146	P140,104	P62,182,250

2015

	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 in bank and cash equivalents	P2,604,480	P -	P2,604,480	P -	P2,604,480
Interest receivable	125,751	-	125,751	-	125,751
Coverage debt receivable	-	217,047	217,047	111,868	328,915
Investments in debt securities	9,609,428	-	9,609,428	-	9,609,428
Premiums due from policyholders	-	31,915	31,915	-	31,915
Policy loans receivable	-	457,571	457,571	8,146	465,717
Reinsurance assets	-	32,288	32,288	-	32,288
Other assets (excluding withholding tax receivables and nonrefundable deposits and prepayments)	-	133,340	133,340	2,788	136,128
Assets held to cover linked liabilities					
Cash and cash equivalents	1,469,712	-	1,469,712	-	1,469,712
Interest receivables	375,588	-	375,588	-	375,588
Receivable from life fund	368,480	-	368,480	-	368,480
Investment in debt securities	49,692,893	-	49,692,893	-	49,692,893
Other assets	176,854	-	176,854	-	176,854
	P64,423,186	P872,161	P65,295,347	P122,802	P65,418,149

The Company has no past due but not impaired financial assets as at December 31, 2016 and 2015.

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, 2016 and 2015:

2016

	Note	Carrying amount	Contractual cash flow
Technical provision for linked liabilities	10	P72,213,153	P73,213,153
Claims payable	16	319,453	319,453
Reinsurance payable	17	77,553	77,553
Accounts payable, accrued expenses and other liabilities*		2,763,978	2,763,978
Assets held to cover linked liabilities			
Liability to life fund and other linked funds	10	33,641,732	33,641,732
Accrued expenses	10	91,139	91,139
Trade payable	10	147,370	147,370
		P110,254,378	P110,254,378

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

2015

	Note	Carrying amount	Contractual cash flow
Technical provision for linked liabilities	10	P67,832,693	P67,832,693
Claims payable	16	286,485	286,485
Reinsurance payable	17	93,356	93,356
Accounts payable, accrued expenses and other liabilities*		2,748,472	2,748,472
Assets held to cover linked liabilities			
Liability to life fund and other linked funds	10	31,897,948	31,897,948
Accrued expenses	10	55,529	55,529
Trade payable	10	342,629	342,629
		P103,257,112	P103,257,112

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 Note 8 and 10 to the 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 the risk 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 US dollar:

	2016	2015
Short-term time deposits	$8,587	$3,984
Investments	337,060	300,759
	$345,647	$304,743
Foreign exchange rate to the Philippine peso used*	49.81	47.17
	P17,216,677	P14,374,727

Exchange rate used is based on Bangko Sentral ng Pilipinas foreign exchange rate as at December 29, 2016 and 2015.

A 6% (2015: 3%) strengthening of US dollar against Philippine peso as at December 31, 2016, with all other variables remaining constant, would have affected the measurement of financial instruments denominated in US dollar and increased profit before tax and equity by PhP 1.03 billion (2015: PhP 431.24 million). A 6% (2015: 3%) weakening of the US 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 2016 and 2015, the Company determined the reasonably possible change in foreign currency exchange rates based on the historical fluctuation of the assets denominated in US 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 are 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.

		2016		2015	
Currency	Changes in variables	+50 bps	-50 bps	+50 bps	-50 bps
Philippine peso		(P1,019,963)	P1,090,208	(P1,129,640)	P1,203,165
US dollar		(375,280)	400,251	(342,646)	365,649
Fair value sensitivity		(P1,395,243)	P1,490,459	(P1,472,286)	P1,568,814

In 2016 and 2015, 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 price risk exposure relates to investments in equity securities with carrying balances of PhP 58.33 billion and PhP 48.05 billion (see Notes 8 and 10) as at December 31, 2016 and 2015, respectively. The value of these equity securities will fluctuate with changes in market conditions.

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

		2016		2015	
Market indices	Changes in variables	Impact on income before income tax increase (decrease)	Impact on equity increase (decrease)	Impact on income before income tax increase (decrease)	Impact on equity increase (decrease)
PSE index	+7%	P -	P4,083,435	P -	P3,363,690
PSE index	-7%	-	(4,083,435)	-	(3,363,690)

In 2016 and 2015, the Company determined the reasonably possible change in Philippine Stock Exchange (PSE) Index based on the historical fluctuation of equity securities the Company holds as of the reporting date.

6. Summary of significant accounting policies

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

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

	Note	2016
Level 1		
Financial assets		
Financial assets at FVPL	8	P9,909,321
AFS financial assets	8	7,331
Financial assets at FVPL under assets held to cover linked liabilities	10	104,677,313
Level 2		
Financial liabilities		
Technical provisions for linked liabilities	10	(73,213,153)

	Note	2015
Level 1		
Financial assets		
Financial assets at FVPL	8	P9,609,428
AFS financial assets	8	7,439
Financial assets at FVPL under assets held to cover linked liabilities	10	97,738,165
Level 2		
Financial liabilities		
Technical provisions for linked liabilities	10	(67,832,693)

The Company has no financial instruments categorized under Level 3. Also, there has been no transfer between levels in 2016 and 2015.

7. Cash and cash equivalents

	2016	2015
Cash on hand and in banks	P804,524	P1,063,156
Short-term placements	1,415,674	1,541,958
	P2,220,198	P2,605,114

Short-term placements are Philippine peso and US dollar time deposits with various financial institutions with maturities ranging from overnight to ninety days and interest from 0.01% to .85% and 0.01% to 0.55% per annum in 2016 and 2015, respectively.

Interest income recognized in profit or loss which is presented under "Investment income" amounted to PhP 13.25 million and PhP 13.84 million in 2016 and 2015, respectively.

8. Investments

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

For the year December 31, 2016	Note	AFS Financial assets	Financial assets at FVPL	Total investments
Cost at January 1, 2016		P12,229	P9,163,269	P9,175,498
Unrealized (losses) gains at January 1, 2016		(4,790)	446,159	441,369
Fair value at January 1, 2016		7,439	9,609,428	9,616,867
Fair value gain (loss) recognized in:				
Profit or loss	21	-	(165,556)	(165,556)
Other comprehensive income		531	-	531
Foreign exchange gain	21	-	16,757	16,757
Purchases		-	966,505	966,505
Proceeds from disposal of financial assets		(352)	(518,863)	(519,215)
Gain (loss) on disposal of financial assets	21	(287)	1,050	763
Fair value at December 31, 2016		P7,331	P9,909,321	P9,916,652
Cost at December 31, 2016		P11,590	P9,611,961	P9,623,551
Unrealized gains (losses) at December 31, 2016		(P4,259)	P297,360	P293,101

For the year December 31, 2015	Note	AFS Financial assets	Financial assets at FVPL	Total investments
Cost at January 1, 2015		P12,229	P7,801,782	P7,814,011
Unrealized (losses) gains at January 1, 2015		(4,605)	1,306,400	1,301,795
Fair value at January 1, 2015		7,624	9,108,182	9,115,806
Fair value gain (loss) recognized in:				
Profit or loss	21	-	(868,418)	(868,418)
Other comprehensive income		(185)	-	(185)
Foreign exchange gain	21	-	8,177	8,177
Purchases		-	2,628,016	2,628,016
Proceeds from disposal of financial assets		-	(1,873,347)	(1,873,347)
Gain (loss) on disposal of financial assets	21	-	606,818	606,818
Fair value at December 31, 2015		P7,439	P9,609,428	P9,616,867
Cost at December 31, 2015		P12,229	P9,163,269	P9,175,498
Unrealized gains (losses) at December 31, 2015		(P4,790)	P446,159	P441,369

The Company's investments consist of the following:

	2016	2015
Government bonds	P9,653,024	P9,145,174
Corporate debt securities	136,017	136,924
Quasi government bonds	120,280	327,330
Equity securities	7,331	7,439
	P9,916,652	P9,616,867

Interest rates range from 2.13% to 15.00% in 2016 and 2015.

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

	2016	2015
Balance at beginning of year	(P4,790)	(P4,605)
Fair value gain (loss)	531	(185)
Balance at end of year	(P4,259)	(P4,790)

9. Policy loans receivables

	2016	2015
Policy loans receivables	**P464,679**	P465,717
Allowance for impairment losses	**(11,724)**	(8,146)
	P452,955	P457,571

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 PhP 3.58 million and PhP 0.16 million in 2016 and 2015, respectively, were recognized as expense under "Others" in profit or loss.

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

	2016	2015
Balance at beginning of year	**P8,146**	P7,991
Provision for impairment losses	**3,578**	155
Balance at end of year	**P11,724**	P8,146

10. Assets held to cover linked liabilities

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

	2016	2015
Cash and cash equivalents	**P1,818,992**	P1,469,712
Interest receivables	**349,712**	375,588
Receivable from life fund	**162,927**	368,480
Investments in treasury notes and other funds	**104,677,313**	97,738,165
Other assets	**84,450**	176,854
Liability to other funds	**(33,641,732)**	(31,897,948)
Accrued expense	**(91,139)**	(55,529)
Trade payable	**(147,370)**	(342,629)
Net assets	**P73,213,153**	P67,832,693

Investments in treasury notes and other funds are composed of:

	2016	2015
Investments in treasury notes	**P33,255,640**	P33,610,858
Investments in shares of stocks	**37,911,473**	32,254,060
Investment in other funds:		
Investment in bond fund	**13,094,215**	16,082,035
Investment in equity fund	**20,415,985**	15,791,212
Total investments	**P104,677,313**	P97,738,165

Total premiums and costs from the unit-linked product for the period ended 2016 and 2015 are as follows:

	Note	2016	2015
Link premiums	*19*	**P17,705,753**	P19,417,830
Costs on premiums of variable insurance		**(6,758,932)**	(10,604,990)
Net link premiums		**P10,946,821**	P8,812,840

11. Coverage debt receivables

	2016	2015
Coverage debt receivables	**P342,884**	P328,915
Allowance for impairment losses	**(124,739)**	(111,868)
	P218,145	P217,047

Coverage debt receivables pertain to policy administration fees charged to the investment account of unit-linked policyholders.

These receivables normally arise from policy administration fees 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 PhP 12.87 million and PhP 46.61 million in 2016 and 2015, respectively, were recognized in profit or loss.

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

	2016	2015
Balance at beginning of year	**P111,868**	P92,486
Provision for impairment losses	**12,871**	46,610
Reversals taken up to profit or loss	-	(27,228)
Balance at end of year	**P124,739**	P111,868

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12. Property and equipment

The movements in this account are as follows:

2016

	Computer equipment	Furniture, fixtures and equipment	Transportation equipment	Condominium unit	Leasehold improvements	Office improvement in progress	Total
Gross carrying amount							
Beginning balance	P192,843	P110,389	P73,720	P10,027	P460,040	P43,394	P890,413
Additions	22,665	70,610	28,235	-	123,415	52,919	297,844
Disposals	(16,553)	(19,770)	(22,122)	-	(59,971)	-	(118,416)
Reclassifications	-	-	-	-	84,275	(84,275)	-
Ending balance	198,955	161,229	79,833	10,027	607,759	12,038	1,069,841
Accumulated depreciation and amortization							
Beginning balance	87,767	71,841	34,737	5,579	203,368	-	403,292
Depreciation and amortization	30,830	19,056	14,762	414	77,149	-	142,211
Disposals	(6,317)	(13,145)	(16,511)	-	(46,746)	-	(82,719)
Ending balance	112,280	77,752	32,988	5,993	233,771	-	462,784
Carrying amount							
Beginning balance	P105,076	P38,548	P38,983	P4,448	P256,672	P43,394	P487,121
Carrying amount							
Ending balance	P86,675	P83,477	P46,845	P4,034	P373,988	P12,038	P607,057

2015

	Computer equipment	Furniture, fixtures and equipment	Transportation equipment	Condominium unit	Leasehold improvements	Office improvement in progress	Total
Gross carrying amount							
Beginning balance	P104,091	P94,446	P71,340	P10,027	P302,253	P12,475	P594,632
Additions	94,604	15,259	17,550	-	80,915	119,862	328,190
Disposals	(5,852)	(2,212)	(15,170)	-	(9,175)	-	(32,409)
Reclassifications	-	2,896	-	-	86,047	(88,943)	-
Ending balance	192,843	110,389	73,720	10,027	460,040	43,394	890,413
Accumulated depreciation and amortization							
Beginning balance	77,130	65,875	34,345	5,165	164,060	-	346,575
Depreciation and amortization	16,264	7,860	13,574	414	47,771	-	85,883
Disposals	(5,627)	(1,894)	(13,182)	-	(8,463)	-	(29,166)
Ending balance	87,767	71,841	34,737	5,579	203,368	-	403,292
Carrying amount							
Beginning balance	P26,961	P28,571	P36,995	P4,862	P138,193	P12,475	P248,057
Carrying amount							
Ending balance	P105,076	P38,548	P38,983	P4,448	P256,672	P43,394	P487,121

13. Deferred acquisition costs

	2016	2015
Beginning balance	**P4,965,663**	P4,224,534
Movements during the year:		
Deferred expenses	**1,378,426**	1,304,821
Amortization of deferred acquisition costs	**(666,770)**	(563,692)
	711,656	741,129
Ending balance	**P5,677,319**	P4,965,663

14. Other assets

	Note	2016	2015
Receivable from unit-linked fund		**P229,363**	P78,684
Software development costs - net		**150,510**	82,706
Nonrefundable deposits		**103,074**	87,151
Prepayments		**97,169**	46,440
Advances to employees and agents		**64,509**	51,558
Due from related parties	*25*	**6,834**	2,384
Others		**81,140**	46,459
		732,599	395,382
Allowance for impairment losses on advances to employees and agents		**(3,641)**	(2,788)
		P728,958	P392,594

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

Software development costs consist of amounts capitalized for the development and launching of new variants of the Company's two (2) major products – the unit-linked regular premium pay products and the unit-linked single premium pay products. These also include 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.

Prepayments consist mainly of prepaid rent.

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:

	2016	2015
Balance at beginning of year	**P2,788**	P3,849
Provision for impairment losses	**1,176**	540
Reversals taken up to profit or loss	**(323)**	(1,601)
Balance at end of year	**P3,641**	P2,788

The Company collected advances to employees and agents that have been previously written off amounting to PhP 0.32 million and PhP 1.60 million in 2016 and 2015, respectively.

The movements of software development costs in 2016 and 2015 are as follows:

	2016	2015
Gross carrying amount		
Beginning balance	**P314,664**	P262,708
Acquisitions	**94,769**	61,353
Write-off	**-**	(9,397)
Ending balance	**409,433**	314,664
Accumulated amortization		
Beginning balance	**231,958**	226,023
Amortization	**26,965**	15,332
Write-off	**-**	(9,397)
Ending balance	**258,923**	231,958
Net carrying amount		
Beginning balance	**P82,706**	P36,685
Ending balance	**P150,510**	P82,706

15. Legal policy reserves

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

	2016	2015
Beginning balance	**P4,914,082**	P4,829,650
Net premiums written	**233,943**	228,405
Liabilities released for payments on death, surrenders and other terminations	**(375,608)**	(417,394)
Accretion of interest	**245,200**	273,875
Other movements	**(10,401)**	(454)
Ending balance	**P5,007,216**	P4,914,082

On December 28, 2016, the IC released CL No. 2016-66 requiring that the value standards, using the gross premium valuation, for life insurance policy reserves be implemented effective January 1, 2017.

The Company has conducted parallel runs on the application of the new valuation standards for traditional policies and assessed that this will have an effect of increasing the said life insurance policy reserves.

16. Claims payable

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

	2016	2015
Beginning balance:		
Notified payable	**P236,862**	P206,679
IBNR	**49,623**	48,125
	286,485	254,804
Cash paid for claims settled during the year	**(601,461)**	(414,701)
Increase in liabilities	**634,429**	446,382
Ending balance	**P319,453**	P286,485
Notified claims payable	**P298,143**	P236,862
IBNR	**21,310**	49,623
	P319,453	P286,485

17. Reinsurance payable

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

	Note	2016	2015
Beginning balance		**P93,356**	P74,560
Premium ceded to reinsurers	19	**437,732**	458,850
Paid during the year		**(453,535)**	(440,054)
Ending balance		**P77,553**	P93,356

18. Accounts payable, accrued expenses and other liabilities

The account consists of the following:

	Note	2016	2015
Dividends payable to policyholders		**P1,120,597**	P1,068,806
Accrued expenses		**733,446**	756,886
Agent's commission payable		**375,683**	264,356
Premium suspense account		**194,765**	148,215
Provident fund payable		**183,808**	149,381
Due to unit-linked funds		**170,913**	371,248
Withholding tax payable		**142,157**	100,128
Due to related parties	25	**73,160**	71,152
Retirement liability	23	**65,992**	48,917
Premium deposit fund		**50,912**	53,132
Premium tax payable		**18,590**	16,071
Other liabilities		**104,378**	84,182
		P3,234,401	P3,132,474

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

Accrued expenses primarily consist of performance and incentive bonuses payable.

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.

Agent's commission payable pertains to unpaid commissions.

Provident fund payable represents the retirement fund for agents.

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.

Due to related parties account includes payables to Eastspring Investments (Singapore) Limited, Inc (Eastspring), Prudential Services Asia (PSA) and Prudential Holdings Limited (PHL) (see Note 25).

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.

