



PRU LIFE U.K.

A culture of collaboration

2014 Annual Report



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

Eastspring Investments (Singapore) Limited, Pru Life UK's fund manager, is a unit of Eastspring Investments which was named the largest Retail Asset Manager in Asia (ex-Japan, Australia and New Zealand) for the third straight year in the annual Asia Asset Management Fund Manager Survey 2014. Eastspring Investments has close to USD 118 billion in assets under management (as at 30 September 2014).



PRULink CASH FLOW FUND

- The PruLink Cash Flow Fund (PCFF) is a US dollar-denominated fund that seeks to provide investors with regular payouts[^] by investing in a diversified portfolio of yielding assets.
- Structured as a feeder fund, PCFF invests in Eastspring Investments – US High Yield Bond Fund and the Eastspring Investments – Asian Bond Fund.
- The Fund may also invest in Luxembourg-domiciled Eastspring Investments funds: World Value Equity Fund, North American Value Fund, Asian Equity Income Fund, and iShares Select Dividend Exchange Traded Fund.
- The Fund is managed by the strong and experienced investment team of Eastspring Investments (Singapore) Limited.

[^]Payout shall be at the discretion of Eastspring Investments (Singapore) Limited and Pru Life UK. This may be made out of any of the following: (a) income, (b) net capital gains, (c) capital of the Fund, or a combination of (a) and/or (b) and/or (c). The payout is based on the percentage of the fund value held by the Policyholder as declared by the Fund Manager and Pru Life UK, subject to a maximum payout rate of four percent (4.00%) per year. Subject to market conditions, the PCFF also does not guarantee that any distribution will be made, nor does it guarantee the amount of payouts as set in the prospectus, sales illustrations, presentations, and/or related reports and documents.



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



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



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

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REPORT FROM THE CFO

Maintaining a legacy of financial strength requires a commitment for Pru Life UK to consistently build upon the tradition of excellence, innovation, collaboration and care – the same values cultivated by our British parent company Prudential plc for over 165 years. To be among the leaders in the race, we recognize the need to be unswerving in our purpose to contribute in nation building by propagating financial security for the Filipino.

Only the most focused, the most experienced and the most formidable reach the finish line first. In 2014, Pru Life UK sustained its momentum and clarity of direction as the Company delivered Php 16.1 billion in Total Gross Premium Income and Php 3.751 billion in Annual Premium Equivalent. Being one of the younger players in the Philippine life insurance industry, we have proven the strength of the Prudential brand that is trusted worldwide as the company grew four times in four years.

The PruLink expert

In our bid to accelerate and dominate, Pru Life UK continued to provide customers with the best vehicles for financial protection and wealth accumulation. In the previous year, we introduced the Pru Life Care Series, a suite of yearly renewable term products that provide cash benefits to help cover the cost of treatment of life threatening diseases or critical illnesses. We have also expanded our portfolio of unit-linked funds with the PruLink Global Emerging Markets Dynamic Fund, a US dollar-denominated fund that capitalizes on long-term investment opportunities and growth potential of emerging markets worldwide; and the PruLink Cash Flow Fund, the Philippines' first US dollar-denominated payout-based fund that aims to provide regular quarterly payouts of up to 4% annually to policyholders.

The best asset managers in Asia

Outpacing all others in the industry, Eastspring Investments, the Asian asset management arm of Prudential plc, was hailed as the Best Asset Management House in Asia Asset Management's annual Best of the Best Awards. Eastspring Investments (Singapore) Limited, a unit of Eastspring Investments, manages Pru Life UK's underlying funds since it pioneered unit-linked or investment-linked life insurance in the Philippines in 2002. This is yet another testament to Prudential's industry expertise in Asia and around the world.

Largest agency force

Our culture of collaboration remains steadfast with our over 12,000-strong agency force. Our team of competent and professional men and women from the Pru are equipped not just with the knowledge but with the heart to help build better futures for our clients. Through the years, the men and women from the Pru remain to be more than just financial consultants, but are also agents of hope – always going the extra mile to be present when clients need them most – when recovering from the most devastating of tragedies, or when preparing to make the biggest of goals a reality.

Expanded bank partnerships

We have forged robust ties with our network of bank partners that allow us a broader reach in our mission to provide relevant and practical financial planning solutions for the Filipino. In 2014, we have strengthened our distribution partnership with Standard Chartered Bank. This is part of a 15-year regional agreement through British parent companies Prudential plc and Standard Chartered PLC which covers 11 markets in Asia, deepening what has become the most enduring pan-regional distribution alliance in Asia since it was established in 1998. We have likewise established a five-year partnership with the Philippine Bank of Communications (PBCOM) to distribute Pru Life UK's comprehensive array of life, health and protection products to PBCOM's customers.

'Doing well by doing good'

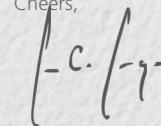
Collaboration is also at the heart of our commitment to make a positive impact in the communities we are part of. After Central Philippines was ravaged by super typhoon Yolanda (international name: Haiyan), Prudence Foundation, the unified charitable arm of our regional headquarters Prudential Corporation Asia, went beyond financial aid. We recognized the need for people to be on the ground to provide help and comfort as Filipinos rebuilt their lives. Over 200 employees and agents from 12 Asian countries and the United Kingdom volunteered to build 135 disaster-resilient homes for families in Barangay Maricaban, Santa Fe, Bantayan Island, Cebu. 183 motorized boats with fishing nets and 140 cycle rickshaws or pedicabs were likewise contributed to restore sustainable livelihood in the community.

We also continue to explore new ways to blaze the trail in empowering communities to protect their future through responding effectively to unforeseen events such as natural calamities. True to its thrust to propagate disaster preparedness, Prudence Foundation in partnership with National Geographic Channel launched Safe Steps in the previous year. Safe Steps is a groundbreaking pan-Asian public service initiative aimed at enhancing disaster preparedness and awareness through dissemination of educational survival tips for the most common disaster situations in Asia. International boxing icon and humanitarian Manny Pacquiao is the Safe Steps Ambassador. Broadcast in nine countries in 10 languages and reaching 24 million households in Asia, it demonstrates easy-to-understand survival tips for most common catastrophes – typhoons, earthquakes, floods and fire, including preparing a life-saving emergency kit. In the Philippines, the government has adopted Safe Steps for integration in its disaster preparedness initiatives. It will be rolled out in all 1,715 local government units nationwide through the Office of Civil Defense and National Disaster Risk Reduction and Management Council. The Movie and Television Review and Classification Board likewise endorsed the showing of Safe Steps in cinemas nationwide.

We understand that accelerating the pace of company growth and dominating the life insurance industry involves a successful interplay of the best products, the best people, the best systems for customer care and the best platforms for sustainable growth in our communities, and that is what we strive to deliver to our customers daily.

Pru Life UK is a well-oiled machine of team players, prepared to zoom through to the next level of excellence in financial services as we continue on our journey to build scale and quality for sustainable leadership.