19. Net premiums

Gross premiums on insurance contracts:

	Note	2016	2015
Unit-linked insurance	10	**P17,705,753**	P19,417,830
Group life insurance		**592,637**	585,666
Ordinary life insurance		**225,341**	243,236
Accident and health		**30,369**	21,932
		P18,554,100	P20,268,664

Reinsurer's share of gross premiums on insurance contracts:

	Note	2016	2015
Unit-linked insurance		**P85,755**	P76,339
Group life insurance		**336,546**	371,044
Ordinary life insurance		**14,923**	10,979
Accident and health		**508**	488
	17	**P437,732**	P458,850

Net premiums on insurance contracts:

	2016	2015
Unit-linked insurance	**P17,619,998**	P19,341,491
Group life insurance	**256,091**	214,622
Ordinary life insurance	**210,418**	232,257
Accident and health	**29,861**	21,444
	P18,116,368	P19,809,814

20. 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:

	2016	2015
Managed Fund	**1.79%**	1.79%
Bond Fund (Philippine Peso)	**1.53%**	1.53%
Bond Fund (US 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	**1.95%**	1.95%

Policy administration fees amounted to PhP 1.48 billion and PhP 1.34 billion in 2016 and 2015, respectively.

21. Investment income (Loss)

The account consists of the following:

	Note	2016	2015
Interest income		**P536,966**	P547,713
Foreign exchange gain	8	**16,757**	8,177
Gain on disposal of investments	8	**763**	606,818
Final withholding tax		**(102,288)**	(221,724)
Unrealized loss on valuation of investments	8	**(165,556)**	(868,418)
Investment management expense	25a	**(265,943)**	(237,972)
		P20,699	(P165,406)

22. Benefits and claims

Gross benefits and claims on insurance contracts:

2016

	Gross benefits and claims	Reinsurers' share of gross benefits and claims	Net
Unit-linked insurance	**P5,413,639**	**(P16,355)**	**P5,397,284**
Ordinary life insurance	**298,291**	**(572)**	**297,719**
Group life insurance	**118,668**	**-**	**118,668**
Accident and health	**1,130**	**(45)**	**1,085**
	P5,831,728	**(P16,972)**	**P5,814,756**

2015

	Gross benefits and claims	Reinsurers' share of gross benefits and claims	Net
Unit-linked insurance	P4,026,466	(P10,394)	P4,016,072
Ordinary life insurance	271,032	(332)	270,700
Group life insurance	98,609	(22,181)	76,428
Accident and health	1,890	(115)	1,775
	P4,397,997	(P33,022)	P4,364,975

Gross change in increase in legal policy reserves:

	2016	2015
Unit-linked insurance	**P68,212**	P56,462
Ordinary life insurance	**29,878**	44,270
Group life insurance	**(5,597)**	(14,679)
Accident and health	**641**	(1,621)
	P93,134	P84,432

23. 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, 2016, the DB liability is greater than the DC liability.

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

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balance at January 1, 2016	**P305,905**	**P256,988**	**P48,917**
Included in profit or loss			
Current service cost	**65,752**	**-**	**65,752**
Interest cost	**13,851**	**12,983**	**868**
	79,603	**12,983**	**66,620**
Included in other comprehensive income			
Remeasurements loss (gain):			
Actuarial gain arising from:			
Financial assumptions	**(7,390)**	**-**	**(7,390)**
Experience adjustment	**(10,175)**	**-**	**(10,175)**
Return on plan assets excluding interest income	**-**	**(11,529)**	**11,529**
	(17,565)	**(11,529)**	**(6,036)**
Others			
Contributions paid by the employer	**-**	**43,509**	**(43,509)**
Benefits paid	**(17,164)**	**(17,164)**	**-**
	(17,164)	**26,345**	**(43,509)**
Balance at December 31, 2016	**P350,779**	**P284,787**	**P65,992**

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balance at January 1, 2015	P279,527	P247,785	P31,742
Included in profit or loss			
Current service cost	34,246	-	34,246
Interest cost	12,226	10,583	1,643
	46,472	10,583	35,889
Included in other comprehensive income			
Remeasurements loss (gain):			
Actuarial loss (gain) arising from:			
Financial assumptions	(29,507)	-	(29,507)
Experience adjustment	33,989	-	33,989
Return on plan assets excluding interest income	-	(9,008)	9,008
	4,482	(9,008)	13,490
Others			
Contributions paid by the employer	-	32,204	(32,204)
Benefits paid	(24,576)	(24,576)	-
	(24,576)	7,628	(32,204)
Balance at December 31, 2015	P305,905	P256,988	P48,917

The retirement expense under "Salaries, allowances and employees' benefits" account in profit or loss amounted to PhP 66.62 million and PhP 35.89 million in 2016 and 2015, respectively.

The Company's plan assets consist of the following:

	2016	2015
Cash and cash equivalents	**P39**	P39
Receivables	**1,700**	-
Government securities	**84,904**	90,036
Deposit instruments	**18,100**	-
Unit investments trust funds	**35,654**	60,083
Investment in mutual funds	**101,119**	59,106
Corporate bonds	**63,100**	63,691
Trust fee payable	**(349)**	(329)
Other payables	**(19,480)**	(15,638)
	P284,787	P256,988

The expected contribution to the defined benefit retirement plan in 2017 is PhP 57.31 million.

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

	2016	2015
Discount rate	**5.25%**	4.75%
Future salary growth	**6.00%**	6.00%

The weighted-average duration of the defined benefit obligation is 13 years both in December 31, 2016 and 2015, respectively.

Maturity analysis of the benefit payments:

2016

	Carrying amount	Contractual cash flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Retirement liability	P350,779	P311,000	P24,158	P88,722	P198,120

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 amounts shown below:

	Defined benefit obligation	
	Increase	Decrease
Discount rate (1% movement)	(P9,541)	P18,205
Future salary growth (1% movement)	17,784	(9,541)

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.

24. Income taxes

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

	2016	2015
Current tax expense	**P3,945**	P4,280
Deferred tax expense	**128,120**	39,594
	P132,065	P43,874

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

	2016	2015
Income before income tax expense	**P2,036,277**	P1,517,740
Income tax using the domestic corporation tax rate	**P610,883**	P455,322
Additions to (reduction in) income tax resulting from:		
Non-deductible expenses	**15,395**	14,458
Other income subjected to final tax	**(190,939)**	(170,839)
Non-taxable gain from disposal of investments	**(112,150)**	(242,696)
Interest income subjected to final tax	**(376,565)**	(383,648)
Non-deductible loss on valuation of investments	**41,579**	255,950
Expired recognized NOLCO	**304,397**	209,165
Effect of unrecognized deferred tax assets	**(164,480)**	(98,118)
Expired MCIT	**3,945**	4,280
	P132,065	P43,874

Deferred tax assets with respect to the Company's NOLCO has not been fully recognized because it is not probable that future taxable profit will be available against which the Company can utilize the benefits from. Unrecognized deferred tax asset on NOLCO amounted to nil and PhP 534.58 million as at December 31, 2016 and 2015, respectively.

Below is the movement of the deferred tax assets and deferred tax liability recognized as at December 31, 2016 and 2015.

2016

	Beginning balance	**Amount (Charged) credited to profit or loss**	**Amount recognized in other comprehensive income**	**Ending balance**
NOLCO	**P508,944**	**P39,856**	**P -**	**P548,800**
Accrued expenses	**241,744**	**5,278**	**-**	**247,022**
Agent's Commission	**79,306**	**33,399**	**-**	**112,705**
Provident fund	**44,814**	**10,329**	**-**	**55,143**
IBNR	**14,886**	**(8,493)**	**-**	**6,393**
MCIT	**38,744**	**21,101**	**-**	**59,845**
Retirement liability	**4,047**	**-**	**(1,811)**	**2,236**
Deferred acquisition cost	**(1,489,700)**	**(213,496)**	**-**	**(1,703,196)**
Deferred tax liability - net	**(P557,215)**	**(P112,026)**	**(P1,811)**	**(P671,052)**

2015

	Beginning balance	Amount (Charged) credited to profit or loss	Amount recognized in other comprehensive income	Ending balance
NOLCO	P425,978	P82,966	P -	P508,944
Accrued expenses	156,660	85,084	-	241,744
Agent's Commission	71,614	7,692	-	79,306
Provident fund	38,260	6,554	-	44,814
IBNR	14,437	449	-	14,886
MCIT	26,507	12,237	-	38,744
Retirement liability	-	-	4,047	4,047
Deferred acquisition cost	(1,267,361)	(222,339)	-	(1,489,700)
Deferred tax liability- net	(P533,905)	(P27,357)	P4,047	(P557,215)

The Company recognized deferred tax assets pertaining to MCIT amounting to PhP 59.85 million and PhP 38.74 million in 2016 and 2015, respectively.

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

Year Incurred	Amount	Write-off/Application	Remaining balance	Date of expiration
2013	P3,945	P3,945	P -	December 31, 2016
2014	18,282	-	18,282	December 31, 2017
2015	16,517	-	16,517	December 31, 2018
2016	25,046	-	25,046	December 31, 2019
	P63,790	P3,945	P59,845	

The carry-forward benefits of NOLCO which are available for offsetting against future taxable income are as follows:

Year Incurred	Amount	Write-off/Application	Remaining balance	Date of expiration
2013	P1,014,655	P1,014,655	P -	December 31, 2016
2014	569,695	-	569,695	December 31, 2017
2015	646,711	-	646,711	December 31, 2018
2016	612,929	-	612,929	December 31, 2019
	P2,843,990	P1,014,655	P1,829,335	

25. 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 of the Company are also considered to be related parties.

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

Category/Transaction	Year	Note	Amount of the transaction	Due to related parties (Note 18)	Due from related parties (Note 14)	Terms	Conditions
Eastspring (under common control)							
▶ Investment management	2016	*a*	P265,943	P64,386	P -	30 days; noninterest bearing	Unsecured
	2015		237,972	56,512	-	30 days; noninterest bearing	Unsecured
PSA (under common control)							
▶ IT service costs	2016	*b*	227,199	8,774		30 days; noninterest bearing	Unsecured
	2015		58,361	11,252	-	30 days; noninterest bearing	Unsecured
PHL (under common control)							
▶ Allocation of expenses	2016	*c*	198,571	-	5,277	30 days; noninterest bearing	Unsecured: not impaired
	2015		147,662	3,388	-	30 days; noninterest bearing	Unsecured
Prudence Foundation Limited (under common control)							
▶ Allocation of expenses		*d*	5,127	-	1,557		
	2015		9,604	-	2,384		
TOTAL	**2016**			**P73,160**	**P6,834**		
TOTAL	2015			P71,152	P2,384		

Outstanding receivables from and payables to related parties which are expected to be settled in cash, are included under "Other assets" (see Note 14) and "Accounts payable, accrued expenses and other liabilities" (see Note 18) 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 10) in consideration for a quarterly service fee as may be mutually agreed upon on an annual basis.

b. In 2010, 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.

The entities mentioned above are wholly-owned subsidiaries of Prudential.

Compensation of key management personnel

Key management personnel 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 key management personnel compensation is as follows:

	2016	2015
Short-term employee benefits	**P155,820**	P143,246
Post-employment benefits	**9,786**	8,530
	P165,606	P151,776

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

26. Leases

The Company leases its head office and branches under operating lease. 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 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.

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

Lease related transactions are as follows:

	2016	2015
Rent expense	**P247,904**	P165,260
Nonrefundable security deposit	**75,954**	69,724
Prepaid rent	**61,247**	19,397

Future minimum lease payments are payable as follows:

	2016	2015
Less than one year	**P220,853**	P227,567
Between one and five years	**451,782**	754,469
	P672,635	P982,036

27. Equity

The details of this account are as follows:

	2016	2015
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 19, 2016, the BOD of the Company declared cash dividends amounting to PhP 588.24 million or PhP 117.65 per share. This was approved by the IC on May 20, 2016 and was paid on June 24, 2016. On November 7, 2016, additional cash dividends were declared by the BOD of the Company amounting to PhP 588.24 million or PhP 117.65 per share. This was approved by the IC on November 7, 2016 and was paid on December 22, 2016.

On June 30, 2015, the Board of Directors of the Company declared cash dividends amounting to PhP 352.94 million or PhP 70.59 per share. This was approved by the IC on August 18, 2015 and was paid on December 18, 2015.

As at December 31, 2016, the Company's retained earnings of PhP 9.68 billion is in excess of its paid-up capital of PhP 962.00 million. The Company's plan to use the excess retained earnings is dependent on the impact of the following to the Company:

a. IC's directive to calculate the reserves for traditional life insurance policies using the gross premium valuation (see Note 15); and

b. Amendments currently being implemented by IC with respect to the risk based capital requirement.

28. Contingent liabilities

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

29. 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 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 financial statements which were prepared in accordance with PFRSs.

The following is the tax information required for the taxable year ended December 31, 2016:

A. Documentary stamp tax

On others	**P4,626,267**

B. Withholding taxes

Creditable withholding taxes	**P386,423,545**
Final withholding taxes	**488,318,880**
Tax on compensation and benefits	**165,034,663**
	P1,039,777,088

C. All other taxes (Local and National)

Premiums tax	**P71,262,116**
License and permit fees	**28,358,091**
Fringe benefits tax	**49,201,037**
Real estate taxes	**109,474**
	P148,930,718

D. Tax contingencies

The Company has no deficiency tax assessment or any tax case, litigation, and/or prosecution in courts or bodies outside the BIR as at December 31, 2016.

Financial statements

Combined financial statements

PRU LIFE INSURANCE CORPORATION OF U.K.

(A wholly-owned subsidiary of Prudential Corporation Holdings Limited)

PRULINK OPERATED BY THE LINKED FUND

COMBINED FINANCIAL STATEMENTS

December 31, 2016 and 2015

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

Opinion

We have audited the accompanying combined financial statements of PRUlink operated by the Linked Fund (the Funds) of Pru Life Insurance Corporation of U.K. (the Company), a wholly-owned subsidiary of Prudential Corporation Holdings Limited, which comprise the combined statements of assets and accountabilities as at December 31, 2016 and 2015, 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, 2016 and 2015, 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 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 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 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 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. SP-2014/030-O, Group A,
valid until August 17, 2017
SEC Accreditation No. 1472-A, Group A,
valid until March 30, 2018
Tax Identification No. 162-411-175
BIR Accreditation No. 08-001987-34-2014
Issued October 15, 2014; valid until October 14, 2017
PTR No. 5904929MD
Issued January 3, 2017 at Makati City

March 30, 2017
Makati City, Metro Manila

PRU LIFE INSURANCE CORPORATION OF U.K.

(A wholly-owned subsidiary of Prudential Corporation Holdings Limited)

COMBINED STATEMENTS OF ASSETS AND ACCOUNTABILITIES OF THE PRULINK OPERATED BY THE LINKED FUND AS AT DECEMBER 31, 2016 *(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	Combined
ASSETS													
Cash and cash equivalents		P25,048	P262,957	P133,077	P56,116	P1,045,470	P100,705	P81,921	P1,046	P1,581	P439	P110,632	P1,818,992
Interest receivables		1	161,517	161,869	2	26,315	5	3	-	-	-	-	349,712
Receivable from life fund	2	9,126	-	851	22,933	75,908	-	17,879	-	65	15	36,150	162,927
Investments at fair value through profit or loss	5	6,751,961	17,711,806	9,498,398	9,990,723	36,743,731	199,614	16,767,516	965,873	1,167,742	650,869	4,229,080	104,677,313
Other assets		-	30,000	-	-	20,000	-	-	2,749	4,385	2,409	24,907	84,450
		6,786,136	18,166,280	9,794,195	10,069,774	37,911,424	300,324	16,867,319	969,668	1,173,773	653,732	4,400,769	107,093,394
LIABILITIES													
Liability to life fund and other linked funds	2, 8	(6,376)	(13,156,631)	(13,911)	(6,295)	(20,415,998)	(12,081)	(995)	(1,275)	(2,508)	(1,454)	(24,208)	(33,641,732)
Accrued expenses	8	(135)	(6,069)	(3,320)	(270)	(18,740)	(45)	(1,026)	(4,156)	(4,409)	(2,451)	(50,518)	(91,139)
Trade payable	8	-	-	-	(20,000)	-	-	(30,000)	-	(41)	(194)	(97,135)	(147,370)
NET ASSETS		P6,779,625	P5,003,580	P9,776,964	P10,043,209	P17,476,686	P288,198	P16,835,298	P964,237	P1,166,815	P649,633	P4,228,908	P73,213,153

See Notes to the Combined Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.

(A wholly-owned subsidiary of Prudential Corporation Holdings Limited)

COMBINED STATEMENTS OF ASSETS AND ACCOUNTABILITIES OF THE PRULINK OPERATED BY THE LINKED FUND AS AT DECEMBER 31, 2015 *(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	Combined
ASSETS													
Cash and cash equivalents		P65,072	P3,489	P22,932	P247,236	P445,356	P116,275	P548,506	P761	P331	P495	P19,259	P1,469,712
Interest receivables		2	195,114	155,705	7	23,060	1,683	17	-	-	-	-	375,588
Receivable from life fund	2	9,559	11,416	423	82,652	91,707	198	57,070	-	346	-	115,109	368,480
Investments at fair value through profit or loss	5	6,843,470	20,573,164	9,088,445	9,464,163	31,171,941	70,157	15,565,614	969,580	1,082,119	566,580	2,342,932	97,738,165
Other assets		-	-	-	-	170,000	-	-	5,180	329	1,345	-	176,854
		6,918,103	20,783,183	9,267,505	9,794,058	31,902,064	188,313	16,171,207	975,521	1,083,125	568,420	2,477,300	100,128,799
LIABILITIES													
Liability to life fund and other linked funds	2, 8	(2,680)	(16,084,813)	(6,444)	(3,191)	(15,792,289)	(4)	(968)	(5,602)	(329)	(1,628)	-	(31,897,948)
Accrued expenses	8	(219)	(7,375)	(3,300)	(389)	(16,420)	(18)	(1,584)	(1,032)	(486)	(257)	(24,449)	(55,529)
Trade payable	8	-	-	-	(110,000)	(153,520)	-	(60,000)	-	(90)	(153)	(18,866)	(342,629)
NET ASSETS		P6,915,204	P4,690,995	P9,257,761	P9,680,478	P15,939,835	P188,291	P16,108,655	P968,887	P1,082,220	P566,382	P2,433,985	P67,832,693

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, 2016 *(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	Combined
Net assets at beginning of year		P6,915,204	P4,690,995	P9,257,761	P9,680,478	P15,939,835	P188,291	P16,108,655	P968,887	P1,082,220	P566,382	P2,433,985	P67,832,693
Net additions (withdrawals) to the Fund for creation of units		(142,122)	295,677	(139,910)	546,223	1,905,940	99,038	1,068,743	(86,294)	(41,207)	(50,851)	1,478,679	4,933,916
		6,773,082	4,986,672	9,117,851	10,226,701	17,845,775	287,329	17,177,398	882,593	1,041,013	515,531	3,912,664	72,766,609
FUND INCOME													
Unrealized appreciation (depreciation) of investment at fair value through profit or loss		-	(399,004)	292,198	-	(1,050,555)	701	-	93,486	162,005	162,356	512,812	(226,001)
Interest income		153	1,038,459	497,834	464	4,465	1,493	1,106	-	-	-	-	1,543,974
Gain (loss) on sale of investment at fair value through profit or loss		-	372,793	29,306	-	29,415	478	-	7,182	(12,744)	(15,257)	13,544	424,717
Dividend income		-	-	-	-	636,462	-	-	-	-	-	-	636,462
Profit (loss) from interfund investments		14,791	(391,476)	-	(168,440)	825,224	-	(280,099)	-	-	-	-	-
FUND EXPENSES													
Management fees	6	(8,370)	(324,528)	(160,223)	(15,423)	(813,208)	(1,413)	(62,885)	(19,024)	(23,459)	(12,997)	(64,661)	(1,506,191)
Distribution expense		-	-	-	-	-	-	-	-	-	-	(145,451)	(145,451)
Tax expense		(31)	(279,336)	(2)	(93)	(892)	(390)	(222)	-	-	-	-	(280,966)
		6,543	16,908	659,113	(183,492)	(369,089)	869	(342,100)	81,644	125,802	134,102	316,244	446,544
NET ASSETS AT END OF YEAR		P6,779,625	P5,003,580	P9,776,964	P10,043,209	P17,476,686	P288,198	P16,835,298	P964,237	P1,166,815	P649,633	P4,228,908	P73,213,153

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, 2015 *(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	Combined
Net assets at beginning of year		P7,019,879	P4,729,003	P8,500,042	P8,222,686	P13,869,662	P59,315	P15,047,920	P1,120,649	P1,134,696	P602,653	P290,594	P60,597,099
Net additions (withdrawals) to the Fund for creation of units		13,062	(26,383)	125,330	1,929,891	2,926,164	128,805	1,774,357	(155,692)	132,507	61,977	2,337,782	9,247,800
		7,032,941	4,702,620	8,625,372	10,152,577	16,795,826	188,120	16,822,277	964,957	1,267,203	664,630	2,628,376	69,844,899
FUND INCOME													
Unrealized appreciation (depreciation) of investment at fair value through profit or loss		-	(805,822)	291,535	-	(2,107,345)	(504)	-	19,882	(156,872)	(69,488)	(94,282)	(2,922,896)
Interest income		148	1,046,000	460,187	544	3,247	1,779	889	-	-	-	-	1,512,794
Gain (loss) on sale of investment at fair value through profit or loss		-	335,318	26,855	-	191,508	-	-	3,764	(3,141)	(15,325)	(12,728)	526,251
Dividend income		-	-	-	-	569,462	-	-	-	-	-	-	569,462
Profit (loss) from interfund investments		(108,163)	15,052	-	(456,682)	1,198,429	-	(648,636)	-	-	-	-	-
FUND EXPENSES													
Management fees	6	(9,692)	(328,828)	(146,187)	(15,852)	(710,632)	(748)	(65,698)	(19,716)	(24,970)	(13,435)	(24,822)	(1,360,580)
Distribution expense		-	-	-	-	-	-	-	-	-	-	(62,559)	(62,559)
Tax expense		(30)	(273,345)	(1)	(109)	(660)	(356)	(177)	-	-	-	-	(274,678)
		(117,737)	(11,625)	632,389	(472,099)	(855,991)	171	(713,622)	3,930	(184,983)	(98,248)	(194,391)	(2,012,206)
NET ASSETS AT END OF YEAR		P6,915,204	P4,690,995	P9,257,761	P9,680,478	P15,939,835	P188,291	P16,108,655	P968,887	P1,082,220	P566,382	P2,433,985	P67,832,693

See Notes to the Combined Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.
(A wholly-owned subsidiary of Prudential Corporation Holdings Limited)

COMBINED STATEMENTS OF CASH FLOWS OF THE PRULINK OPERATED BY THE LINKED FUND FOR THE YEAR ENDED DECEMBER 31, 2016 *(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	Combined
CASH FLOWS FROM OPERATING ACTIVITIES												
Net increase (decrease) in net assets from operations for the year	P6,543	P16,908	P659,113	(P183,492)	(P369,089)	P869	(P342,100)	P81,644	P125,802	P134,102	P316,244	P446,544
Adjustments for:												
Unrealized (appreciation) depreciation of investment at fair value through profit or loss	-	399,004	211,200	-	1,050,555	(701)	-	(42,296)	(100,115)	(127,862)	(288,679)	1,101,106
Interest income	(153)	(1,038,459)	(497,834)	(464)	(4,465)	(1,493)	(1,106)	-	-	-	-	(1,543,974)
Gain (loss) on sale of investment at fair value through profit or loss	-	(372,793)	(29,306)	-	(29,415)	(478)	-	(7,182)	12,744	15,257	(13,544)	(424,717)
Dividend income	-	-	-	-	(636,462)	-	-	-	-	-	-	(636,462)
Foreign exchange gain	-	-	(510,451)	-	-	-	-	(51,190)	(61,890)	(34,494)	(224,133)	(882,158)
Profit (loss) from interfund investments	(14,791)	391,476	-	168,440	(825,224)	-	280,099	-	-	-	-	-
Operating loss before working capital changes	(8,401)	(603,864)	(167,278)	(15,516)	(814,100)	(1,803)	(63,107)	(19,024)	(23,459)	(12,997)	(210,112)	(1,939,661)
Decrease (increase) in:												
Receivable from life fund	433	11,416	(428)	59,719	15,799	198	39,191	-	281	(15)	78,959	205,553
Other assets	-	(30,000)	-	-	150,000	-	-	2,431	(4,056)	(1,064)	(24,907)	92,404
Increase (decrease) in:												
Liability to life fund and other linked funds	3,696	(2,928,182)	7,467	3,104	4,623,709	12,077	27	(4,327)	2,179	(174)	24,208	1,743,784
Trade payable	-	-	-	(90,000)	(153,520)	-	(30,000)	-	(49)	41	78,269	(195,259)
Accrued expenses	(84)	(1,306)	20	(119)	2,320	27	(558)	3,124	3,923	2,194	26,069	35,610
Net additions (withdrawals) to the fund for creation of units	(142,122)	295,677	(139,910)	546,223	1,905,940	99,038	1,068,743	(86,294)	(41,207)	(50,851)	1,478,679	4,933,916
Net cash provided by (used in) operating activities	(146,478)	(3,256,259)	(300,129)	503,411	5,730,148	109,537	1,014,296	(104,090)	(62,388)	(62,866)	1,451,165	4,876,347

Forward

	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	Combined
CASH FLOWS FROM INVESTING ACTIVITIES												
Net acquisitions (disposals) of investments	P106,300	P2,443,671	(P88,449)	(P695,000)	(P5,767,706)	(P128,278)	(P1,482,001)	P104,375	P63,638	P62,810	(P1,359,792)	(P6,740,432)
Interest received	154	1,072,056	491,670	469	4,431	3,171	1,120	-	-	-	-	1,573,071
Dividends received	-	-	-	-	633,241	-	-	-	-	-	-	633,241
Net cash provided by (used in) investing activities	106,454	3,515,727	403,221	(694,531)	(5,130,034)	(125,107)	(1,480,881)	104,375	63,638	62,810	(1,359,792)	(4,534,120)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(40,024)	259,468	103,092	(191,120)	600,114	(15,570)	(466,585)	285	1,250	(56)	91,373	342,227
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	65,072	3,489	22,932	247,236	445,356	116,275	548,506	761	331	495	19,259	1,469,712
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	-	-	7,053	-	-	-	-	-	-	-	-	7,053
CASH AND CASH EQUIVALENTS AT END OF YEAR	P25,048	P262,957	P133,077	P56,116	P1,045,470	P100,705	P81,921	P1,046	P1,581	P439	P110,632	P1,818,992

See Notes to the Combined Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.
(A wholly-owned subsidiary of Prudential Corporation Holdings Limited)

COMBINED STATEMENTS OF CASH FLOWS OF THE PRULINK OPERATED BY THE LINKED FUND FOR THE YEAR ENDED DECEMBER 31, 2015 *(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	Combined
CASH FLOWS FROM OPERATING ACTIVITIES												
Net increase (decrease) in net assets from operations for the year	(P117,737)	(P11,625)	P632,389	(P472,099)	(P855,991)	P171	(P713,622)	P3,930	(P184,983)	(P98,248)	(P194,391)	(P2,012,206)
Adjustments for:												
Unrealized (appreciation) depreciation of investment at fair value through profit or loss	-	805,822	199,056	-	2,107,345	504	-	10,701	215,285	100,071	220,752	3,659,536
Interest income	(148)	(1,046,000)	(460,187)	(544)	(3,247)	(1,779)	(889)	-	-	-	-	(1,512,794)
Gain (loss) on sale of investment at fair value through profit or loss	-	(335,318)	(26,855)	-	(191,508)	-	-	(3,764)	3,141	15,325	12,728	(526,251)
Dividend income	-	-	-	-	(569,462)	-	-	-	-	-	-	(569,462)
Foreign exchange gain	-	-	(491,434)	-	-	-	-	(30,583)	(58,413)	(30,583)	(126,470)	(737,483)
Profit (loss) from interfund investments	108,163	(15,052)	-	456,682	(1,198,429)	-	648,636	-	-	-	-	-
Operating loss before working capital changes	(9,722)	(602,173)	(147,031)	(15,961)	(711,292)	(1,104)	(65,875)	(19,716)	(24,970)	(13,435)	(87,381)	(1,698,660)
Decrease (increase) in:												
Receivable from life fund	(5,407)	(10,913)	19,736	(36,678)	(34,229)	(198)	(16,035)	-	4,102	1,455	(75,336)	(153,503)
Other assets	-	50,000	-	-	(110,000)	-	-	(2,652)	(260)	(1,345)	-	(64,257)
Increase (decrease) in:												
Liability to life fund and other linked funds	(466)	(1,961,911)	(16,539)	(2,774)	4,498,949	2	(7,423)	3,438	329	1,623	-	2,515,228
Trade payable	-	-	-	10,000	16,571	-	50,000	-	90	(2,504)	(5,537)	68,620
Accrued expenses	(231)	(4,102)	(1,004)	(275)	(2,221)	10	(1,266)	(57)	(276)	(150)	24,281	14,709
Net additions (withdrawals) to the fund for creation of units	13,062	(26,383)	125,330	1,929,891	2,926,164	128,805	1,774,357	(155,692)	132,507	61,977	2,337,782	9,247,800
Net cash provided by (used in) operating activities	(2,764)	(2,555,482)	(19,508)	1,884,203	6,583,942	127,515	1,733,758	(174,679)	111,522	47,621	2,193,809	9,929,937

Forward

	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	Combined
CASH FLOWS FROM INVESTING ACTIVITIES												
Net acquisitions (disposals) of investments	(P35,999)	P1,355,570	(P514,463)	(P1,931,999)	(P7,110,518)	(P70,661)	(P1,943,999)	P174,764	(P111,834)	(P48,999)	(P2,198,768)	(P12,436,906)
Interest received	149	1,075,233	444,473	546	3,248	96	891	-	-	-	-	1,524,636
Dividends received	-	-	-	-	551,196	-	-	-	-	-	-	551,196
Net cash provided by (used in) investing activities	(35,850)	2,430,803	(69,990)	(1,931,453)	(6,556,074)	(70,565)	(1,943,108)	174,764	(111,834)	(48,999)	(2,198,768)	(10,361,074)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(38,614)	(124,679)	(89,498)	(47,250)	27,868	56,950	(209,350)	85	(312)	(1,378)	(4,959)	(431,137)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	103,686	128,168	111,587	294,486	417,488	59,325	757,856	676	643	1,873	24,218	1,900,006
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	-	-	843	-	-	-	-	-	-	-	-	843
CASH AND CASH EQUIVALENTS AT END OF YEAR	P65,072	P3,489	P22,932	P247,236	P445,356	P116,275	P548,506	P761	P331	P495	P19,259	P1,469,712

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)

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 11 funds available for investment, for which these combined financial statements have been prepared.

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

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

b. **PRUlink bond fund (peso)** – is 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. **PRUlink bond fund (dollar)** – is a fund denominated in United States (US) 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 US dollars.

d. **PRUlink growth fund** – is 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 in the PSE.

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

f. **PRUlink money market fund** – seeks to provide a stable return through investment in fixed income instruments issued by the Philippine government and short-term instruments such as deposit placements.

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

h. **PRUlink 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. The PRUlink Asian local bond 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. **PRUlink Asia Pacific equity fund** – aims to maximize long-term total return by investing primarily in equity and equity-related securities of companies, which are incorporated, listed in or have their area of primary activity in the Asia Pacific excluding Japan Region.

j. **PRUlink global emerging market fund** – is 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 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.

k. **PRUlink cash flow fund** – seeks to provide investors with regular payouts and capital growth by investing into Luxembourg domiciled Eastspring Investments - US 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 (ETF).

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

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

2. Basis of preparation

Statement of compliance

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

The combined financial statements of the Funds were authorized for issue by the Board of Directors of Pru Life Insurance Corporation of U.K. on March 30, 2017.

Basis of measurement

The individual financial statements of the Funds have been prepared in accordance with the recognition, measurement and disclosure principles that are consistent with Philippine Financial Reporting Standards (PFRSs). The combined financial statements are prepared on the historical cost basis, except for investments at fair value through profit or loss (FVPL) that have been 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 are as follows:

	2016	2015
Proactive Fund invested at Bond Fund (Peso)	**P6,371,734**	P8,476,057
Managed Fund invested at Bond Fund (Peso)	**5,120,737**	5,607,177
Growth Fund invested at Equity Fund	**8,388,979**	7,465,362
Proactive Fund invested at Equity Fund	**10,395,782**	7,089,557
Growth Fund invested at Bond Fund (Peso)	**1,601,744**	1,998,801
Managed Fund invested at Equity Fund	**1,631,224**	1,236,293
	P33,510,200	P31,873,247

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

	2016	2015
Liability of Bond Fund (Peso) to Proactive Fund	**P6,371,734**	P8,476,057
Liability of Bond Fund (Peso) to Managed Fund	**5,120,737**	5,607,177
Liability of Equity Fund to Growth Fund	**8,388,979**	7,465,362
Liability of Equity Fund to Proactive Fund	**10,395,782**	7,089,557
Liability of Bond Fund (Peso) to Growth Fund	**1,601,744**	1,998,801
Liability of Equity Fund to Managed Fund	**1,631,224**	1,236,293
	P33,510,200	P31,873,247

Receivable from life fund pertains to the investment portion of the premiums received from unit-linked policyholders by the Company that have not yet been transferred to the Funds. The balance amounted to PhP 162.93 million and PhP 368.48 million as at December 31, 2016 and 2015, respectively.

Liability to life fund and other link funds include amount advanced by the Company from the life fund to settle investment withdrawals and surrenders by unit-linked policyholders. The balance amounted to PhP 131.54 million and PhP 24.69 million as at December 31, 2016 and 2015, respectively.

Combined financial statements

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 has been rounded off to the nearest thousands (PhP 000s), 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 requires 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 accounting 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 accounting policies set out below have been applied consistently by the individual funds to all years presented in these combined financial statements except for the changes in accounting policies as discussed below:

Adoption of amendments to standards and interpretations
The Funds have adopted the following amendment to standards starting January 1, 2016 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of this amendment to standards did not have any significant impact on the Funds' financial statements.

- Disclosure Initiative (Amendments to PAS 1 Presentation of Financial Statements) addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:
  - Information should not be obscured by aggregating or by providing immaterial information.
  - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.
  - The list of line items to be presented in the combined statements of assets and accountabilities and combined statements of changes in net assets can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.
  - An entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

Financial instruments

Non-derivative financial assets
The Funds initially recognize 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 classify 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, 2016 and 2015, the Funds have 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 manage such investments and make 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 fair value through profit or loss amounted to PhP 104.68 billion and PhP 97.74 billion as at December 31, 2016 and 2015, 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, receivable from life fund and other assets. As at December 31, 2016 and 2015, the Funds' combined loans and receivables amounted to PhP 2.42 billion and PhP 2.39 billion, respectively.

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

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

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

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

Where the Funds have 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 become a party to the contractual provisions of the financial instrument. The Funds determine the classification of financial liabilities at initial recognition.

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

The Funds classify non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest 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, 2016 and 2015, the Funds' other financial liabilities amounted to PhP 33.88 billion and PhP 32.30 billion, respectively.

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

Determining whether the Funds are acting as principal or an agent
The Funds assess the revenue arrangements against the following criteria to determine whether they are acting as a principal or agent:

- whether the Funds have primary responsibility for providing the services;
- whether the Funds have discretion in establishing prices; and
- whether the Funds bear the credit risk.