Cheers,



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

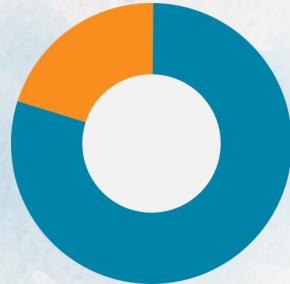


FUND OBJECTIVES



PRULink Bond Fund

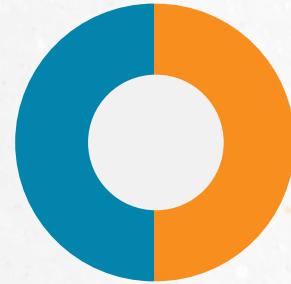
The Fund seeks to achieve an optimal level of income in the medium term together with long-term capital growth through investments in fixed income securities and money market instruments.



PRULink Managed Fund

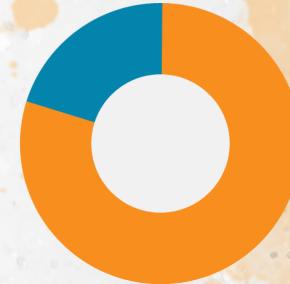
The Fund seeks to optimize medium- to long-term capital and income growth through investment in fixed income securities, money market instruments and shares of stocks listed in the Philippine Stock Exchange.

Local-denominated funds



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.



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 USD.



PRULink Asian Local Bond Fund

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



PRULink Asia Pacific Equity Fund

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



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, which 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 Depository Receipts and Global Depository Receipts, preference shares and warrants.

- Bonds
- Equities

MARKET REVIEW

Financial markets began 2014 on a sombre note. The scaling back of the quantitative easing programme by the US Federal Reserve Board and renewed growth concerns in China undermined confidence in emerging markets. The sell down in emerging market assets sparked a global contagion. Subsequently, a reaffirmation from central banks of continuing easy monetary policies and signs of stabilisation in emerging markets lifted sentiment across the globe.

The year was marked by bouts of volatility. Rising geopolitical tensions, namely Russia's intervention in Ukraine and the deepening unrest in the Middle East coupled with disappointing growth and profits in Europe, China and Japan triggered intermittent sell-offs. As the year drew to a close, political tensions in Greece, the economic crisis in Russia and plunging oil prices send global markets lower.

The intermittent sell-offs exposed value in a number of stocks across regional Asia. Names linked to the global cycle were sold initially due to shorter-term concerns for global growth. The valuation gap between defensive and cyclical stocks continued to remain wide.

Against this environment, global equities, as reflected by the MSCI World Index, only rose by 5% in USD terms. US equities were 2014's top performers led by indications of a nascent economic recovery and expectations that interest rates will remain low for longer. Over in Asia, star performers Indonesia, the Philippines and India led the region higher. Positive election outcomes in India and Indonesia and improving macro conditions underpinned equities in these markets. Rating agency Standard & Poor's raised the Philippines sovereign rating by one-notch to BBB in recognition of the country's strong fiscal and balance of payments metrics.

Source: MSCI from Thomson Reuters Datastream as at 31 Dec 2014

Meanwhile, Japan equities had a challenging year, underpinned by lacklustre economic growth. Bank of Japan's surprise move in October to expand its quantitative easing programme fuelled a rally in domestic equities. As a result, Japan had a good year in Yen terms but posted losses in USD terms. European equities, too, posted losses, plagued by the region's high unemployment and growth woes. Speculation over whether the European Central Bank will implement additional stimulus was another factor driving market volatility in Europe during the second half of the year.

One of 2014's biggest surprises was the decline in global bond yields. Instead of the anticipated rise in US interest rates, 10-year Treasuries rallied. Shrinking flows of government debt instruments may have also helped lower yields against a backdrop of growing liquidity. Asian local rates experienced declines (generally in tandem with US bond yields). In some Asian markets, domestic factors aided the rallies. On the whole, the Asian USD bond market delivered a strong gain underpinned by coupon income. Unexpected declines in longer-term US interest rates also helped lift performance. Most Asian currencies slid against the US dollar in 2014. While the US dollar was a beneficiary of the optimism surrounding the US economy, various unique reasons caused the Asian currencies to depreciate throughout the year.

With the US quantitative easing over and the US Federal Reserve closer to its first rate hike, 2015 looks set to be another interesting year. While the Fed's move has been well anticipated, it could prove challenging should the Fed raise rates more rapidly than anticipated.



Regional PruVolunteer Programme - Prudence Foundation, the charitable arm of Prudential Corporation Asia (PCA) and Pru Life UK, has mobilized its Regional PruVolunteer Programme, with over 200 employee-volunteers from 12 Asian countries and the United Kingdom in three legs of programme implementation. Volunteers went on the ground in Santa Fe, Bantayan Island, Cebu to help build 135 disaster-resilient homes following the destruction wrought by super typhoon Yolanda (international name: Haiyan). The Regional PruVolunteer Programme helped the local community in constructing 135 core shelter houses that can withstand magnitude 8 earthquake and winds of up to 275 kilometers per hour in partnership with international non-governmental organization Habitat for Humanity Philippines. Apart from construction of homes, Prudence Foundation also provided 183 motorized boats with fishnets and 140 pedicabs or cycle rickshaws to support sustainable livelihood in the community. The programme is part of Prudence Foundation's US\$2 million commitment to support relief and long-term recovery effort in areas affected by typhoon Yolanda. In photo is PCA Chairman Donald Kanak (leftmost) with employee-volunteers at the housebuild site.

FUND PERFORMANCE REVIEW

Fund performance

PruLink funds	Actual year-on-year Jan 2, 2014 - Jan 5, 2015	Since inception (per annum)	Unit price as of Jan 5, 2015
PruLink Peso Bond Fund	2.29%	7.97%	2.56281
PruLink USD Bond Fund	11.08%	7.72%	2.36710
PruLink Asian Local Bond Fund	3.93%	-0.41%	0.98807
PruLink Managed Fund	4.21%	9.58%	3.07408
PruLink ProActive Fund	6.86%	13.90%	2.14613
PruLink Growth Fund	17.33%	15.26%	3.82857
PruLink Equity Fund	25.03%	11.65%	2.20901
PruLink Asia Pacific Equity Fund	4.69%	0.07%	1.00131
PruLink Global Emerging Markets Dynamic Fund	n.a.	n.a.	0.90483

The fund returns are net of Annual Management Charge based on unit price as of Jan 5, 2015. Past performance is not necessarily indicative of the future or likely performance of the fund.

PruLink Bond Fund

The Philippine domestic government bond market continued to post positive returns in 2014, with the benchmark HSBC Philippine Government Bond index rising by 6.81%.

The gains were attributed to a combination of coupon accrual, as well as yield declines at the long-end of the government bond yield curve. Demand for long-dated government bond (maturity segment of more than 10 years) held firm over the year, supported by flush domestic liquidity, lack of long-dated bond supply, as well as the broad downward moves in global interest rates during the year. However, higher government bond yields were seen in the rest of the curve as the tightening bias of the central bank exerted upward pressure on shorter-term rates.