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

The Funds have determined they are acting as principal in the revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

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

Interest income for all interest-bearing financial instruments, including financial assets at FVPL, is recognized in the combined statements 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.

Expenses
All expenses, including management fees (see Note 6), custodian fees and distribution expenses are recognized when incurred.

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

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

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

New or revised standards, amendments to standards not yet adopted
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2016. However, the Funds have not applied the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Funds' financial statements.

Effective January 1, 2017

- *Disclosures initiatives (Amendments to PAS 7, Cash Flows).* The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes – e.g., by providing a reconciliation between the opening and closing balances in the combined statements of assets and accountabilities for liabilities arising from financing activities.

  The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. When an entity first applies the amendments, it is not required to provide comparative information for preceding periods.

Effective January 1, 2018

- *PFRS 9, Financial Instruments (2014). PFRS 9 (2014) replaces PAS 39 Financial Instruments: Recognition and Measurement* 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 new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

4. Critical accounting estimates and judgments

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

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

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

5. Investments at fair value through profit or loss

This account as at December 31 consists of:

2016	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	Combined
Investment in shares of stocks	P -	P -	P -	P -	P33,609,489	P -	P -	P -	P1,263,007	P -	P -	P34,872,496
Accumulated fair value gain (loss)	-	-	-	-	3,134,242	-	-	-	(95,265)	-	-	3,038,977
	-	-	-	-	36,743,731	-	-		1,167,742	-	-	37,911,473
Investment in bond funds	3,903,209	-	-	1,487,786	-	-	5,734,429	-	-	-	-	11,125,424
Accumulated fair value gain	1,217,528	-	-	113,958	-	-	637,305	-	-	-	-	1,968,791
	5,120,737	-	-	1,601,744	-	-	6,371,734	-	-	-	-	13,094,215
Investment in equity funds	1,552,814	-	-	7,129,331	-	-	10,502,380	-	-	-	-	19,184,525
Accumulated fair value gain	78,410	-	-	1,259,648	-	-	(106,598)	-	-	-	-	1,231,460
	1,631,224	-	-	8,388,979	-	-	10,395,782	-	-	-	-	20,415,985
Treasury notes	-	17,356,325	9,215,724	-	-	199,416	-	934,083	-	717,730	3,970,967	32,394,245
Accumulated fair value gain (loss)	-	355,481	282,674	-	-	198	-	31,790	-	(66,861)	258,113	861,395
	-	17,711,806	9,498,398	-	-	199,614	-	965,873	-	650,869	4,229,080	33,255,640
	P6,751,961	P17,711,806	P9,498,398	P9,990,723	P36,743,731	P199,614	P16,767,516	P965,873	P1,167,742	P650,869	P4,229,080	P104,677,313

2015	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	Combined
Investment in shares of stocks	P -	P -	P -	P -	P26,987,143	P -	P -	P -	P1,268,210	P -	P -	P28,255,353
Accumulated fair value gain (loss)	-	-	-	-	4,184,798	-	-	-	(186,091)	-	-	3,998,707
	-	-	-	-	31,171,941	-	-	-	1,082,119	-	-	32,254,060
Investment in bond funds	4,283,494	-	-	1,842,236	-	-	7,589,643	-	-	-	-	13,715,373
Accumulated fair value gain	1,323,683	-	-	156,565	-	-	886,414	-	-	-	-	2,366,662
	5,607,177	-	-	1,998,801	-	-	8,476,057	-	-	-	-	16,082,035
Investment in equity funds	1,056,950	-	-	5,934,805	-	-	6,667,588	-	-	-	-	13,659,343
Accumulated fair value gain	179,343	-	-	1,530,557	-	-	421,969	-	-	-	-	2,131,869
	1,236,293	-	-	7,465,362	-	-	7,089,557	-	-	-	-	15,791,212
Treasury notes	-	19,818,679	8,605,517	-	-	70,660	-	976,512	-	753,521	2,454,757	32,679,646
Accumulated fair value gain (loss)	-	754,485	482,928	-	-	(503)	-	(6,932)	-	(186,941)	(111,825)	931,212
	-	20,573,164	9,088,445	-	-	70,157	-	969,580	-	566,580	2,342,932	33,610,858
	P6,843,470	P20,573,164	P9,088,445	P9,464,163	P31,171,941	P70,157	P15,565,614	P969,580	P1,082,119	P566,580	P2,342,932	P97,738,165

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:

	2016	2015
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%

7. Number of units and unit prices

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

	2016	2015
Managed Fund	**2,244,856**	2,288,200
Bond Fund (Peso)	**1,938,811**	1,834,873
Bond Fund (Dollar)	**80,410**	81,521
Growth Fund	**2,793,516**	2,644,200
Equity Fund	**8,468,202**	7,571,639
Proactive Fund	**8,341,656**	7,833,866
Money Market Fund	**279,524**	183,203
Asian Local Bond Fund	**20,193**	21,924
Asia Pacific Equity Fund	**27,165**	28,136
Global Emerging Market Fund	**14,962**	16,220
Cash Flow Fund	**89,716**	57,886
	24,299,011	22,561,668

The corresponding December 31 unit prices are as follows:

	2016	2015
Unit price in PhP		
Managed Fund	**P3.02007**	P3.02212
Bond Fund (Peso)	**2.58075**	2.55658
Growth Fund	**3.59519**	3.66102
Equity Fund	**2.06380**	2.10520
Proactive Fund	**2.01822**	2.05628
Money Market Fund	**1.03103**	1.02777
Unit price in USD		
Bond Fund (Dollar)	**$2.44090**	$2.40772
Asian Local Bond Fund	**0.95860**	0.93696
Asia Pacific Equity Fund	**0.86230**	0.81550
Global Emerging Market Fund	**0.87161**	0.74035
Cash Flow Fund	**0.94627**	0.89149

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

	December 29, 2016	December 29, 2015
Unit price in PhP		
Managed Fund	**P3.02050**	P3.02217
Bond Fund (Peso)	**2.58111**	2.55654
Growth Fund	**3.59567**	3.66140
Equity Fund	**2.06406**	2.10546
Proactive Fund	**2.01851**	2.05643
Money Market Fund	**1.03099**	1.02768
Unit price in USD		
Bond Fund (Dollar)	**$ 2.43610**	$2.40730
Asian Local Bond Fund	**0.95717**	0.93885
Asia Pacific Equity Fund	**0.85967**	0.81611
Global Emerging Market Fund	**0.86697**	0.74800
Cash Flow Fund	**0.94568**	0.89122

8. Financial risk management

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

Investment risk

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

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

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

The Funds invest in equity and debt instruments as dictated by the 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 have 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 are 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 treasury 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 PhP 46.35 billion as at December 31, 2016 and PhP 49.69 billion as at December 31, 2015 which are 43.28% and 49.63% of its total assets, respectively.

The table below provides information regarding the credit risk exposure of the Funds as at December 31, 2016 and 2015 by classifying assets according to the Funds' credit grading of counterparties.

2016					
	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	P1,818,992	P -	P1,818,992	P -	P1,818,992
Interest receivables	349,712	-	349,712	-	349,712
Receivable from life fund	162,927	-	162,927	-	162,927
Investment in debt securities	46,349,855	-	46,349,855	-	46,349,855
Other assets	84,450	-	84,450	-	84,450
	P48,765,936	P -	P48,765,936	P -	P48,765,936

2015					
	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	P1,469,712	P -	P1,469,712	P -	P1,469,712
Interest receivables	375,588	-	375,588	-	375,588
Receivable from life fund	368,480	-	368,480	-	368,480
Investment in debt securities	49,692,893	-	49,692,893	-	49,692,893
Other assets	176,854	-	176,854	-	176,854
	P52,083,527	P -	P52,083,527	P -	P52,083,527

The Funds have no past due but not impaired financial assets as at December 31, 2016 and December 31, 2015.

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

The Funds' investment in equity and debenture instruments is considered to be readily realizable as they are all listed on the major stock and debt exchanges. Thus, the Funds have limited exposure to liquidity risk.

The tables below summarize the maturity profile of the financial liabilities of the Funds based on remaining contractual obligations or on the estimated timing of net cash flows as at December 31, 2016 and 2015:

2016							
	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	P33,641,732	P -	P -	P -	P -	P -	P33,641,732
Accrued expenses	91,139	-	-	-	-	-	91,139
Trade payable	147,370	-	-	-	-	-	147,370
	P33,880,241	P -	P -	P -	P -	P -	P33,880,241

2015							
	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	P31,897,948	P -	P -	P -	P -	P -	P31,897,948
Accrued expenses	55,529	-	-	-	-	-	55,529
Trade payable	342,629	-	-	-	-	-	342,629
	P32,296,106	P -	P -	P -	P -	P -	P32,296,106

(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 are exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse 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 is through its assets denominated in US dollar:

	2016	2015
Short-term time deposits	**$2,672**	$331
Investments	**331,479**	297,877
	334,151	298,208
Foreign exchange rate to the Philippine peso used*	**49.81**	47.17
	P16,644,061	P14,066,471

**Exchange rate used is based on BSP foreign exchange rate as at December 29, 2016 and 2015.*

A 6% and 3% strengthening of Philippine Peso against the U.S. dollar as at December 31, 2016 and 2015, with all variables remain constant, would have affected the measurement of profit before tax and equity by PhP 998.64 million and PhP 422.00 million, respectively. A 6% and 3% weakening of the Philippine peso in relation to the U.S. dollar as at December 31, 2016 and 2015, 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 are subject to exposure to fair value interest rate risk. The Funds do not carry debt instruments with variable interest rates and, thus, are not exposed to cash flow interest rate risk.

Interest rate risk is mitigated by the Funds' 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 or six months.

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

	Changes in variables	
	50 basis points	50 basis points
December 31, 2016	***increase***	***decrease***
Currency		
Philippine peso	**(P644,012)**	**P683,514**
US dollar	**(360,067)**	**383,771**
Fair value sensitivity	**(P1,004,079)**	**P1,067,285**

	Changes in variables	
	50 basis points	50 basis points
December 31, 2015	*increase*	*decrease*
Currency		
Philippine peso	(P753,900)	P802,892
US dollar	(335,263)	357,617
Fair value sensitivity	(P1,089,163)	P1,160,509

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 PhP 58.33 billion and PhP 48.05 billion as at December 31, 2016 and 2015, 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% increase in stock prices would have increased profit before income tax and equity by PhP 4.08 billion and PhP 3.36 billion as at December 31, 2016 and 2015, 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, accrued expenses, trade payable and liability to life funds and other linked funds, 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, 2016				
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Investments at fair value through profit or loss	**P104,677,313**	**P -**	**P -**	**P104,677,313**

December 31, 2015				
	Level 1	Level 2	Level 3	Total
Financial assets				
Investments at fair value through profit or loss	P97,738,165	P -	P -	P97,738,165

There have been no transfers from Level 1 to Levels 2 or 3 in 2016 and 2015.

Market review

2016 was characterised by political upheaval and divergence in central bank policies; with bouts of market volatility through much of the year.

Markets during the first quarter of 2016 were mixed, with falling oil prices and fears over global growth denting investor sentiment. However, as the year progressed, increasingly positive economic data points and a reversal in the oil price led to the building anticipation of a rate rise by the US Federal Reserve (Fed), although this anticipation was somewhat dampened around the time of the "Brexit" vote. The unexpected result of June 2016's referendum on the UK's future membership of the European Union saw a sell-off in equity markets around the world, although the bounce back was swift and extended into the third quarter of 2016 where a combination of positive corporate earnings announcements and ongoing central bank stimulus measures spurred markets higher. The conclusion of the US presidential election – with a largely unexpected victory for Donald Trump – changed the dynamics of the markets in the last quarter of the year.

The Fed raised rates in December, off the back of President Trump's reflationary policy stance combined with already positive US economic data. World equity markets rallied, initially cyclical areas of the market and then more broadly across sectors towards the end of 2016. Uncertainty remained, however, around President Trump's policy agenda, including his protectionist policies which had weighed on sentiment in the export-led economies of Asia. Fixed income assets, particularly longer duration, interest-rate sensitive assets underperformed in the fourth quarter of 2016; with US High Yield Bonds ending the year as the best performing fixed income asset globally.

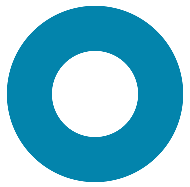
Most ASEAN equity markets ended the eventful year with gains. From the fears around the slowing Chinese economy at the onset, to Brexit, to the US election outcome and the much anticipated US rate action, markets muddled through a volatile 2016.

Against this backdrop, Thailand and Indonesia led the gains in 2016, almost reversing the losses experienced in 2015. Singapore too ended higher, while the Philippines and Malaysia declined the second consecutive year. Thailand benefitted from higher oil prices, as energy stocks rallied the most. In Indonesia, continued reforms momentum kept the markets buoyant; Indonesia's Tax Amnesty program received an overwhelming response. The Philippines led the decline this year, after hitting new highs in July 2016. The Philippines market sold off on lingering uncertainties around domestic policy and external risks. Nonetheless, growth momentum in the Philippines showed no signs of slowdown with real Gross Domestic Product expanding at 6.8%[1] in 2016, largely underpinned by higher capital spending and private consumption.

Source:
[1]Bloomberg, 31 December 2016

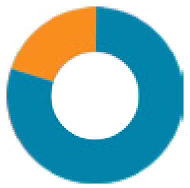
Fund objectives

Local-denominated funds



PRUlink peso 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.

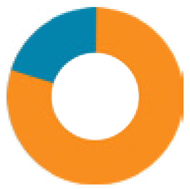


PRUlink managed fund

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

PRUlink proactive fund

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



PRUlink growth fund

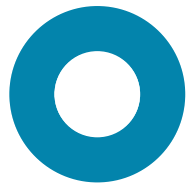
The Fund seeks to optimize medium- to long-term capital and income growth, with an emphasis on strong capital growth, through a greater focus of investment in shares of stocks listed in the Philippines. The Fund also invests in fixed income securities and money market instruments.

PRUlink equity fund

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

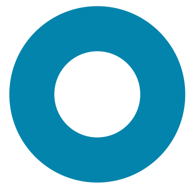
Bonds
Equities

Foreign-denominated funds



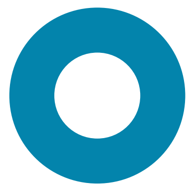
PRUlink US dollar bond fund

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 US dollar.



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 Asia Pacific equity fund

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

PRUlink global emerging markets dynamic fund

The Fund is structured as a feeder fund which invests in the Eastspring Investments – Global Emerging Markets Dynamic Fund, that aims to generate long-term capital growth through a concentrated portfolio of equities, equity-related securities and bonds. This Fund will invest primarily in securities of companies which are incorporated, or listed in, or operating principally from, or carrying on significant business in, or derive substantial revenue from, or whose subsidiaries, related or associated corporations derive substantial revenue from the emerging markets worldwide. This Fund may also invest in depository receipts including American Depositary Receipts and Global Depositary Receipts, preference shares, and warrants.

Fund performance review

- **PRU**link pero bond fund
- **PRU**link US dollar bond fund
- **PRU**link Asian local bond fund
- **PRU**link Asia Pacific equity fund
- **PRU**link equity fund
- **PRU**link global emerging markets dynamic fund
- **PRU**link cash flow fund
- **PRU**link managed fund
- **PRU**link growth fund
- **PRU**link proactive fund

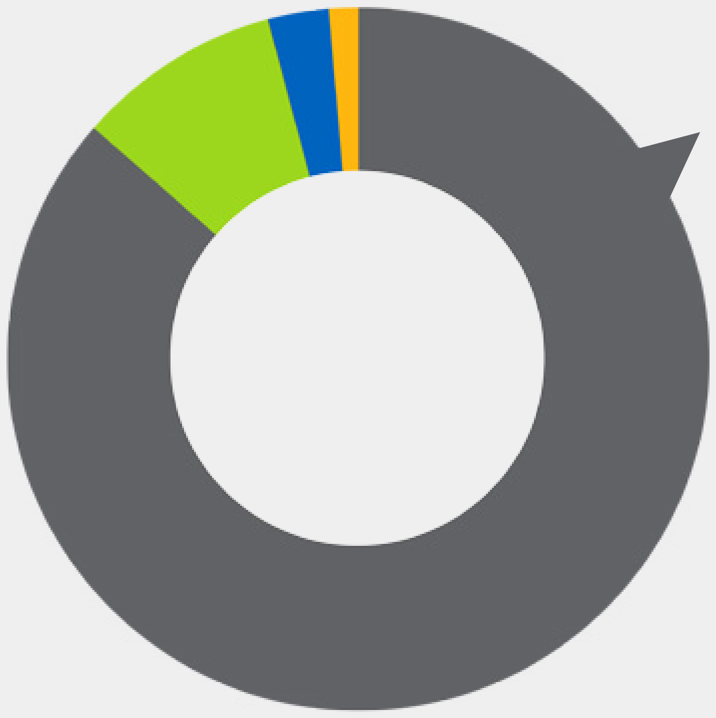
PRUlink peso bond fund

The Philippine domestic government bond market posted a positive return in 2016. Accrual income, as well as an intense search for yield globally, helped the Philippine local bond market to do well. However, a broad-based sell-off in the Asian interest rate and currency markets in the last quarter of the year mitigated gains. The Philippines was not spared in the sell-off that was due to uncertainty over future US economic policy and the likelihood of a Federal Reserve rate hike in December.

The Philippine government bond yield curve steepened over the year with the two-year government bond yield falling by 13 basis points and the 10-year government bond yield rising by 53 basis points.

Inflation has been on a generally upward trajectory throughout 2016, with headline inflation hitting a two-year high of 2.6% year-on-year in December. The central bank kept policy rates unchanged over 2016.

Asset allocation



86.2%
Government bond

9.8%
Corporate bond

2.7%
Quasi government

1.3%
Cash and others

Performance

0.96%
Actual year-on-year
Jan 4, 2016 - Jan 3, 2017

6.86%
Since inception
(per annum)

PhP 2.58111
Unit price
as of Jan 3, 2017

Top five holdings

Philippine government 8.000% 07/19/2031	9.7%
Philippine government 8.125% 12/16/2035	6.9%
Philippine government 6.125% 10/24/2037	5.4%
Philippine government 5.875% 03/01/2032	5.3%
Philippine government 3.625% 09/09/2025	4.5%

Notes:
The fund returns are net of Annual Management Charge based on unit price as of January 3, 2017. 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 (11 Aug 16) 2.80424
Lowest (24 Sep 02) 1.00000

Performance chart

Fund performance review

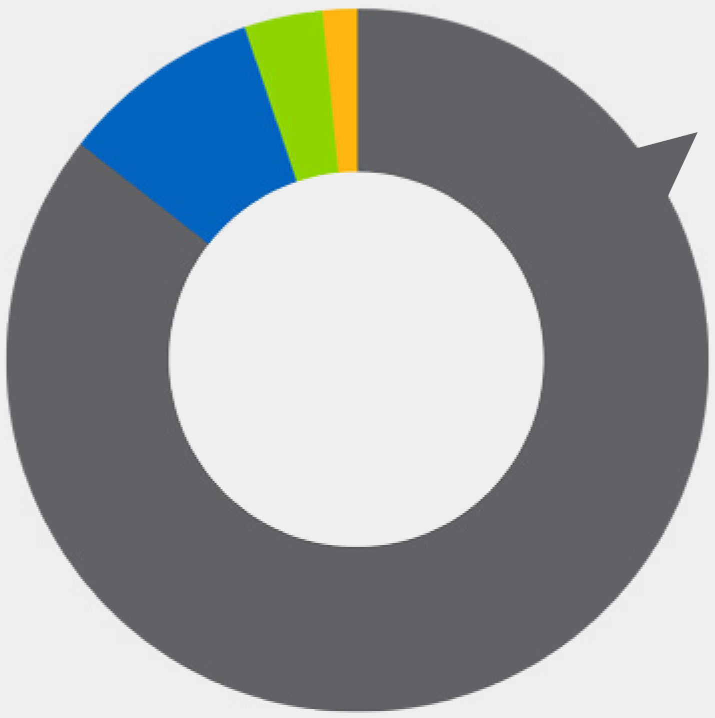
PRUlink US dollar bond fund

The Philippine USD sovereign bond market ended the year with a positive return of 3.2%[2] as proxied by the JPMorgan EMBI Global Philippines index. Overall tighter spreads were the key driver of positive returns for the Philippine USD sovereign bond market as higher US Treasury (UST) yields dragged on returns.

UST yields generally moved lower over the first three quarters of 2016 on the back of economic and political uncertainty. However, this turned around at the end of the year as fiscal stimulus expectations under the new Trump administration and improvements in economic data drove yields up sharply. Ten-year UST yields closed the year higher than the previous year by 17 basis points.

Investors' hunt for yield has been a key driver for tightening spreads over the year, particularly in the broad emerging sovereign bond market. However, the Philippine sovereign bond market underperformed as its long duration profile was penalized by higher UST yields.

Asset allocation



85.9%
Government bond

9.5%
Quasi government

3.4%
Corporate bond

1.2%
Cash and others

Performance

1.20%
Actual year-on-year
Jan 4, 2016 - Jan 3, 2017

6.77%
Since inception
(per annum)

USD 2.4361
Unit price
as of Jan 3, 2017

Top five holdings

Republic of Philippines 6.375% 10/23/2034	11.3%
Republic of Philippines 7.750% 01/14/2031	10.2%
Republic of Philippines 9.500% 02/02/2030	9.3%
Republic of Philippines 10.625% 03/16/2025	7.7%
Republic of Philippines 3.950% 01/20/2040	6.6%

Notes:
The fund returns are net of Annual Management Charge based on unit price as of January 3, 2017. 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 Jul 2016) 2.68720
Lowest (05 Aug 03) 0.96080

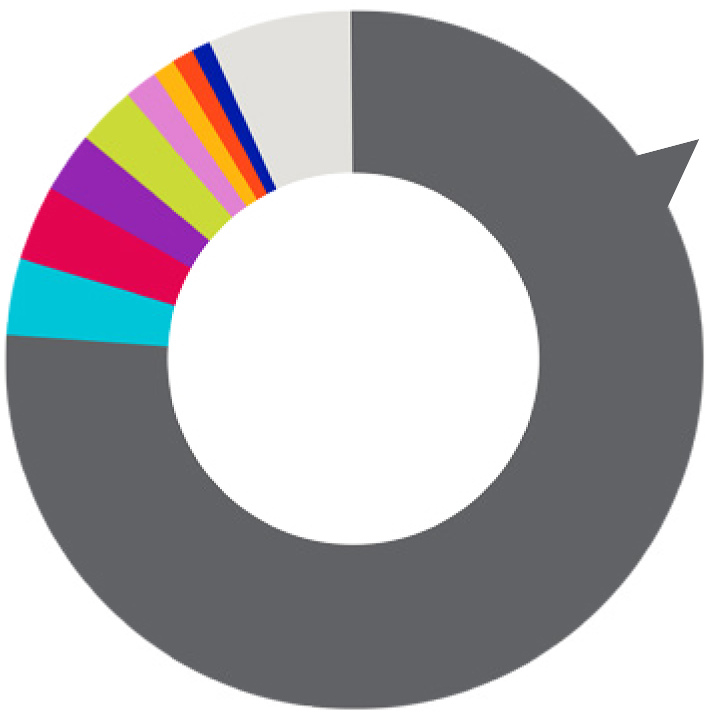
Performance chart

Source:
[2]Bloomberg, 31 December 2016

PRUlink Asian local bond fund

On a year-to-date basis, Asian domestic bond markets rose 2.2%[3] in USD terms. Bond market returns were mostly positive in local currency terms, helped by accrual income. An intense reach for yield globally also boosted demand for higher-yielding markets, which contributed to the outperformance of high-yielders, such as India and Indonesia. However, a broad-based sell-off in the Asian interest rate and currency markets in the last quarter of the year mitigated gains. Following the US elections in November, expectations of stronger reflationary pressures and outflows from the emerging markets drove increases in Asian government bond yields, while Asian currencies weakened against the US dollar.

Asset allocation



75.3%
Government

3.9%
Diversified finance

3.4%
Real estate management and development

3.2%
Real estate investment trusts (reits)

2.7%
Banks

1.4%
Government agency

1.0%
Construction and engineering

1.0%
Industrial conglomerate

0.7%
Diversified telecom

7.4%
Cash and others

Source:
[3]Bloomberg, 31 December 2016

Performance

1.95%
Actual year-on-year
Jan 4, 2016 - Jan 3, 2017

-0.88%
Since inception
(per annum)

USD 0.95717
Unit price
as of Jan 3, 2017

Top five holdings

Thailand government 1.875% 06/17/2022	1.6%
Korea treasury bond 1.875% 06/10/2026	1.4%
Indonesia government 8.375% 03/15/2024	1.3%
Indonesia government 8.375% 03/15/2034	1.2%
India government bond 7.160% 05/20/2030	1.2%

Notes:
The fund returns are net of Annual Management Charge based on unit price as of January 3, 2017. Past performance is not necessarily indicative of the future or likely performance of the fund.

Highest and lowest unit price achieved

Initial (30 Jan 2012) 1.00000
Highest (09 May 2013) 1.07329
Lowest (30 Sep 2015) 0.90362

Performance chart

PRUlink Asia Pacific equity fund

Most countries within the benchmark registered positive returns with the exception of India, Malaysia, and Philippines. Two of the best performing markets over the period were Thailand and Indonesia while the Philippines and Malaysia were the two main laggards. Despite being impacted by capital outflows on the results of the US elections, performance of the Indonesian stock market was cushioned by capital inflow from the completion of the second phase of the government tax amnesty program, positive sentiment generated by Fitch's outlook change on its LT Foreign and Local Currency issuer default ratings to positive, and the 11th consecutive trade surplus in November on the 10.9% month-on-month rise in its non-oil and gas exports. The Thai equity market benefited from starting from a low base in 2015, which was driven by a lack of political clarity. However, the economy showed signs of recovery in 2016, led by robust private consumption and tourist spending.

The Philippines and Malaysia were laggards over the period. The Philippine equity market had underperformed on a confluence of external and domestic issues. Apart from weaker sentiment towards Emerging Markets, there were also domestic issues such as policy risk from the amendment of labor laws to end the hiring of contract workers, and weaker overseas foreign worker remittances, a key driver of private consumption in the country. Malaysia meanwhile, bore the brunt of a stronger USD and prospects of higher interest rates. The Malaysian ringgit dropped over 8% against the USD in the fourth quarter amidst other headwinds such as its declining foreign exchange reserves and the country's protracted political crisis over 1 Malaysia Development Berhad.

Asset allocation

32.1% Financials
22.4% Information technology
8.7% Industrials
7.6% Consumer discretionary
7.4% Real estate
5.8% Energy
5.6% Materials
3.8% Telecommunication services
2.0% Utilities
4.6% Cash and others

Performance

5.34%
Actual year-on-year
Jan 4, 2016 - Jan 3, 2017

-3.85%
Since inception
(per annum)

USD 0.85967
Unit price
as of Jan 3, 2017

Top five holdings

Samsung Electronics	5.4%
Taiwan Semiconductor Manufacturing	4.8%
Australia and New Zealand Banking Group	4.0%
China Construction Bank-H	3.9%
National Australia Bank	3.0%

Notes:
The fund returns are net of Annual Management Charge based on unit price as of January 3, 2017. Past performance is not necessarily indicative of the future or likely performance of the fund.

Highest and lowest unit price achieved

Initial (26 Feb 2013) 1.00000
Highest (05 Sep 2014) 1.10429
Lowest (22 Jan 2016) 0.69551

Performance chart

Fund performance review

PRUlink equity fund

Philippines equities ended lower in 2016. The Philippine Stock Exchange Index (PSEi) declined 1.6%[4] in local currency terms, the second consecutive year of decline. The index was down by 3.9%[5] in 2015.

After hitting new highs in July, the Philippine market sold off on lingering uncertainties around domestic policy and external risks. The peso declined 5.3% in 2016 on widening trade deficit and declining international reserves. Nonetheless, growth momentum in the Philippines showed no signs of slowdown with real GDP expanding 6.9%, 7.0%, 7.1%, 6.6% respectively in four quarters, and 6.8% in 2016, largely underpinned by higher capital spending and private consumption.

BSP kept policy rates unchanged in its December meeting but adjusted the inflation forecast for 2017 to 3.3% from 3.0%. BSP is expected to raise interest rates in 2017 as upwards pressure on inflation builds up with a weaker currency.

Remittance growth turned volatile in 2016 in line with global growth and exchange rate expectations. For the eleven month-period ending November 2016, remittances rose 5.2%[6] from same time previous year.

Asset allocation

28.2% Financials

27.6% Industrials

20.1% Real estate

8.6% Utilities

5.6% Telecommunication services

3.9% Consumer staples

1.6% Consumer discretionary

1.4% Energy

3.0% Cash and others

Sources:
[4]Bloomberg, 31 December 2016
[5]JP Morgan
[6]JP Morgan

Performance

-1.97%
Actual year-on-year
Jan 4, 2016 - Jan 3, 2017

8.19%
Since inception
(per annum)

PhP 2.06406
Unit price
as of Jan 3, 2017

Top five holdings

SM Investments	10.1%
Ayala Land	7.5%
SM Prime Holdings	7.0%
JG Summit Holdings 1	5.4%
BDO Unibank	5.3%

Notes:
The fund returns are net of Annual Management Charge based on unit price as of January 3, 2017. Past performance is not necessarily indicative of the future or likely performance of the fund.

Highest and lowest unit price achieved

Initial (23 Oct 2007) 1.00000
Highest (13 Apr 2015) 2.50056
Lowest (28 Oct 2008) 0.42505

Performance chart

PRUlink global emerging markets dynamic fund

After a fairly volatile start to the year, the Morgan Stanley Capital International Emerging Markets (net of dividends) recovered and closed 11.2% higher in 2016.

The year 2016 was volatile for the global emerging markets (GEM) equity markets, which created fertile ground for good stock picking. The year also saw value styles begin to work for the first time in several years. Market sentiment and risk perception continued to be driven by Central Banks' policies, currency and commodity fluctuations, as well as more domestic factors like politics - i.e. in Brazil, Peru, the Philippines and Turkey amongst others. A partial reversal of consensus sentiment, which was at depressed levels, and the large underweight in emerging markets by global investors, helped drive the rally from January/February through. The search for yield and improving fundamentals have led investors to embrace riskier assets in emerging markets.

During the fourth quarter, upbeat US economic data and expectations around fiscal expansion under the incoming Trump administration continued to support developed market equities and a strong US dollar. Moreover, the Fed raised the US interest rate by twenty-five basis points in December, and signaled that interest rates might be raised three more times in 2017 on the back of higher GDP growth expectations and a strengthening labor market.

GEM equities are cheap relative to history and relative to developed markets. We believe the macro and geopolitical risks confronting emerging countries, including US monetary and fiscal policy, a slowdown in Chinese growth and lower commodity prices, are well priced by the market, as a result, GEM equities still trade at a significant discount to history.

Global Emerging Markets were in the headlines in 2016 with particular strength in Latin American equity market returns through the year. With developed markets priced expensively as earnings and margins stutter, the strong valuation signal across GEM equity markets combined with some early signs of earnings and margins improvement is likely to provide some support for returns from here. The valuation gap between cheap and expensive stocks within the emerging market equity universe also remains high and we continue to find opportunities to buy shares in companies we have identified as fundamentally mispriced.

Asset allocation

26.5% Financials

24.9% Information technology

8.4% Industrials

8.2% Consumer discretionary

7.6% Consumer staples

6.5% Energy

5.3% Telecommunication services

3.7% Materials

3.2% Real estate

5.7% Cash and others

Performance

15.91%
Actual year-on-year
Jan 4, 2016 - Jan 3, 2017

-5.04%
Since inception
(per annum)

USD 0.86697
Unit price
as of Jan 3, 2017

Top five holdings

Samsung Electronics	5.5%
Taiwan Semiconductor Manufacturing	5.0%
China Construction Bank-H	3.9%
Baidu Inc - Spon Adr	3.2%
Industrial and Commercial Bank of China-H	3.2%

Notes:
The fund returns are net of Annual Management Charge based on unit price as of January 3, 2017. Past performance is not necessarily indicative of the future or likely performance of the fund.

Highest and lowest unit price achieved

Initial (01 Apr 2014) 1.00000
Highest (04 Sep 2014) 1.10986
Lowest (22 Jan 2016) 0.63696

Performance chart

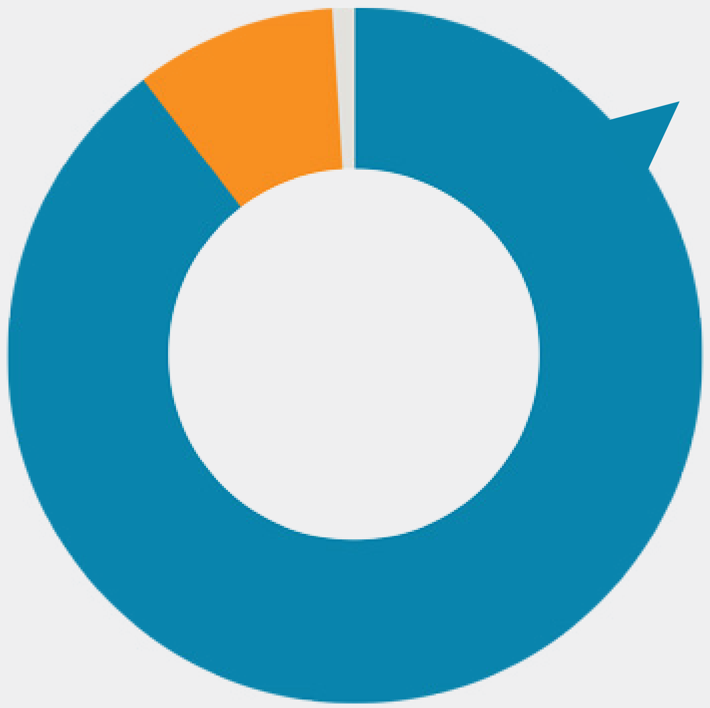
PRUlink cash flow fund

The PRUlink cash flow fund had a strong performance in 2016, which was driven by positive asset allocation decisions, supported by strong underlying security selection. Being overweight US High Yield Bonds and underweight Asian Bonds was positive in a year when the former outperformed; whilst underlying security selection contributed to returns in both asset classes. Performance was further supported by the off-benchmark exposure to global equity.

2016 was characterised by political upheaval and divergence in central bank policies; with bouts of market volatility throughout much of the year. Markets during the first quarter of 2016 were mixed, with falling oil prices and fears over global growth denting investor sentiment. However, as the year progressed, increasingly positive economic data points and a reversal in the oil price led to the building anticipation of a rate rise by the Fed although this anticipation was somewhat dampened around the time of the "Brexit" vote. The unexpected result of June 2016's referendum on the UK's future membership in the European Union saw a sell-off in equity markets around the world, although the bounce back was swift and extended into the third quarter where a combination of positive corporate earnings announcements and ongoing central bank stimulus measures spurred markets higher. The conclusion of the US presidential election – with a largely unexpected victory for Donald Trump – changed the dynamics of the markets in the fourth quarter.