During the year, the Bangko Sentral ng Pilipinas raised policy rates twice, bringing the overnight reverse repo rate from 3.50% to 4.00%, while the Special Deposit Account rate was hiked once to 2.50%. The tighter monetary policy occurred amid the central bank's concerns over inflationary pressures amid robust economic growth. However, the sharp fall in oil prices in the second half of the year softened inflation expectations significantly. Full-year inflation for 2014 averaged 4.1%¹, staying within the government's 2014 inflation

Overall, the Fund posted a gain of 3.87% (gross of fees), underperforming the benchmark index. On a net of fee basis, the Fund gained 2.29% over the year. The Fund's curve steepener position in the first half of the year contributed to the underperformance as the shorter end of the curve

sold off more significantly than the long end. Bond valuation differences between custodian and benchmark provider also added to return deviation.

Source: ¹Bangko Sentral ng Pilipinas, January 2015

PruLink Dollar Bond Fund

The Philippine USD sovereign bond market ended the year with a strong return of 12.39%² as proxied by the JPMorgan EMBI Global Philippines index.

Performance of the sovereign bond market was supported by significant declines in long-term US interest rates, in addition to coupon accrual. Despite signs that the US recovery remained entrenched, yields of long-dated US Treasuries declined during the year amid further monetary easing actions by major central banks such as the Bank of Japan and European Central Bank. The sharp falls in oil prices in the later part of the year also heightened global growth concerns, which spurred flight-to-quality flows into US Treasuries.

However, the generally cautious risk sentiment during the year resulted in modest widening of the Philippine sovereign credit spreads, which mitigated gains somewhat. Nevertheless, the extent of spread widening seen in the Philippines was significantly more benign as compared to other emerging market sovereign bonds. This reflected a more resilient investor sentiment towards the Philippines, which was supported by favourable economic fundamentals and which led to continued sovereign rating upgrades by Standard & Poor's and Moody's Investors Service during the year.

Over the year, the Fund posted a positive return of 12.79% (gross of fees), outperforming the benchmark performance return of 12.39%. On a net of fees basis, the Fund posted a gain of 11.08%. The Fund's overweight duration position and carry from holdings in corporate bonds contributed to outperformance.

Source: ²Bloomberg, 31 December 2014

PruLink Asian Local Bond Fund

Asian domestic bond markets performed well in 2014. Declines in US and Asian government bond yields contributed positively to overall returns, although a stronger USD resulted in broad Asian currency weakness. Despite consensus expectations for weaker fixed income markets in 2014, ongoing accommodative policy measures from major central banks, as well as moderate global growth and inflation profile, sent government bond yields lower over the review period. However, volatility in financial markets rose in the second half of the year. The accelerated decline in oil prices and flare-ups in geopolitical risks within the emerging market space resulted in market jitters, which led to broad Asian currency weakness.

Overall, positive performance was seen across all Asian domestic bond markets in local currency terms. Higher yielding countries like India and Indonesia outperformed amid improved macroeconomic backdrops and favourable election outcomes, which boosted investor sentiment.

In 2014, the Fund posted a gain of 5.82% (gross of fees), outperforming the benchmark (customised HSBC Asian Local Bond index)

return of 4.14%. On a net of fee basis, the Fund posted a positive return of 3.93%. The Fund's overall duration overweight and the overweight in corporate credits contributed positively to relative performance. Overweight positions in Indian and Indonesian bonds also added value.

PruLink Managed Fund

Over 2014, in PhP terms, the PruLink Managed Fund rose 4.2% (on a net return basis), underperforming its composite benchmark by 6.2%. On a gross return basis, the PruLink Managed Fund rose 6.1%, underperforming its composite benchmark by 4.4%.

Fund performance was mainly impacted by negative security allocation within fixed income. Overweighting bonds and underweighting equities also detracted value from the Fund.

Looking forward, the Fund is maintaining its asset allocation strategy of underweighting equities into bonds and cash. The fund manager has reduced the underweight position in equities by deploying the cash in the funds, while maintaining an overweight position in bonds.

Philippine equities remain extremely expensive levels (one to two standard deviations above historical average) on multiple valuation measures. Such level of valuation surpasses levels last seen in 1996 and 2007, before significant sell-offs (more than 50%) during periods of global risk aversion. With Philippine equities trading at such elevated valuations, they offer extremely little margin of safety against any external shock and rise in global

risk aversion. The fund manager notes that it is hard for an equity market to post positive returns when it is trading above three times trailing price-to-book, which Philippine equities are currently trading at. This is based on analyzing historical valuations and returns of 43 countries/regions globally.

The fund manager acknowledges the fiscal and macroeconomic fundamentals, but these positives are likely to be fully reflected in Philippine equities valuations as it is the most expensive global equity market. Hence, Philippine equities may not do well even if global equities perform. Inflation has been falling over the past few months and is expected to remain within the 2-4% range. This is supportive of government bond prices.

In summary, the fund manager reduced the underweight in equities given further upside risks in equities as global economy recovers. However, a defensive stance is maintained given the over-valuation in domestic equities, reducing the potential volatility and drawdown of the funds.

PruLink ProActive Fund

Over 2014, the PruLink ProActive Fund rose 6.9% (on a net return basis), underperforming its composite benchmark by 9.1%. On a gross return basis, the PruLink ProActive Fund rose 9.3%, underperforming its composite benchmark by 6.7%.

Fund performance was mainly impacted by negative security allocation within fixed income. Overweighting bonds and underweighting equities also detracted value from the Fund.

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PruLink Growth Fund

Over 2014, the PruLink Growth Fund rose 17.3% (on a net return basis), underperforming its composite benchmark by 4.3%. On a gross return basis, the PruLink Growth Fund rose 20.0%, underperforming its composite benchmark by 1.7%.

Fund performance was mainly impacted by negative security allocation within fixed income. Overweighting bonds and underweighting equities also detracted value from the Fund.

Looking forward, the Fund is maintaining its asset allocation strategy of underweighting equities into bonds and cash. The fund manager has reduced the underweight position in equities by deploying the cash in the funds, while maintaining an overweight position in bonds.

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In summary, the fund manager reduced the underweight in equities given further upside risks in equities as global economy recovers. However, a defensive stance is maintained given the overvaluation in domestic equities, reducing the potential volatility and drawdown of the funds.

PruLink Equity Fund

The Fund posted a net return of 25.0% in January-December 2014, underperforming its total return benchmark by 0.4%.

The Philippine Stock Exchange Index (PSEi) rose for a sixth consecutive year in 2014, gaining 22.8%¹ in local currency terms as the nation generated respectable gross domestic product growth despite typhoon-related disruptions. Standard & Poor's and Moody's Investors Service raised their credit ratings on the Philippines. Declining oil prices and an easing of inflation helped late in the year.

The larger contributors to the Fund's full-year 2014 relative performance included overweight positions in First Gen Corp. and a related company, Energy Development Corp. (EDC). First Gen generates electric power. Energy Development uses geothermal energy to produce steam for electricity generation. The stock price of each rose sharply as

investors rewarded the companies for the prompt return to service of facilities damaged by typhoons. EDC, in addition, brought new capacity into service.