The Fed raised rates in December, off the back of President Trump's reflationary policy stance combined with already positive US economic data. World equity markets rallied, initially cyclical areas of the market and then more broadly across sectors towards the end of 2016. Uncertainty remained, however, around President Trump's policy agenda, including his protectionist policies which had weighed on sentiment in the export-led economies of Asia. Fixed income assets, particularly longer duration, interest-rate sensitive assets underperformed in the fourth quarter; with US High Yield Bonds ending the year as the best performing fixed income asset globally.

Asset allocation



89.7%
Bond

9.6%
Equity

0.7%
Cash and others

Performance

6.11%
Actual year-on-year
Jan 4, 2016 - Jan 3, 2017

-2.58%
Since inception
(per annum)

USD 0.94568
Unit price
as of Jan 3, 2017

Top five holdings

Esin-US High Yield Bond D	54.6%
Esin-Asian Bond D	35.1%
Esin-World Value Equity D	4.9%
Esin-Asian Equity Inc D	4.7%
Tradeable United States Dollar-Currency	0.7%

Notes:
The fund returns are net of Annual Management Charge based on unit price as of January 3, 2017. Past performance is not necessarily indicative of the future or likely performance of the fund.

Highest and lowest unit price achieved

Initial (14 Nov 2014) 1.00000
Highest (29 Apr 2015) 1.01016
Lowest (15 Feb 2016) 0.86352

Performance chart

PRUlink managed fund

Over 2016, the PRUlink managed fund returned -0.06%, versus the composite benchmark return of 1.74% (on a net of fees basis). On a gross of fees basis the Fund returned 1.75%, mildly outperforming the composite benchmark.

For the year as a whole, the Fund's overweight to equity dragged on performance due to the leadership style of President Rodrigo Duterte – including the perceived step up of anti-US rhetoric – with the market selling off during the second half of 2016. In addition, stock selection in both the Fund's holdings in domestic equities and domestic bonds dragged on performance. The market has since recovered going into 2017, however, with strong economic growth and progress on tax reforms lifting the market.

As a team we have been highlighting the improvement in cyclical and earnings momentum globally during 2016, amid a backdrop of continued monetary accommodation which has supported equities and credit outperformance. As such, we have been close to maximum overweight equities for most of the second half of 2016 as the cyclical recovery theme reasserts itself over negative geopolitical uncertainty. The signs of economic recovery and rising inflationary pressures show no signs of abating at the moment as the recovery broadens out across regions and sectors. While we note that short-term equity sentiment is now a tad over optimistic, the growth momentum and reasonable equity valuations keep us bullish on equity.

Looking forward, we remain vigilant to some key risks: 1) disorderly unwind of high private sector leverage in China and emerging markets, 2) a more hawkish than expected shift of US monetary policy, 3) rising European political risk premia, and 4) rising US-China tensions.

While valuations seem elevated and investors have showed concerns over the leadership style of President Duterte, positive growth momentum domestically and globally favors equities over bonds.

As such, the fund manager continues to target an overweight to equities.

Asset allocation

75.6%
Bond

24.2%
Equity

0.2%
Cash and others

Fund performance review

Performance

-0.06%
Actual year-on-year
Jan 4, 2016 - Jan 3, 2017

8.04%
Since inception
(per annum)

PhP 3.0205
Unit price
as of Jan 3, 2017

Highest and lowest unit price achieved

Initial (24 Sep 2002) 1.00000
Highest (11 Aug 2016) 3.34119
Lowest (23 Oct 2002) 0.99568

Performance chart

www.prulifeuk.com.ph

PRUlink growth fund

Over 2016, the PRUlink growth fund returned -1.80%, versus the composite benchmark return of 0.80% (on a net of fees basis). On a gross of fees basis the Fund returned 0.44%, underperforming the composite benchmark.

For the year as a whole, the Fund's overweight to equity dragged on performance due to the leadership style of President Rodrigo Duterte – including the perceived step up of anti-US rhetoric – with the market selling off during the second half of 2016. In addition, stock selection in both the Fund's holdings in domestic equities and domestic bonds dragged on performance. The market has since recovered going into 2017, however, with strong economic growth and progress on tax reforms lifting the market.

As a team we have been highlighting the improvement in cyclical and earnings momentum globally during 2016 amid a backdrop of continued monetary accommodation which has supported equities and credit outperformance. As such, we have been close to maximum overweight equities for most of the second half of 2016 as the cyclical recovery theme reasserts itself over negative geopolitical uncertainty. The signs of economic recovery and rising inflationary pressures show no signs of abating at the moment as the recovery broadens out across regions and sectors. While we note that short term equity sentiment is now a tad over optimistic, the growth momentum and reasonable equity valuations keep us bullish on equity.

Looking forward, we remain vigilant to some key risks: 1) disorderly unwind of high private sector leverage in China and emerging markets, 2) a more hawkish than expected shift of US monetary policy, 3) rising European political risk premia, and 4) rising US-China tensions.

While valuations seem elevated and investors have showed concerns over the leadership style of President Duterte, positive growth momentum domestically and globally favors equities over bonds.

As such, the fund manager continues to target an overweight to equities.

Asset allocation

84.2%
Equity

15.6%
Bond

0.2%
Cash and others

Performance

-1.80%
Actual year-on-year
Jan 4, 2016 - Jan 3, 2017

11.81%
Since inception
(per annum)

PhP 3.59567
Unit price
as of Jan 3, 2017

Highest and lowest unit price achieved

Initial (19 Jul 2005) 1.00000
Highest (13 Apr 2015) 4.21563
Lowest (28 Oct 2008) 0.99584

Performance chart

PRUlink proactive fund

Over 2016, the PRUlink proactive und returned -1.84%, versus the composite benchmark return of 1.45% (on a net of fees basis). On a gross of fees basis the Fund returned 0.39%, underperforming the composite benchmark.

For the year as a whole, the Fund's overweight to equity dragged on performance due to the leadership style of President Rodrigo Duterte – including the perceived step up of anti-US rhetoric – with the market selling off during the second half of 2016. In addition, stock selection in both the Fund's holdings in domestic equities and domestic bonds dragged on performance. The market has since recovered going into 2017, however, with strong economic growth and progress on tax reforms lifting the market.

As a team we have been highlighting the improvement in cyclical and earnings momentum globally during 2016 amid a backdrop of continued monetary accommodation which has supported equities and credit outperformance. As such, we have been close to maximum overweight equities for most of 2H 2016 as the cyclical recovery theme reasserts itself over negative geopolitical uncertainty. The signs of economic recovery and rising inflationary pressures show no signs of abating at the moment as the recovery broadens out across regions and sectors. While we note that short term equity sentiment is now a tad over optimistic, the growth momentum and reasonable equity valuations keep us bullish on equity.

Looking forward, we remain vigilant to some key risks: 1) disorderly unwind of high private sector leverage in China and emerging markets, 2) a more hawkish than expected shift of US monetary policy, 3) rising European political risk premia, and 4) rising US-China tensions.

While valuations seem elevated and investors have showed concerns over the leadership style of President Duterte, positive growth momentum domestically and globally favors equities over bonds.

As such, the fund manager continues to target an overweight to equities.

Asset allocation

61.3%
Equity

38.3%
Bond

0.4%
Cash and others

Performance

-1.84%
Actual year-on-year
Jan 4, 2016 - Jan 3, 2017

9.32%
Since inception
(per annum)

PhP 2.01851
Unit price
as of Jan 3, 2017

Highest and lowest unit price achieved

Initial (17 Feb 2009) 1.00000
Highest (28 Jul 2016) 2.30325
Lowest (03 Mar 2009) 0.99950

Performance chart

Investment outlook

The reflation theme remained firmly in play last February. Forward looking global economic indicators continued to stay firm, as did corporate earnings outlook. Key beneficiaries of this macro theme were global equities and corporate bonds. Conversely, the big Fed repricing on the back of a more hawkish tone by the Fed has now set the stage for a rate hike in March. Overall, we remain overweight in equity and US high yield and emerging market credit; and have closed out our underweight duration in most portfolios. We continue to favor the US financial sector given the cheap valuation and potential for re-rating in a reflationary environment. We are cognizant of the risk of market correction in the short term, as market expectations are now approaching overly optimistic levels.

While we remain confident of the global growth path this year, risks which may derail this include the disorderly transformation of China's economy into one of lower long-term growth, as well as political changes in Europe. The pace of monetary tightening in the US and its impact on global USD liquidity also warrants close monitoring.

With regard to the Philippines, macro fundamentals remain intact and are underpinned by a healthy external position and strong domestic demand.

However, valuations of large caps are not attractive following the market's strong performance in the recent years.

Our portfolio manager is mindful of the risk of a potential market correction in the event of a spike in risk aversion, and will continue to monitor the macro situation while maintaining the bottom-up, valuation-driven investment approach.

Fund managers' profile

Low Guan Yi

Chartered Financial Analyst
Investment Director –
Fixed Income

Guan Yi is the manager of the **PRUlink bond fund** and **PRUlink Asian local bond fund.** Guan Yi has 19 years of investment experience in Asian fixed income. She joined Eastspring Investments (Singapore) Limited in 2007, and is responsible for the Pan-Asian local currency bond portfolios, as well as single-country Philippine and Thai bond portfolios. Guan Yi was previously a portfolio manager at Bank Pictet et Cie Asia Ltd, where she helped launch and manage the Asian local currency fund. Prior to that, she managed Asian local currency and credit portfolios at Fullerton Fund Management Company and at Standard Chartered Bank Singapore. She is a CFA charterholder and holds a Bachelor of Business from Nanyang Technological University, Singapore.

Leong Wai Mei

Certified Public Accountant
Investment Director –
Fixed Income

The **PRUlink US dollar bond fund** is managed by Wai Mei who has 17 years of investment experience. She currently holds a dual role as a Credit Manager (with credit research responsibilities and the oversight of the credit team), as well as a lead manager for the Asian High Yield and single-country Philippines USD bond portfolios. Wai Mei has worked for 17 years in various capacities in relation to credit, including holding positions as Senior Analyst at the Bank of Nova Scotia Asia Ltd, Commerce International Merchant Bankers (CIMB), Malaysia, and ABN AMRO Bank, Singapore. She holds a Postgraduate Diploma (Finance) from Melbourne University and a Bachelor of Business (Accounting) degree from RMIT University, Australia. She is a Certified Public Accountant.

Phua Zhenghao

Chartered Financial Analyst
Portfolio Manager –
Global Asset Allocation

The **PRUlink managed fund, PRUlink proactive fund, PRUlink growth fund** and **PRUlink cash flow fund** are managed by Zhenghao. He joined Eastspring Investments in September 2010. Besides being a portfolio manager in the Global Asset Allocation team, Zhenghao also provides support to the senior investment team in the area of research, fund management, and quant/database. Prior to joining Eastspring Investments, Zhenghao was Asset Allocation Research Analyst at UOB Asset Management in Singapore. Zhenghao is a CFA charterholder and has nine years of investment experience. Zhenghao graduated from the National University of Singapore in 2008 with a Bachelor of Business Administration (Honours) degree.

Andrew Cormie

Chartered Financial Analyst
Portfolio Manager –
Equity

The **PRUlink Asia Pacific equity fund** and **PRUlink global emerging markets (GEM) dynamic fund** are managed by Andrew Cormie. Andrew joined Eastspring Investments in 2008. Andrew is the team leader for the GEM focus team as well as a member of the Regional Asia focus team. He is also the lead manager for the Asia Pacific equity strategy as well as the GEM Dynamic Fund.

Andrew began his investment career in 1982 with National Mutual Life Association. He then worked as an equity dealer for JP Morgan Investment Management, Melbourne in 1984 and became Director, responsible for Australian Equity and Balance business three years later. In 1997, Andrew became the Head of Global Equity Team of JP Morgan Investment Management, London. Andrew was the founding partner and Director of Voyager Funds Management Pty Limited between 2006 and 2007. In all, Andrew has over 35 years of investment experience.

Andrew is a CFA charterholder and holds a bachelor's degree in Business Administration from Griffith University, Brisbane and a diploma from Securities Institute of Australia.

Chow Wing Kin

Chartered Financial Analyst
Investment Director –
Equity

Wing Kin is the manager of PRUlink equity fund. Wing Kin is the team leader of the ASEAN Equity focus team and the lead manager for the ASEAN, Indonesia, and Philippines equity strategies.

Previously, Wing Kin was an investment analyst at The Insurance Corporation of Singapore before joining Eastspring Investments in 1999. In all, Wing Kin has over 21 years of investment experience.

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

Corporate governance

Corporate governance

I. The Board of Directors

In the Annual Shareholders' Meeting of Pru Life Insurance Corporation of U.K. ("Pru Life UK") held on 23 June 2016, the following were elected as members of the Board of Directors for the year 2016 to 2017 and until their successors shall have been duly elected and qualified:

1. Henry Joseph "Henry" M. Herrera

Independent Chairman of the Board of Directors

- **Age:** 56 years old
- **Date of first appointment:**
  17 June 2010 as Board Member
  23 August 2012 as Chairman of the Board
- **Length of service:** 6 years
- **Directorship in other listed companies:** None

- **Qualifications:**
  Henry is a Statistics *cum laude* and Masters of Business Administration (MBA) graduate of the University of the Philippines and has also accomplished courses at the Asian Institute of Management (AIM), the Wharton Graduate School of Business, and the Harvard School of Business. He has also earned units in Master of Science in Mathematics degree major in Actuarial Services 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 (TOTAL) Award also in the same year.

  Henry is a Fellow and past president of the Actuarial Society of the Philippines and a member of the International Actuarial Association. He is also a past president of the Philippine Life Insurance Association, Inc. (PLIA).

- **Relevant experience:**
  Henry's experience in the insurance industry spans over 30 years. He was President and Chief Executive Officer (CEO) of Sun Life of Canada (Philippines), Inc. from January 2007 to July 2009.

  Henry's first CEO position was with Philippine Asia Life Assurance Corporation, where he was appointed in May 1994.

  Among his many achievements are multiple appointments as President and CEO, and various stints as Chief Actuary, Head of Investments, and Head of Operations.

  Henry also served as the Assistant Vice President, Financial Controller and Analyst of United Coconut Planters Life from 1984 up to 1988.

2. Stephen Paul "Steve" Bickell

Non-executive Board Member

- **Age:** 52 years old
- **Date of first appointment:**
  5 June 2008
- **Length of service:** 8 years
- **Directorship in other listed companies:** None

- **Qualifications:**
  Steve graduated with a Diploma of Business Studies from the Waltham Forest College of Higher Education.

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

3. Azim Khursheid Ahmed Mithani

Non-executive Board Member

- **Age:** 45 years old
- **Date of first appointment:**
  26 August 2015
- **Length of service:** 1 year
- **Directorship in other listed companies:** None

- **Qualifications:**
  Azim earned his Bachelor's degree with first class honors in Physics from the University of Durham in England, United Kingdom (UK). He is also a Fellow of the Institute of Actuaries and has a diploma in Islamic Finance from the Chartered Institute of Management Accountants (CIMA) in the UK.

- **Relevant experience:**
  Azim is the Chief Operating Officer for Insurance of Prudential Corporation Asia. He previously served as Chief Executive Officer of Prudential BSN Takaful Berhad.

4. Antonio Manuel "Jumbing" G. De Rosas

Executive Board Member

- **Age:** 51 years old
- **Date of first appointment:**
  7 December 2010
- **Length of service:** 6 years
- **Directorship in other listed companies:** None

- **Qualifications:**
  Jumbing completed his Bachelor of Science in Business Administration major in Accounting degree (Summa Cum Laude) at the University of San Francisco in the United States, and Master of Business Economics at the University of Asia and the Pacific.

  In 2012, Jumbing became the first Filipino in the Philippines to receive the Chartered Global Management Accountant designation from the American Institute Certified Public Accountants (AICPA) and the Chartered Institute of Management Accountants. He is licensed by AICPA, a fellow of the Hong Kong Institute of Certified Public Accountants, and a Certified Information Systems Auditor.

- **Relevant experience:**
  Jumbing joined Pru Life UK in 2007 as General Manager 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 and Ernst & Young, and Asia Commercial Bank, where he eventually became CFO. He moved to Manila in 1997 as Senior Vice President, CFO, and Treasurer of Nippon Life Insurance Company of the Philippines, Inc. before joining Pru Life UK.

5. Cesar P. Manalaysay
Independent Board Member

- **Age:** 68 years old
- **Date of first appointment:**
  2 August 2006
- **Length of service:** 10 years
- **Directorship in other listed companies:** None

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

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

- **Relevant experience:**
  Cesar is the Managing Partner of Siguion Reyna, Montecillo and Ongsiako Law Offices. He is a member of the Board of Directors or an officer of various companies.

6. Jose "BoyF" A. Feria, Jr.
Non-executive Board Member

- **Age:** 68 years old
- **Date of first appointment:**
  17 January 1996 to December 1997;
  re-appointed in July 2003
- **Length of service:** 15 years
- **Directorship in other listed companies:** Liberty Flour Mills, Inc.

- **Qualifications:**
  BoyF earned a double degree of Bachelor of Science in Business Administration and Bachelor of Arts in Economics at the De La Salle University. He received his Bachelor of Laws degree at the University of Santo Tomas. He is a member of the Integrated Bar of the Philippines (IBP).

  BoyF served as President of the Philippine Bar Association (PBA), the oldest voluntary national organization of lawyers in the Philippines.

- **Relevant experience:**
  BoyF is a senior partner of Feria Tantoco Robeniol Law Office. He is concurrently Chairman, Director, and Corporate Secretary of several companies in various industries in the Philippines.

7. Romerico "Romy" S. Serrano
Independent Board Member

- **Age:** 66 years old
- **Date of first appointment:**
  2 August 2006
- **Length of service:** 10 years
- **Directorship in other listed companies:** None

- **Qualifications:**
  Romy received his Bachelor of Science degree in Management from San Beda College and completed the Management Development Program at the Asian Institute of Management and the Advance Management Program/ International Senior Managers Program at the Harvard Business School in Boston.

- **Relevant experience:**
  Romy held top positions in various companies, as President of Fuji Xerox Philippines, Inc. and Country Manager of Motorola Inc.,- South Asia, among others.

II. Training and continuing education programme of directors

For the year 2016, the training and continuing education programme attended by the directors were as follows:

Director	Training and continuing education programme attended
1. Henry Joseph M. Herrera	Board Education Session held on 25 August 2016 where the following topics were presented: - Introduction to Government Relations - Information Risk and Privacy Management for High Risk Staff - Risk Management - Update on Prudential plc - Update on Prudential Corporation Asia
2. Stephen Paul Bickell	
3. Azim Khursheid Ahmed Mithani	
4. Antonio Manuel G. De Rosas	
5. Cesar P. Manalaysay	
6. Jose A. Feria, Jr.	
7. Romerico S. Serrano	

Henry Joseph M. Herrera also attended the following training and continuing education programme:

Date	Training and continuing education programme attended
January 2016	Seminar on Philippine Financial Market Outlook at Insurance Institute for Asia and the Pacific, Inc., Makati City by the Actuarial Society of the Philippines
July 2016	Seminar on Appointed Actuary at Insurance Institute for Asia and the Pacific, Inc., Makati City by the Actuarial Society of the Philippines
October 2016	Seminar on Risk Management Practices in Life Insurance at Makati Sports Club, Makati City by the Actuarial Society of the Philippines
November 2016	Actuarial Convention in Bataan by the Actuarial Society of the Philippines

Stephen Paul Bickell also attended the following training and continuing education programme:

Date	Training and continuing education programme attended
8 March 2016	Effective Management of Data in Financial Services in Hong Kong by Freshfields Bruckhaus Deringer
19 April 2016	Group-wide Internal Audit Auditor and Principal Auditor Academy in Hong Kong by Prudential plc
13 June 2016	Independent Non-Executive Directors Forum in Hong Kong by KPMG
13 July 2016	Executive Remuneration in the Regulated Era in Hong Kong by Freshfields Bruckhaus Deringer
26 July 2016	Hong Kong's Implementation of the AEOI Framework in Hong Kong by KPMG
29 August 2016	Regional Compliance Conference in Taipei by Prudential Corporation Asia
3 October 2016	OIC Workshop in Bangkok by Prudential Thailand
4-6 October 2016	Group Financial Crimes Conference in Bangkok by Prudential plc
26 October 2016	Asia Pacific Financial Services Tax Executives Conference in Hong Kong by PricewaterhouseCoopers
27 October 2016	China Credit Spotlight in Hong Kong by Standard & Poor's
5 December 2016	Independent Non-Executive Directors Forum in Hong Kong by KPMG

Azim Khursheid Ahmed Mithani also attended the following training and continuing education programme:

Date	Training and continuing education programme attended
7-10 March 2016	The Financial Institutions Directors' Education Program Module A in Malaysia by The Iclif Leadership and Governance Centre
4-6 April 2016	The Financial Institutions Directors' Education Program Module B in Malaysia by The Iclif Leadership and Governance Centre
13 May 2016	eBao Tech Hong Kong Seminar in Hong Kong by eBao Tech North Asia
17-18 November 2016	Asia Leadership Retreat 2016 in Hong Kong by Criticaleye (Europe) Limited
23 November 2016	The Digital Insurer Conference in Hong Kong by the Digital Insurer

Cesar P. Manalaysay also attended the following training and continuing education programme:

Date	Training and continuing education programme attended
16, 23, and 30 January 2016 and 6 February 2016	Mandatory Continuing Legal Education (MCLE) in Quezon City by the University of the Philippines Law Center Institute for the Administration of Justice where the following topics were discussed: • Philippine Economic Zone Authority and Regional Operation Headquarters Taxation (Substantive/Procedural Law); • Updates on Maritime Manpower Regulatory and Compliance Regime (Substantive/Procedural Law); • Current Developments in Intellectual Property Enforcement (Pre-Trial and Trial Skills); • Reportorial Requirements for Corporate Governance (MCLE Prescribed); • Corporate Disclosures (Legal Writing and Oral Advocacy); • Updates in International Law (International Law); • Judicial Competence and Ethics in the Cyber Age (Legal Ethics); • Updates in Election Law (MCLE Prescribed); • Updates in Labor Law (Substantive/Procedural Law); • Ethical Conduct in Mediation (Legal Ethics); • Logical Reasoning (Legal Writing and Oral Advocacy); • Court Supervised Rehabilitation (Substantive/Procedural Law); • International Commercial Arbitration (Alternative Dispute Resolution); • Voluntary Arbitration in Resolving Labor Dispute (Alternative Dispute Resolution); • Execution (Pre-Trial and Trial Skills); and • Empowered (Legal Ethics).

III. Board meetings

For the year 2016, the Board of Directors of Pru Life UK held eight (8) meetings. Below are the details of the attendance of the directors in said eight (8) board meetings:

Date and type of board meeting	Directors present in the board meeting	Directors absent in the board meeting
1. Special meeting of the Board of Directors held on 1 March 2016	Henry Joseph M. Herrera Stephen Paul Bickell Antonio Manuel G. De Rosas Cesar P. Manalaysay Romerico S. Serrano	Azim Khursheid Ahmed Mithani Jose A. Feria, Jr.
2. Regular meeting of the Board of Directors held on 31 March 2016	Henry Joseph M. Herrera Stephen Paul Bickell Azim Khursheid Ahmed Mithani Antonio Manuel G. De Rosas Cesar P. Manalaysay Romerico S. Serrano Jose A. Feria, Jr.	None
3. Special meeting of the Board of Directors held on 19 May 2016	Henry Joseph M. Herrera Antonio Manuel G. De Rosas Romerico S. Serrano Jose A. Feria, Jr.	Stephen Paul Bickell Azim Khursheid Ahmed Mithani Cesar P. Manalaysay
4. Organizational meeting of the Board of Directors held on 23 June 2016	Henry Joseph M. Herrera Stephen Paul Bickell Azim Khursheid Ahmed Mithani Antonio Manuel G. De Rosas Cesar P. Manalaysay Romerico S. Serrano	Jose A. Feria, Jr.
5. Regular meeting of the Board of Directors held on 25 August 2016	Henry Joseph M. Herrera Stephen Paul Bickell Azim Khursheid Ahmed Mithani Antonio Manuel G. De Rosas Cesar P. Manalaysay Romerico S. Serrano Jose A. Feria, Jr.	None
6. Special Board of Directors Education Session held on 25 August 2016	Henry Joseph M. Herrera Stephen Paul Bickell Azim Khursheid Ahmed Mithani Antonio Manuel G. De Rosas Cesar P. Manalaysay Romerico S. Serrano Jose A. Feria, Jr.	None
7. Special meeting of the Board of Directors held on 7 November 2016	Stephen Paul Bickell Azim Khursheid Ahmed Mithani Antonio Manuel G. De Rosas Romerico S. Serrano Jose A. Feria, Jr.	Henry Joseph M. Herrera Cesar P. Manalaysay
8. Regular meeting of the Board of Directors held on 22 November 2016	Henry Joseph M. Herrera Stephen Paul Bickell Azim Khursheid Ahmed Mithani Antonio Manuel G. De Rosas Cesar P. Manalaysay Romerico S. Serrano Jose A. Feria, Jr.	None

Board Member	Percentage of attendance
Henry Joseph M. Herrera	87.5%
Stephen Paul Bickell	87.5%
Azim Khursheid Ahmed Mithani	75%
Antonio Manuel G. De Rosas	100%
Cesar P. Manalaysay	75%
Romerico S. Serrano	100%
Jose A. Feria, Jr.	75%

IV. The Nomination Committee

In the Organizational Board of Directors' meeting held on 23 June 2016, the following were elected as members of the Nomination Committee for the year 2016 to 2017 and until their successors shall have been duly elected and qualified:

Cesar P. Manalaysay – *Independent Chairman*
Henry Joseph M. Herrera – *Independent Member*
Romerico S. Serrano – *Independent Member*

For the year 2016, the Nomination Committee of Pru Life UK held two (2) meetings. Below are the attendance details of each of its members in the said two (2) meetings:

	Date and type of Nomination Committee meeting	Members present in the Nomination Committee meeting	Members absent in the Nomination Committee meeting
1.	Regular meeting held on 31 March 2016	Cesar P. Manalaysay Stephen Paul Bickell Henry Joseph M. Herrera	None
2.	Regular meeting held on 22 November 2016	Cesar P. Manalaysay Henry Joseph M. Herrera Romerico S. Serrano	None

Nomination Committee member	Percentage of attendance*
Cesar P. Manalaysay	100%
Henry Joseph M. Herrera	100%
Romerico S. Serrano	100%
Stephen Paul Bickell	100%

**Stephen Paul Bickell served as Nomination Committee member until 22 June 2016 while Romerico S. Serrano served as Nomination Committee member only from 23 June 2016.*

V. The Remuneration Committee

In the Organizational Board of Directors' meeting held on 23 June 2016, the following were elected as members of the Remuneration Committee for the year 2016 to 2017 and until their successors shall have been duly elected and qualified:

Romerico S. Serrano – *Independent Chairman*
Henry Joseph M. Herrera – *Independent Member*
Azim Khursheid Ahmed Mithani – *Non-executive Member*

For the year 2016, the Remuneration Committee of Pru Life UK held two (2) meetings. Below are the attendance details of each of its members in the said two (2) meetings:

	Date and type of Remuneration Committee meeting	Members present in the Remuneration Committee meeting	Members absent in the Remuneration Committee meeting
1.	Regular meeting held on 31 March 2016	Romerico S. Serrano Azim Khursheid Ahmed Mithani Henry Joseph M. Herrera	None
2.	Regular meeting held on 22 November 2016	Romerico S. Serrano Azim Khursheid Ahmed Mithani Henry Joseph M. Herrera	None

Remuneration Committee member	Percentage of attendance
Romerico S. Serrano	100%
Azim Khursheid Ahmed Mithani	100%
Henry Joseph M. Herrera	100%

VI. The Audit and Related Party Transactions Committee[1]

In the Organizational Board of Directors' meeting held on 23 June 2016, the following were elected as members of the Audit and Related Party Transactions **("RPT")** Committee for the year 2016 to 2017 and until their successors shall have been duly elected and qualified:

1. Henry Joseph "Henry" M. Herrera

Independent Chairman of the Audit and RPT Committee

Qualifications:

Henry is a Statistics *cum laude* and MBA graduate of the University of the Philippines and has also accomplished courses at the Asian Institute of Management (AIM), the Wharton Graduate School of Business, and the Harvard School of Business. He has also earned units in Master of Science in Mathematics major in Actuarial Services 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 past president of the Actuarial Society of the Philippines and a member of the International Actuarial Association. He is also a past president of the Philippine Life Insurance Association, Inc. (PLIA).

Relevant experience:

Henry's experience in the insurance industry spans over 30 years. He was President and CEO of Sun Life of Canada (Philippines), Inc. from January 2007 to July 2009.

Henry's first CEO position was with Philippine Asia Life Assurance Corporation, where he was appointed in May 1994.

Among his many achievements are multiple appointments as President and CEO, and various stints as Chief Actuary, Head of Investments, and Head of Operations.

Henry also served as the Assistant Vice President, Financial Controller and Analyst of United Coconut Planters Life from 1984 up to 1988.

2. Stephen Paul "Steve" Bickell

Non-executive Member of the Audit and RPT Committee

Qualifications:

Steve graduated with a Diploma of Business Studies from the Waltham Forest College of Higher Education.

Relevant experience:

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

[1] *In the Regular Board of Directors' Meeting held on 22 November 2016, the Board approved renaming the Audit Committee to Audit and Related Party Transactions Committee. Although the said amendment on the name of the Audit Committee became effective only on 22 November 2016, the Audit Committee will be referred to in this Annual Report as Audit and RPT Committee.*

3. Cesar P. Manalaysay

Independent Member of the Audit and RPT Committee

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

  Cesar is a member of the Integrated Bar of the Philippines (IBP), Philippine Bar Association (PBA), 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.

4. Romerico "Romy" S. Serrano

Independent Member of the Audit and RPT Committee

- **Qualifications:**
Romy received his Bachelor of Science degree in Management from San Beda College and completed the Management Development Program at the Asian Institute of Management and the Advance Management Program/ International Senior Managers Program at the Harvard Business School in Boston.

- **Relevant experience:**
Romy held top positions in various companies, as President of Fuji Xerox Philippines, Inc. and Country Manager of Motorola Inc.,- South Asia, among others.

For the year 2016, the Audit and RPT Committee of Pru Life UK held four (4) meetings. Below are the attendance details of each of its members in the said four (4) meetings:

	Date and type of Audit and RPT Committee meetings	Members present in the Audit and RPT Committee meetings	Members absent in the Audit and RPT Committee meetings Committee meeting
1.	Regular meeting of the Audit and RPT Committee held on 31 March 2016	Henry Joseph M. Herrera Stephen Paul Bickell Cesar P. Manalaysay Romerico S. Serrano	None
2.	Regular meeting of the Audit and RPT Committee held on 23 June 2016	Henry Joseph M. Herrera Stephen Paul Bickell Cesar P. Manalaysay Romerico S. Serrano	None
3.	Regular meeting of the Audit and RPT Committee held on 25 August 2016	Henry Joseph M. Herrera Stephen Paul Bickell Cesar P. Manalaysay Romerico S. Serrano	None
4.	Regular meeting of the Audit and RPT Committee held on 22 November 2016	Henry Joseph M. Herrera Stephen Paul Bickell Cesar P. Manalaysay Romerico S. Serrano	None

Audit and RPT Committee member	Percentage of attendance
Henry Joseph M. Herrera	100%
Stephen Paul Bickell	100%
Cesar P. Manalaysay	100%
Romerico S. Serrano	100%

VII. Year 2016 annual performance assessments of the Board of Directors, the individual board members, the board committees, and the Chief Executive Officer

On a yearly basis, the directors of the Pru Life UK conduct a performance assessment of the Board, members of the Board, board committees and Chief Executive Officer. The annual performance assessment is based on the self-assessment questionnaire on the observance of the different principles of good governance in the Insurance Commission Circular Letter No. 31-2005 entitled *"Corporate Governance Principles and Leading Practices."*

For year 2016, the Annual Performance Assessment Form was distributed to the directors on 22 November 2016. The Corporate Secretary received the duly accomplished forms before the Board and Board Committee meetings held on 30 March 2017. The results of the performance assessments were tallied and summarized by the Corporate Secretary and reported to and discussed by the Board and Board Committees during the Board and Board Committee meetings held on 30 March 2017. Recommendations and action items based on the results of the performance assessments are scheduled to be discussed and determined by the Board and Board Committees during the Board and Board Committee meetings on June 2017.

VIII. External auditor

In the Audit and RPT Committee meeting of Pru Life UK held on 23 June 2016, the Audit and RPT Committee endorsed to the Shareholders of Pru Life UK the appointment of R.G. Manabat & Co. as external auditor for the audit year 2016. In the Annual Meeting of the Shareholders of Pru Life UK held on 23 June 2016, R.G. Manabat & Co. was appointed as the external auditor for the audit year 2016. None of the directors and senior management of Pru Life UK were former employees and partners of R.G. Manabat & Co. for the past two (2) years.

For the year 2016, Pru Life UK paid R.G. Manabat & Co. a total of two million thirty-seven thousand and two hundred sixty-six pesos (PhP 2,037,266.00) for audit fees, exclusive of out-of-pocket expenses and twelve percent (12%) value added tax. As a general professional partnership, the income payments to R.G. Manabat & Co. are exempt from withholding tax.

No non-audit fees were paid to R.G. Manabat & Co. for the year 2016.

IX. Dividend policy

Pru Life UK shall declare and pay cash dividends, the amount of which shall be determined through consideration of the following factors: (a) surplus position, (b) liquidity position, (c) solvency ratios, (d) strategic initiatives, and (e) provisions for regulatory changes.

For 2016, the Company declared and paid gross cash dividends of PhP 1,176,470,588.24.

X. Compliance and risk management

Pru Life UK's Board Audit and RPT Committee and Board Risk Committee (RC) provide the risk oversight roles at board level, including review of the framework and effectiveness of the Company's system of internal control, seeking assurance from Management that they have performed their duty in respect of their application of the Prudential Group Risk Framework, and 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 control, financial reporting, and risk management. The RC was created in 2016. The RC's primary function is to assist the Board of Directors (Board) of Pru Life UK in assessing the material risks to which Pru Life UK is or could be exposed as well as the effectiveness of its internal control and risk management systems. The risk oversight by the Audit and RPT Committee and the RC is mainly supported by the Chief Executive Officer (CEO), Chief Risk Officer, the Risk and Compliance function, and the executive level Risk Committee. The reporting and discussion on the risk management and compliance form part of the standing agenda of the Audit and RPT Committee and the RC.

For the year 2016, the Board of Directors conducted a review of Pru Life UK's material controls (including operational, financial and compliance controls) and risk management systems and 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, Lee C. Longa, for the year 2016 which showed 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.

For the year 2016, the Board of Directors confirmed the adequacy of Pru Life UK's internal controls/risk management systems and 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, Lee C. Longa, for the year 2016 which showed Pru Life UK's compliance, in all material respects, with the risk management policies and that all material controls and risk management systems have been operating effectively throughout the year.

XI. Speak Out Confidential Helpline (Whistle Blowing Policy)

For concerns and complaints on possible violation of rights and illegal (including corruption) and unethical behavior, please contact us using the details below. All concerns/complaints and any information given will be treated in confidence and every effort will be made not to reveal your identity if that is your wish.