An off-benchmark stake in Vista Land & Lifescapes Inc. was also a key contributor to the Fund's performance. Vista is an attractively valued property developer which reported that January-November profit rose nearly 12% from a year earlier.

The larger detractors from the Fund's full-year 2014 relative performance included underweight positions in expensively valued JG Summit Holdings Inc. and Universal Robina Corp. An off-benchmark position in East West Banking Corp also detracted from performance.

East West Banking is attractively valued with a high exposure to consumer loans, and has relatively high net interest margins. Net income in the third quarter rose 52% from a year earlier. Net interest income and fee-based income expanded well.

Source: ¹Philippines Stock Exchange, 31 December 2014

PruLink Asia Pacific Equity Fund

Over 2014, the Fund advanced 6.9% (gross of fees), outperforming its total return benchmark by 4.1%. Net of fees, the Fund gained 4.7% to outperform by 1.9%.

For the underlying portfolio, stock selection in China, India, financials and industrials contributed to the Fund's outperformance. Stock selection in Australia, Thailand, telecommunication services and overweight exposure in energy were main detractors from performance.

Overweight investments in Axis Bank and LIC Housing Finance were among the larger contributors to relative performance. Amid the rally in Indian equities, the Fund's investments in Axis Bank, a mid-sized Indian private-sector bank, and LIC Housing Finance, a mortgage lender in India, outperformed. These investments re-rated from attractive relative valuations, spurred on by optimism over consumer spending and economic reforms. Before the recent national elections, Indian cyclicals and financials were heavily undervalued while valuations of IT, healthcare and consumer staples were dear. This reversed sharply post elections and the Fund was well-positioned to capture the upside to our valuation targets in these names.

The overweight in Whitehaven Coal and Hana Financial Group detracted from relative performance. Whitehaven Coal, an Australian coal miner, underperformed over the year due to headwinds of falling coal prices. Despite positive signs that the company is ramping up operations at its high-quality assets, it could not escape the negative sentiment on the sector as China announced late in 2014 that it would impose restrictions on low-quality imported coal. Hana Financial Group's shares have faced significant headwinds over the year. Hana, South Korea's second largest banking group by assets, has been challenged by a stagnant domestic economy, domestic policy rate cuts, delay in cost-saving synergies with Korea Exchange Bank and weaker than expected earnings.

PruLink Global Emerging Markets Dynamic Fund

Since inception on 1st April 2014, the Fund fell 8.11% (gross of fees), underperforming its benchmark by 6.35%. The underperformance was mostly driven by the final quarter which saw the benchmark down 4.50% whilst our portfolio fell 8.94%.

As value investors, we are drawn to companies that are intrinsically cheap relative to their history and the overall market. Consequently, we tend to overweight on the cheaper countries and sectors. This did not help in the final quarter as these sectors and countries contributed to our underperformance as they basically became even cheaper. The Fund underperformed mainly because of overweight positions in Russia, Brazil and China and an underweight position in South Africa.

At a sector level, overweight positions in energy and underweights in popular sectors, consumer discretionary, consumer staples and industrials, where we struggle to find value, detracted from performance. Russian companies were smashed over the year following sanctions put in place by the rest of the world, the subsequent plunge in the ruble which fell 53% to year end and the collapse in the oil price, which declined 50.5% from the July high of USD 107. Our Brazilian companies also underperformed. Although the Brazilian market was "only" down 17.4% for the year, it actually fell almost 40% from the market high in August, driven by a deteriorating economy, a declining currency, falling oil and commodity prices and the re-election of President Dilma Rousseff. In China, we did benefit from the rally in financial stocks following

the easing of Chinese monetary policy, but our exposure to cheap energy and utility names which underperformed the market impacted the portfolio return.

The macro and geopolitical risks confronting emerging countries - be it US monetary policy normalisation, a slowdown in Chinese growth or the impact of sanctions on Russia and low oil prices - are well appreciated by the market, which, as a result, trades at a significant discount to history. Our investment process allows us to look through, and exploit, shorter term market volatility by applying a disciplined long term valuation approach to companies' fundamentals.

In addition, the valuation gap between cheap and expensive stocks within the emerging market universe is close to extreme levels. The Fund is now comprised of companies that are as cheap as they have been since the Global Financial Crisis in 2008-2009. Any mean reversion from these episodic valuations, combined with a possible turnaround in corporate earnings, could lead to a re-rating of the cheap and out-of-favour stocks that the Fund seeks to own. Nonetheless, the emerging market universe is expected to remain very challenging in 2015.

INVESTMENT OUTLOOK

The Philippines' macro fundamentals remain intact and are underpinned by an improving fiscal position, strong domestic demand and rising investments.

The country, however, has been one of the better performing ASEAN equity markets in the past few years and may be susceptible to profit taking in the near term. For the longer term, the market is expected to be driven by corporate earnings growth.