Head office address:
9/F Uptown Place Tower 1, 1 East 11th Drive, Uptown Bonifacio, 1634 Taguig City, Metro Manila, Philippines

Telephone numbers:
Dial direct access number (depending on your telecommunications provider):

1010-5511-00 (PLDT-Tagalog Operator)
At English prompt, dial:
855-860-2158

105-11 (Globe, Philcom, Digitel, Smart)
At English prompt, dial:
855-860-2158

105-12 (Globe, Philcom, Digitel, Smart-Tagalog Operator)
At English prompt, dial:
855-860-2158

Email address: pcahelpline@prudential.com.hk
Website: www.prudentialspeakout.ethicspoint.com

XII. Code of corporate governance

As part of the Prudential Group, Pru Life UK is required to comply with the Prudential Group Corporate Governance standard. The Company runs an annual self-certification exercise (Turnbull*) to ensure compliance with the governance manual. The CEO of Pru Life UK presented to the 2016 Board Audit and RPT 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).*

Risk management
(Key risks)

Pru Life UK, as part of Prudential plc, generates shareholder value by selectively taking exposure to risks which can be appropriately quantified and managed, and where the risk is adequately rewarded. The approach is to retain risks where doing so contributes to value creation, to the extent that the Company is able to withstand the impact of an adverse outcome, and has the necessary capabilities, expertise, processes, controls, and capital to appropriately manage the risk.

Risk Management System

Pru Life UK complies with the Prudential plc Enterprise Risk Management System which includes risk governance, risk framework, risk appetite and limit, the risk management process, and the risk management culture. It is set out in the Pru Life UK Risk and Governance Framework.

Pru Life UK regards risk as the uncertainty that the Company faces in successfully implementing its strategies and objectives. This includes all internal and external events, acts, or omissions that have the potential to threaten the success and survival of the Company. As such, material risks will be retained only where this is consistent with the Prudential Group and Pru Life UK risk appetite and the philosophy towards risk-taking.

Pru Life UK 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 control its activities on risk-related matters.

The risk framework requires Pru Life UK to establish processes for identifying, evaluating, and managing the key risks based on the "three lines of defense" model which comprises of risk-taking and management, risk control and oversight, and independent assurance. The independent risk control and oversight function is supported by the risk management and compliance function led by the Chief Risk Officer (CRO) who directly reports to Pru Life UK's Chief Executive Officer (CEO) with dotted reporting line to the Prudential Corporation Asia (PCA) CRO. The quarterly Pru Life UK Board and Management level risk committees are the key risk governance forums. Being the standing committee of the Board of Directors of Pru Life UK, the Board level 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 management level risk committee is chaired by Pru Life UK CEO, facilitated by the CRO, and supported by the senior management team as members of the Committee. The key risks that the Company is exposed to and any key issues arising from the Risk Committee are required to be escalated to the Board level Risk Committee, the Audit and RPT Committee and an appropriate Regional Head Office Risk 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, Claims Committee, Outsourcing Committee, Sales Disciplinary Committee, Life Operations Committee and Persistency Steering Committee. The overall effectiveness of the CRO and the risk management function are subjected to the oversight of the Board and the Regional Head Office.

The risk appetite and limit defines the extent to which Pru Life UK is willing to take risk in pursuit of its objective to create shareholder value, taking into account the policyholders and other stakeholders' interest. It is defined by a number of risk appetite statements, operationalized through measures such as limits, triggers, and indicators. Aggregate risk limits are defined and monitored based on financial and non-financial stresses for our earnings volatility, liquidity, and capital requirements as well as limit on the counterparty and credit exposure. There is no appetite for material losses (direct or indirect) suffered as a result of failing to develop, implement, and monitor appropriate controls to manage operational risks.

The risk management process includes risk identification (including top down, bottom up, and emerging risk identification), risk measurement and assessment (including Solvency II Economic Capital, local capital, earnings volatility, liquidity, emergence of experience), risk monitoring and reporting (Risk Committee), and risk management and control (including risk appetite and limits, large risk approval process, stress testing, reverse stress testing, risk-based decision making). The risk management process is embedded in the key business activities.

Risk management culture is instilled via the embededness of the risk considerations in the business decisions. It is further embedded via the engagement of various stakeholders within the organization with the aim to enhance the understanding of the sound risk management practices and the awareness of its relevance to their roles. This includes the orientation to the new hire on the Pru Life UK risk management practice and specific training sessions to different functions, executive members and the Board members.

Key risk exposure and mitigating actions

The key risks inherent in the insurance management operation include investments made to support the insurance product liabilities, the products offered, and business operations.

Risks from investments could arise from the uncertainty of investment returns, including fluctuation in equity prices, interest rates, and defaults of credit instruments. Unit-linked products are exposed to equity risk, as the revenue is linked to funds under management. Traditional products are exposed to interest rate risks arising from asset liability mismatch. Mitigating actions include establishing clear market risk taking policies, risk appetite statements, limits and trigger, reporting of the regular management information, appropriate strategic asset allocation, which matches the liabilities profile and the oversight provided by the investment committee.

Risks arising from products offered include higher than expected i) mortality or morbidity claims, ii) policyholders surrender, or iii) incurred expenses for launching and administrating the policies. The risks are mainly mitigated by robust governance and oversight on the product development and the approval process, adequate training and sales process, appropriate underwriting and claim process, responsive customer service, appropriate risk transfer arrangements, ability to re-price, disciplined expense management, post-sale regular experience monitoring and the deep-dive reviews.

Risks from business operations could arise from the failure to comply with the ever evolving regulatory and legislative requirements, misselling, failure to manage the third parties, IT infrastructure, cyber security, and business continuity effectively. The risks are mainly mitigated by a sound and effective operational risk management framework, robust compliance processes and culture, timely and insightful management information on key operational risk and control assessments, scenario analysis, and internal and external incidents reporting.

Corporate officers

Antonio "Jumbing" G. De Rosas

President and Chief Executive Officer

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

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

Mr. De Rosas is a martial arts expert, with the rank of karate black-belt, 4th dan. He is a skilled athlete who continues to be involved in long-distance swimming and running.

Lee C. Longa

Executive Vice President and Chief Financial Officer

Lee Longa is a Certified Public Accountant with a wealth of experience in various Finance and Audit functions. He started his career with Joaquin Cunanan & Co./Pricewaterhouse Coopers where he was the Assurance and Business Services Advisory Manager.

Mr. Longa's insurance experience commenced when he joined Nippon Life as Chief Audit Executive. He has also had stints as a member of the senior management team and Head of Finance for the Blue Cross Group of Companies, AsianLife Financial Assurance Corp. and AsianLife and General Assurance Corp. Prior to joining Pru Life, he was Vice President and Chief Finance Officer of ACE Insurance Philippines. He earned his Accounting degree from the Ateneo de Davao University.

Maria Divina H. Furaggan

Senior Vice President and Chief Agency Officer

Maria Divina "Divine" Heres-Furagganan joined Pru Life UK in 2010 as Sales Director and has since led sales branches/agencies in becoming significant contributors to the Company's sales performance and expanding business. She currently serves as Senior Vice President and Chief Agency Officer, tasked to direct the Company's entire Agency force.

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.

Francis P. Ortega

Senior Vice President and Chief Actuary

Francis Ortega joined Pru Life UK as Head of Pricing and Product Development in 2007. As head of the actuarial pricing team, he was responsible for the development of the Company's long line of innovative and profitable products and has 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 currently oversees all areas of the actuarial function which covers Financial Reporting and Valuation, Experience Studies and Monitoring, Actuarial Risk Management, Pricing and Product Development, and Product Management.

Mr. Ortega is a Fellow of the Actuarial Society of the Philippines and the Life Office Management Institute and has more than 20 years' experience in the life insurance industry. He began his career with a large multinational life insurance company and has served in various senior actuarial roles prior to joining Prudential. He graduated Cum Laude from the University of Santo Tomas with a Bachelor's degree in Mathematics, major in Actuarial Science.

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.

Manuel T. Nera, Jr.

Senior Vice President and Chief Information Officer

Manuel "Manny" Nera holds a degree in Bachelor of Science in Electronics and Communication Engineering from Don Bosco Technical College. He was a member of the Project Management Institute and was a Certified Project Management Professional.

Mr. Nera brings with him two decades of Information Technology experience, starting with PLDT, the biggest telecommunications company in the Philippines. He assumed various roles with two other life insurance companies, Sun Life Financial Shared IT Services as its Regional IT Manager and Generali Pilipinas as its Chief Information Officer.

In 2010, he joined Pru Life UK as Vice President for Information Technology and ascended to the role of Senior Vice President and Chief Information Officer in 2011.

Michael R. Mabalay

Senior Vice President and Chief Operations 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 unit-linked life 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 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 Senior Vice President and Chief Operations Officer of Pru Life UK. He holds a degree in Bachelor of Science, Major in Management from the Ateneo de Manila University.

Ma. Emeren V. Vallente

Senior Vice President and Chief Legal and Government Relations Officer

Ma. Emeren V. Vallente currently serves as the Senior Vice President and Chief Legal and Government Relations Officer of Pru Life UK. She has been with the Company since 2010. Prior to working with Pru Life UK, she was Country Lead Lawyer and Corporate Secretary of a multinational insurance corporation where she authored the Regional Board Standards adopted and used by all of the corporation's affiliates within the region. Atty. Vallente has been sharing her expertise in legal matters with the life insurance industry since 1997. She also has extensive experience in both corporate governance and compliance and has successfully completed with Distinction the One-Year Course on Trust Operations and Investment Management conducted by the Trust Institute Foundation of the Philippines, the Neville-Clarke International Training Course for Internal Quality Auditor, and the Basic Management Program of the Asian Institute of Management. She obtained her Juris Doctor degree from the Ateneo de Manila University.

Johnny Lee

Senior Vice President and Chief Risk Officer

Johnny Lee joined Pru Life UK as Senior Vice President and Chief Risk Officer in 2016. He is leading the Risk management and Compliance function.

Mr. Lee brings with him over 15 years of solid experience in the life and pension industry in Asia, with the recent focus on European Solvency II implementation and financial risk management. Before joining Pru Life UK, he served as Prudential Corporation Asia's Director for Financial Risk Management. He has also worked for various product development, financial reporting and pension consulting roles in Prudential Corporation Asia, AIA, Manulife, and William Mercer.

He earned both his undergraduate degree in Actuarial Science and postgraduate degree in Financial Engineering and Risk Management from the University of Hong Kong. He is a Fellow of the Society of Actuaries since 2003.

ACEDERA, Ma. Christia
Vice President -
Contact Center Management

AYSON, Grace
Vice President -
Compliance Officer, Money Laundering Prevention Officer and AMLA Compliance Officer

BALBIN, Samuel
Vice President -
Underwriting and Claims

BELTRAN, Mercedes
Vice President -
Agency Recruitment

DE LEON, Arnolfo
Vice President -
Agency Support

DETALLA, Marylin
Vice President -
Sector Head for Metro Manila

ELLORENCO, Noel
Vice President and
National Sales Director

GARCES, Antonio II
Vice President and
Chief Investment Officer

GARCIA, Ramon
Vice President -
Third Party Distribution Business Development

GREGORIO, Esperanza
Vice President -
General Agencies Director

ISIDRO, Maribel
Vice President and
Sector Head for Luzon

JARANILLA, Ma. Leticia
Vice President -
Third Party Distribution

KATINDOY, Elaine
Vice President -
PRU Agent Academy

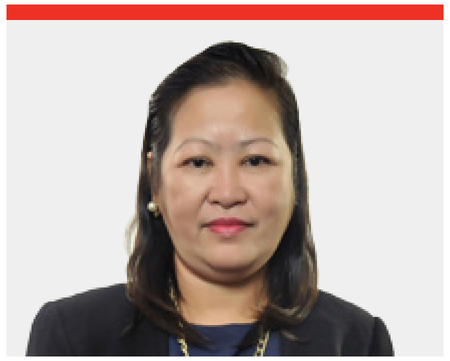
KINTANAR, Ma. Xenas
Vice President and
Sector Head for Visayas and Mindanao

LASA, Roseanne
Vice President -
PRU Leadership Academy

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

MARASIGAN, Dante
Vice President and
Financial Controller

MIGALLOS, Mark Anthony
Vice President -
General Agencies and Fast Track



PATULOT, Andrea Margie
Vice President -
Policy Administration

RABOT, Maria Cecilia
Vice President -
IT Business Solutions

RAMIREZ, Kenn Melecio
Vice President -
Channel Incubation Administrator

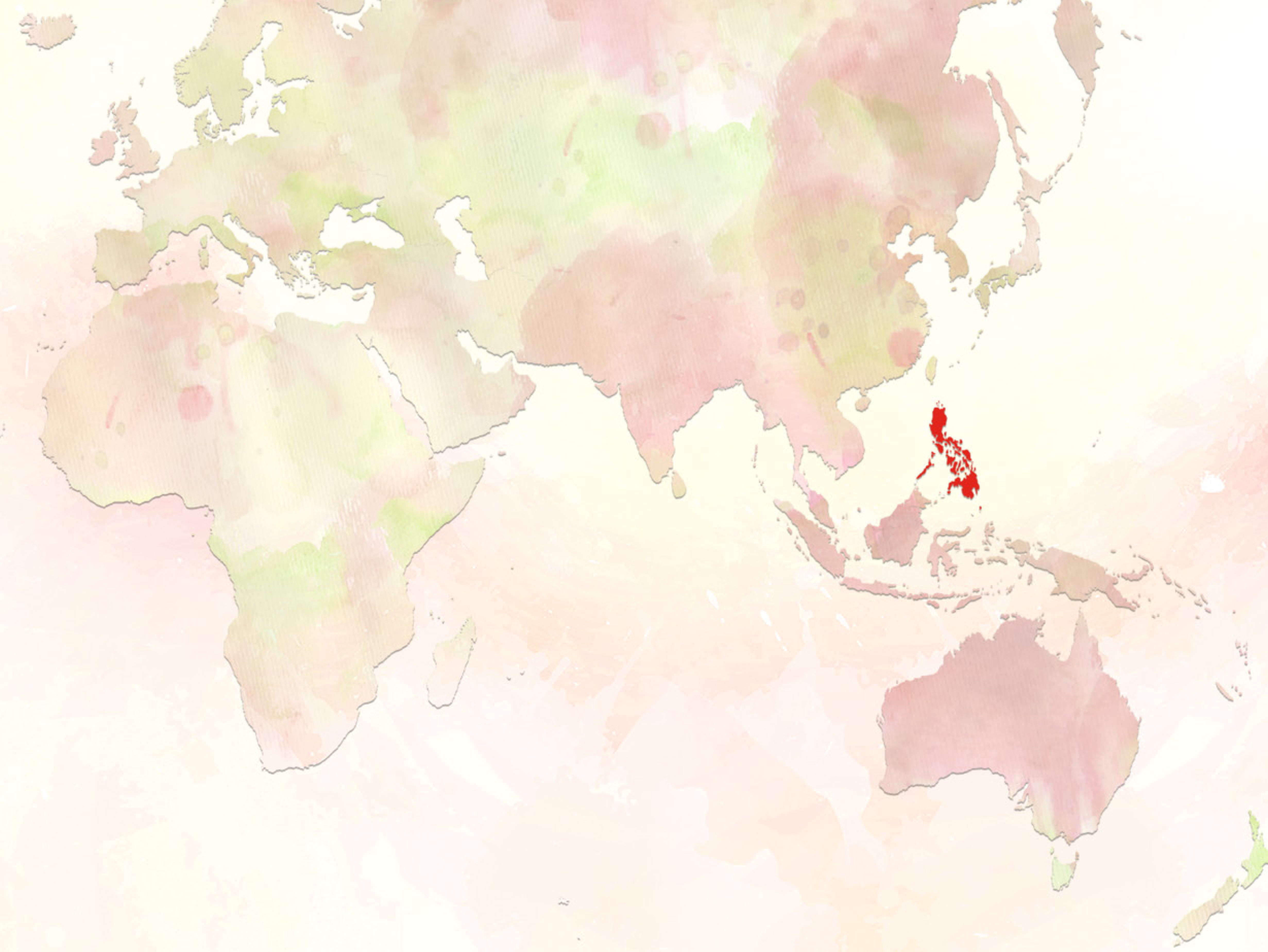
Shareholding structure and group corporate structure

Position as of 31 December 2016

Extract from the Prudential plc ownership chart for Pru Life Insurance Corporation of U.K.

- **Prudential plc** [UK]
  - 100% **The Prudential Assurance Company Limited** [UK]
  - 100% **M&G Group Limited** [UK]
    - 100% **M&G Limited** [UK]
  - 100% **Prudential Corporation Asia Limited** [HK]
    - 100% **Prudential Holdings Limited** [UK]
      - 100% **Prudential Corporation Holdings Limited** [UK]
        - 100% **Pru Life Insurance Corporation of U.K.** [Philippines]
  - 100% **Prudential (US Holdco 1) Limited** [UK]
    - 100% **Jackson National Life Insurance Company** [USA]

Notes:
1. *Place of incorporation of each company are being indicated in square brackets above.*
2. *The above chart shows only Prudential plc's principal business units.*
3. *Immediate holding companies for **Jackson National Life Insurance Company** do not appear on this ownership chart.*
4. *Ownership of Pru Life Insurance Corporation of U.K. is **fully** reflected in this ownership chart.*



PRU LIFE U.K.

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

Headquartered in the United Kingdom, Prudential plc has an extensive network of life insurance and mutual funds operations around the world covering Europe, the United States (US) and 14 markets in Asia. Its regional office, Prudential Corporation Asia, is based in Hong Kong. Prudential plc has around 24 million insurance customers worldwide and manages £599 billion of assets as of 31 December 2016.

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

www.prulifeuk.com.ph

Pru Life UK - Official

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