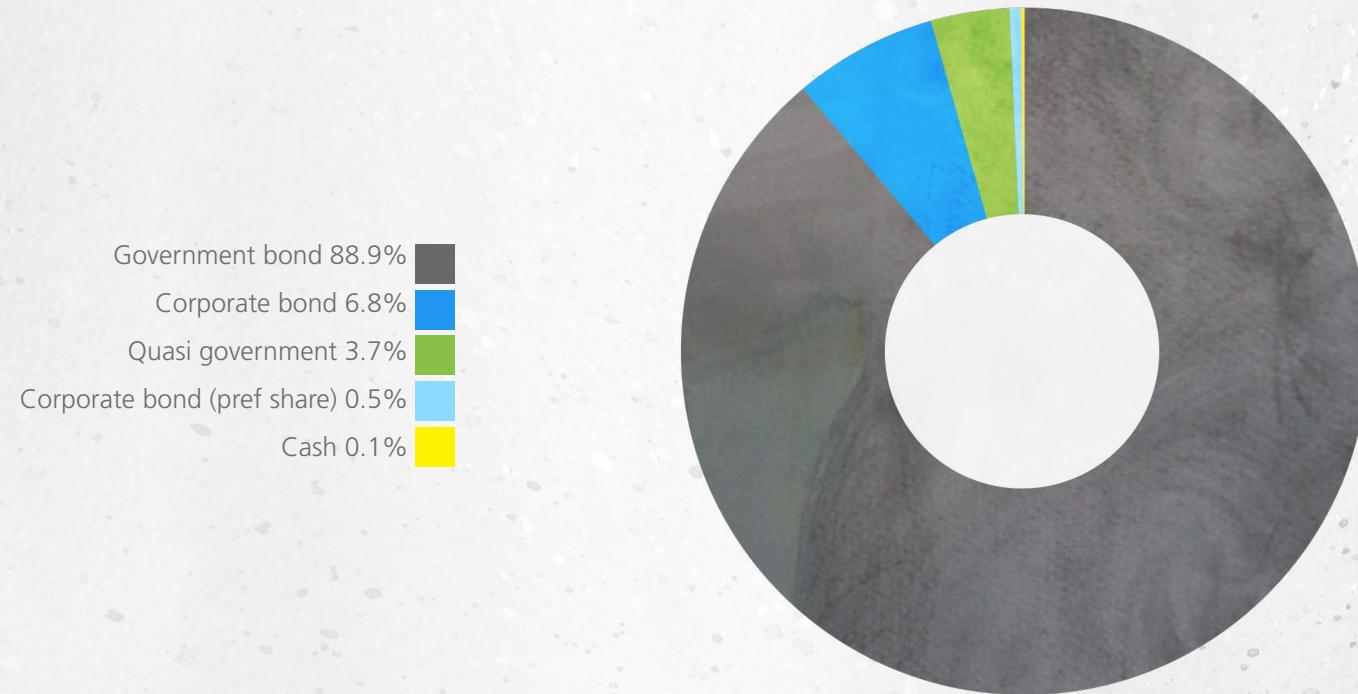


**SAFE
STEPS** 
YOU TOO CAN BE A SURVIVOR

Safe Steps - Safe Steps is a groundbreaking pan-Asian public service initiative aimed at enhancing disaster preparedness and awareness through the dissemination of educational survival tips in response to natural disasters. Developed by Prudence Foundation in partnership with National Geographic Channel, Safe Steps initially focuses on survival steps for the most common disaster situations in Asia – typhoons, earthquakes, floods and fire, as well as tips on how to prepare a life-saving emergency kit. International boxing champion and humanitarian Manny Pacquiao is the Safe Steps Ambassador.

PRU*Link* Bond Fund

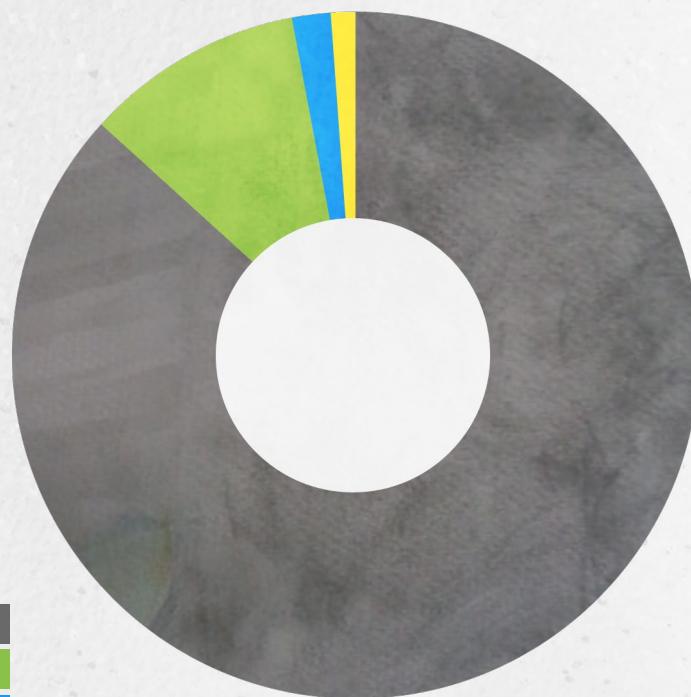
Fund CCY: PhP
As at Dec 2014



ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY	ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
PHY751061318	SAN MIGUEL CORP 7.5% 30/09/2049	PHP	1,600,000.00	PIID1023H046	PHILLIPINE GOVERNMENT 3.25% 15/08/2023	PHP	250,000,000.00
E11922836	AYALA CORPORATION 7.2% 30/04/2017	PHP	29,000,000.00	PHY6244VAN74	NATIONAL POWER CORP 5.875% 19/12/2016	PHP	280,000,000.00
PHY6972FCN88	PHILIPPINE GOVERNMENT 8% 07/12/2026	PHP	40,000,000.00	PIBD1021D531	PHILIPPINE GOVERNMENT 6.5% 28/04/2021	PHP	282,680,000.00
PHY6972FHF00	PHILIPPINE GOVERNMENT 9.5% 04/12/2028	PHP	40,000,000.00	EK0941758	JG SUMMIT HOLDINGS INC 5.2317% 27/08/2019	PHP	300,000,000.00
PSAL0515D017	POWER SECTOR ASSETS &LI 6.875% 22/04/2015	PHP	50,000,000.00	PHY6972FUS73	PHILIPPINE GOVERNMENT 3.5% 20/03/2021	PHP	300,000,000.00
PHY6972FBV14	PHILIPPINE GOVERNMENT 9.375% 05/10/2031	PHP	55,000,000.00	PHY6972FTZ36	PHILIPPINE GOVERNMENT 1.625% 04/25/2016	PHP	300,000,000.00
PHY6972FDZ00	PHILIPPINE GOVERNMENT 7.75% 23/08/2017	PHP	60,000,000.00	PIBD0517G705	PHILIPPINE GOVERNMENT 4.625% 05/07/2017	PHP	300,000,000.00
PHY6972FML13	PHILIPPINE GOVERNMENT 8% 30/09/2035	PHP	60,000,000.00	PHY6972FBK58	PHILIPPINE GOVERNMENT 9.125% 04/09/2016	PHP	300,000,000.00
PHY6972FKF62	PHILIPPINE GOVERNMENT 9.25% 05/11/2034	PHP	67,898,000.00	PHY6972FKV13	PHILIPPINE GOVERNMENT 7.75% 18/02/2020	PHP	300,000,000.00
PHY6972FNC05	PHILIPPINE GOVERNMENT 6.625% 19/08/2017	PHP	70,250,000.00	EK0449117	PHILIPPIN LONG DIST TEL 5.225 06/02/2021	PHP	330,000,000.00
PHY6972FTN06	PHILIPPINE GOVERNMENT 4.125% 08/11/2017	PHP	74,000,000.00	PIBD1022G545	PHILIPPINE GOVERNMENT 6.375% 19/01/2022	PHP	347,000,000.00
PIBD2032I195	PHILIPPINE GOVERNMENT 5.75% 27/09/2032	PHP	74,000,000.00	PIBD0518E723	PHILIPPINE GOVERNMENT 2.125% 23/05/2018	PHP	350,000,000.00
ALIFXBND2022	AYALA LAND INC 6% 27/04/2022	PHP	100,000,000.00	PIID1527C023	PHILIPPINE GOVT RRGB 5.375% 01/03/2027	PHP	350,000,000.00
GLOFXBND2017	GLOBE TELECOM 5.75% 01/09/2017	PHP	100,000,000.00	US718286BX44	REPUBLIC OF PHILIPPINES 3.9% 26/11/2022	PHP	395,000,000.00
PHY6972FMH01	PHILIPPINE GOVERNMENT 6.125% 16/09/2020	PHP	100,000,000.00	PIBD2032B183	PHILIPPINE GOVERNMENT 5.875% 02/02/2032	PHP	397,750,000.00
PHY6972FQL76	PHILIPPINE GOVERNMENT 5.75% 20/10/2021	PHP	100,000,000.00	EJ9444898	ABOITIZ EQUITY VENTURES I 4.4125%21/11/20	PHP	400,000,000.00
PHY6972FEW69	PHILIPPINE GOVERNMENT 8.5% 29/11/2032	PHP	115,000,000.00	US718286BJ59	REPUBLIC OF PHILIPPINES 4.95% 15/01/2021	PHP	419,000,000.00
PIBD0719H555	PHILIPPINE GOVT RRGB 4.75% 30/08/2019	PHP	122,110,000.00	PHY6972FQN33	PHILIPPINE GOVT RRGB 6.25% 20/10/2026	PHP	450,000,000.00
PHY6972FQJ21	PHILIPPINE GOVERNMENT 7.625% 29/09/2036	PHP	144,350,000.00	PHY6972FLS74	PHILIPPINE GOVERNMENT 8.75% 27/05/2030	PHP	470,000,000.00
PHY6972FTM23	PHILIPPINE GOVERNMENT 4% 06/12/2022	PHP	146,460,000.00	PHY6972FHQ64	PHILIPPINE GOVERNMENT 7% 27/01/2016	PHP	485,358,552.00
PIID1021C027	PHILIPPINE GOVERNMENT 7.375% 03/03/2021	PHP	150,000,000.00	EJ9377767	DEV BANK PHILIPPINES 4.875% 20/11/2023	PHP	500,000,000.00
PHY6972FMZ09	PHILIPPINE GOVERNMENT 5.875% 16/12/2020	PHP	200,000,000.00	US718286BM88	REPUBLIC OF PHILIPPINES 6.25% 14/01/2036	PHP	556,000,000.00
PIBD2537H103	PHILIPPINE GOVT RRGB 5.75% 16/08/2037	PHP	200,000,000.00	PIBD2033C206	PHILIPPINE GOVERNMENT 3.625% 21/03/2033	PHP	575,000,000.00
PHY6972FNJ57	PHILIPPINE GOVERNMENT 7.25% 19/08/2020	PHP	200,000,000.00	PHY6972FQB94	PHILIPPINE GOVT RRGB 5% 18/08/2018	PHP	650,000,000.00
PHY6972FLC23	PHILIPPINE GOVERNMENT 7% 31/03/2017	PHP	200,960,000.00	PHY6972FSZ45	PHILIPPINE GOVERNMENT 3.875% 22/11/2019	PHP	785,000,000.00
PHY6972FHT04	PHILIPPINE GOVERNMENT 7.875% 19/02/2019	PHP	211,000,000.00	PIID2032C014	PHILIPPINE GOVERNMENT 5.875% 01/03/2032	PHP	880,000,000.00
PHY6972FFF28	PHILIPPINE GOVERNMENT 5.875% 31/01/2018	PHP	228,000,000.00	PIID2537J015	PHILIPPINE GOVERNMENT 6.125% 24/10/2037	PHP	1,128,950,000.00
PIBD1021K551	PHILIPPINE GOVERNMENT 5.75% 24/11/2021	PHP	240,000,000.00	PHY6972FNA49	PHILIPPINE GOVERNMENT 8.125% 16/12/2035	PHP	1,192,866,695.00
EK1183566	SAN MIGUEL BREWERY INC 5.5% 02/04/2021	PHP	250,000,000.00	PHY6972FVB30	PHILIPPINE GOVERNMENT 4.125% 20/08/2024	PHP	1,390,290,459.00
PIBD0719D531	PHILIPPINE GOVT 5% 26/04/2019	PHP	250,000,000.00	PIBD2031G171	PHILIPPINE GOVERNMENT 8% 19/07/2031	PHP	1,460,945,185.00
				TOTAL			19,805,468,891.00

PRU *Link* US Dollar Bond Fund

Fund CCY: USD
As at Dec 2014

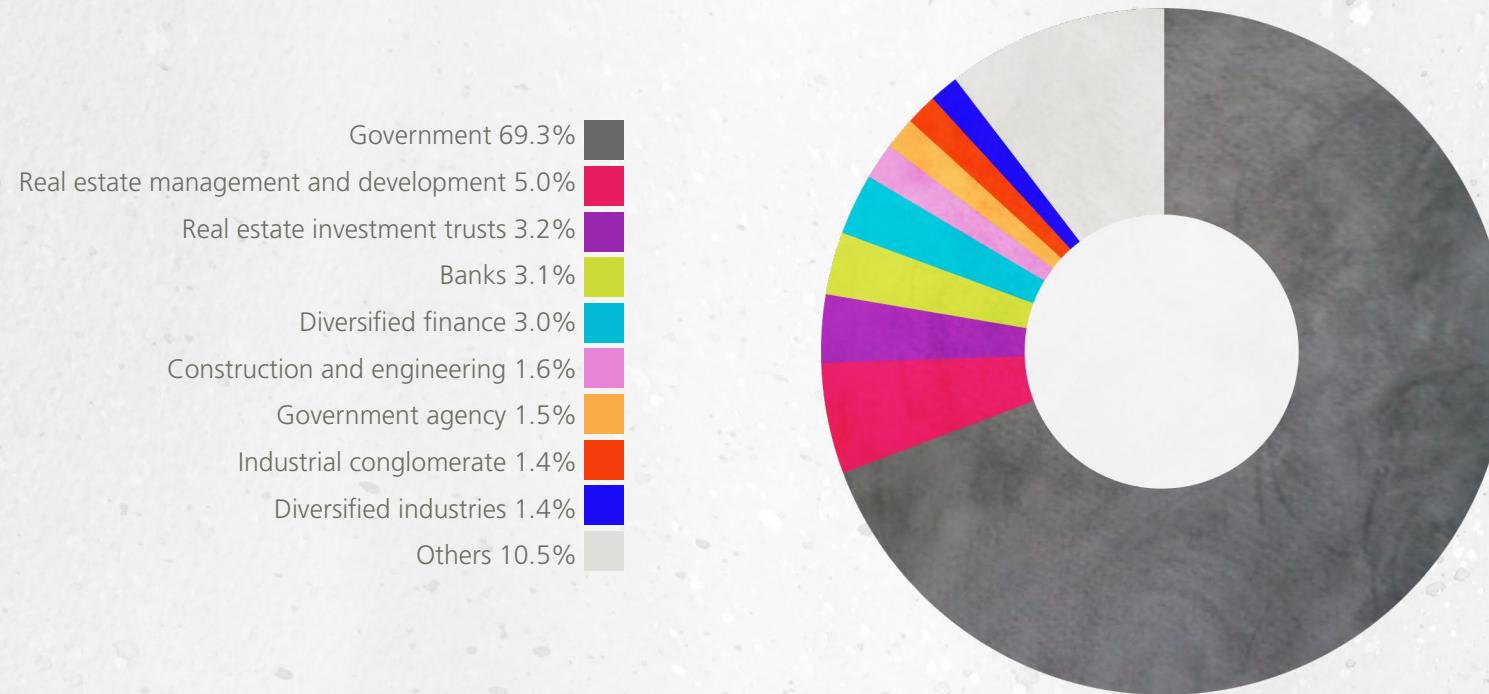


Government bond 86.8%
Quasi government 10.3%
Corporate bond 1.8%
Cash 1.1%

ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
XS0843919480	SM INVESTMENTS CORP 4.25% 17/10/2019	USD	300,000.00
XS0875298191	ICTSI TREASURY B.V 4.625% 16/01/2023	USD	300,000.00
XS0879849312	PETRON CORP 7.5% 06/02/2049	USD	300,000.00
US718286BY27	REPUBLIC OF PHILIPPINES 4.2% 21/01/2024	USD	500,000.00
XS1074049534	SM INVESTMENTS CORP 4.875% 10/06/2024	USD	500,000.00
XS0921226386	SAN MIGUEL CORP 4.875% 26/04/2023	USD	600,000.00
XS0972298300	ICTSI TREASURY B.V 5.875% 17/09/2025	USD	600,000.00
XS0876086975	JGSH PHILIPPINES LTD 4.375% 23/01/2023	USD	900,000.00
US718286AQ02	PHILIPPINE GOVT BOND 9.375% 18/01/2017	USD	1,600,000.00
US718286AK32	PHILIPPINE GOVT BOND 9.875% 15/01/2019	USD	4,000,000.00
US718286BE62	REPUBLIC OF PHILIPPINES 8.375% 17/6/2019	USD	6,500,000.00
USY7083VAB54	POWER SECTOR ASSETS &LI 7.25% 27/05/2019	USD	6,800,000.00
US718286BF38	REPUBLIC OF PHILIPPINES 6.5% 20/01/2020	USD	6,800,000.00
US718286AP29	PHILIPPINE GOVT BOND 10.625% 16/03/2025	USD	7,750,000.00
USY7083VAD11	POWER SECTOR ASSETS &LI 7.39% 02/12/2024	USD	8,500,000.00
US718286BY27	REPUBLIC OF PHILIPPINES 4.2% 21/01/2024	USD	8,986,000.00
US718286BD89	PHILIPPINE GOVT BOND 6.375% 15/01/2032	USD	9,708,000.00
US718286BN61	REPUBLIC OF PHILIPPINES 5.5% 30/03/2026	USD	10,000,000.00
US718286BW60	REPUBLIC OF PHILIPPINES 5% 13/01/2037	USD	10,000,000.00
US718286AY36	PHILIPPINE GOVT BOND 9.50% 02/02/2030	USD	11,400,000.00
US718286BK23	REPUBLIC OF PHILIPPINES 4% 15/01/2021	USD	13,374,000.00
US718286BB24	PHILIPPINE GOVT BOND 7.75% 14/01/2031	USD	15,400,000.00
US718286BG11	REPUBLIC OF PHILIPPINES 6.375% 23/10/2034	USD	18,500,000.00
TOTAL			143,318,000.00

PRU*Link* Asian Local Bond Fund

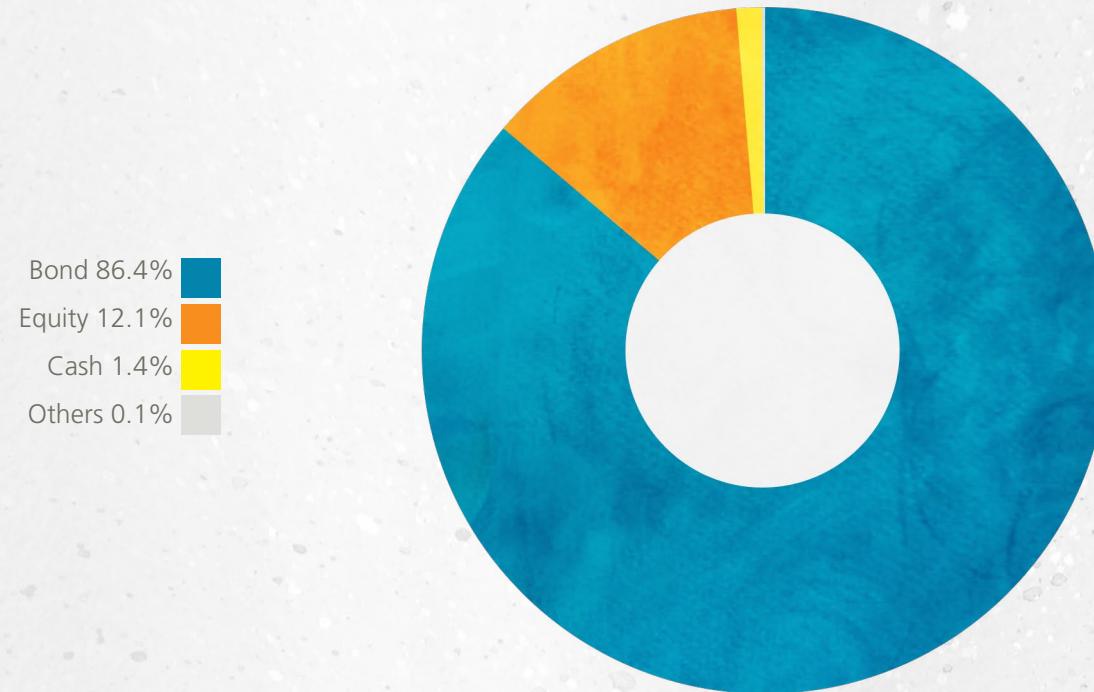
Fund CCY: USD
As at Dec 2014



ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
LU0259732591	INTERNATIONAL OPP-ASIAN LOCAL BOND FUND	USD	1,599,068.57

PRU*Link* Managed Fund

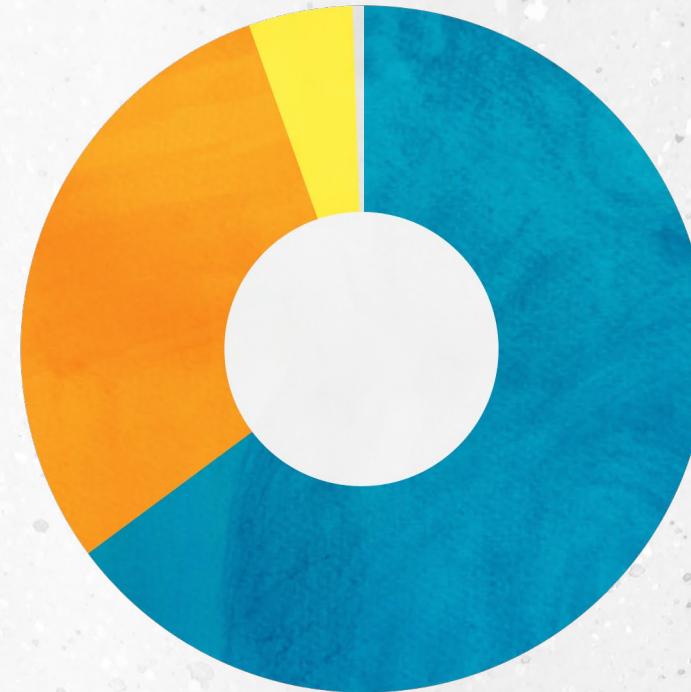
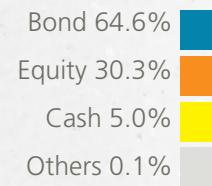
Fund CCY: PhP
As at Dec 2014



ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
PHY000038074	PRULIFE UK- PRULINK BOND FUND	PHP	2,366,867,659.15
PHY000038073	PRULIFE UK - PRULINK EQUITY FUND	PHP	384,584,144.77
TOTAL			2,751,451,803.92

PRU*Link* ProActive Fund

Fund CCY: PhP
As at Dec 2014

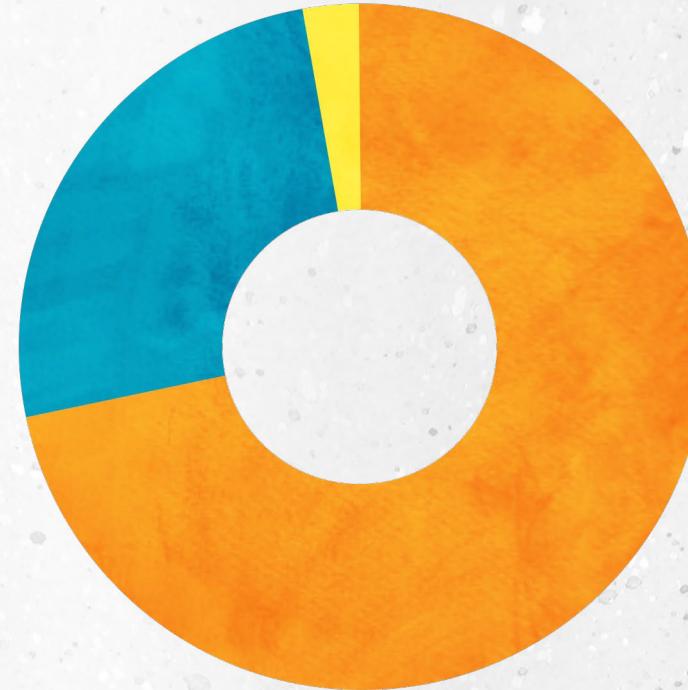


ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
PHY000038074	PRULIFE UK- PRULINK BOND FUND	PHP	3,788,800,024.48
PHY000038073	PRULIFE UK - PRULINK EQUITY FUND	PHP	2,064,393,285.02
TOTAL			5,853,193,309.50

PRULink Growth Fund

Fund CCY: PhP
As at Dec 2014

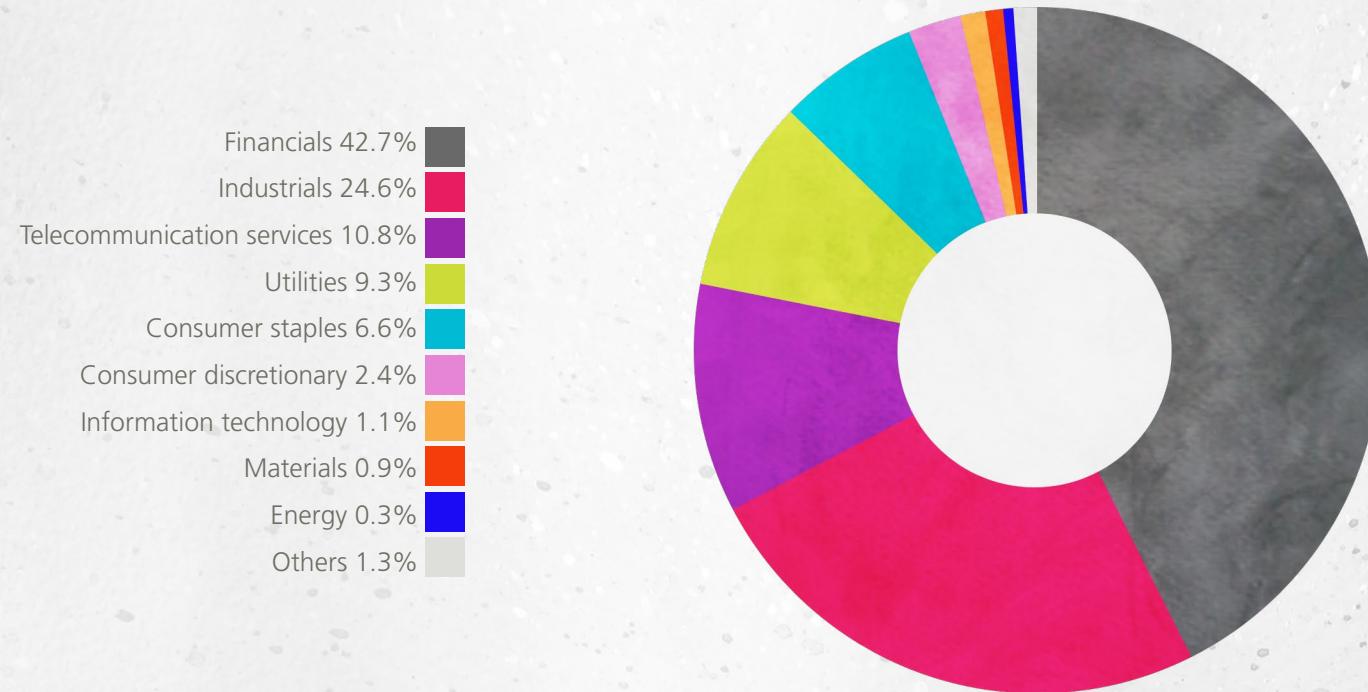
Equity 71.7% 
Bond 25.8% 
Cash 2.5% 



ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
PHY000038074	PRULIFE UK- PRULINK BOND FUND	PHP	823,782,440.98
PHY000038073	PRULIFE UK - PRULINK EQUITY FUND	PHP	2,661,030,129.38
TOTAL			3,484,812,570.36

PRU*Link* Equity Fund

Fund CCY: PhP
As at Dec 2014



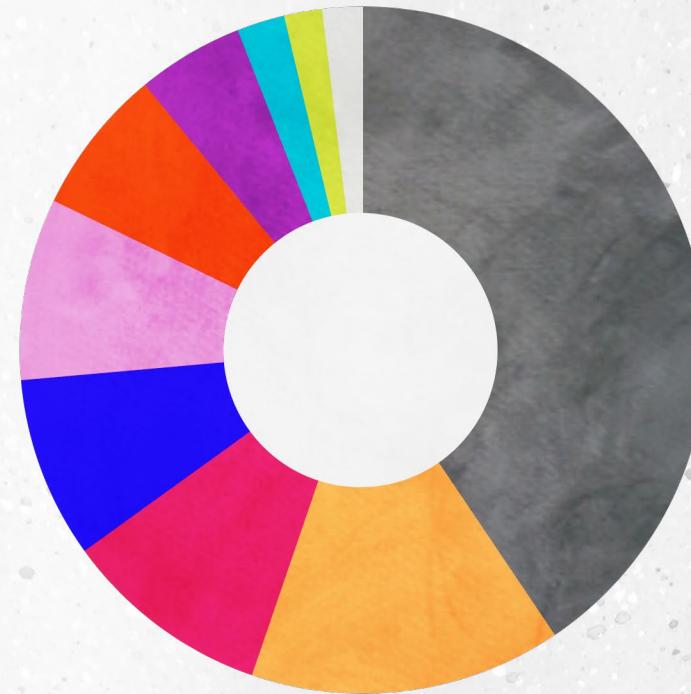
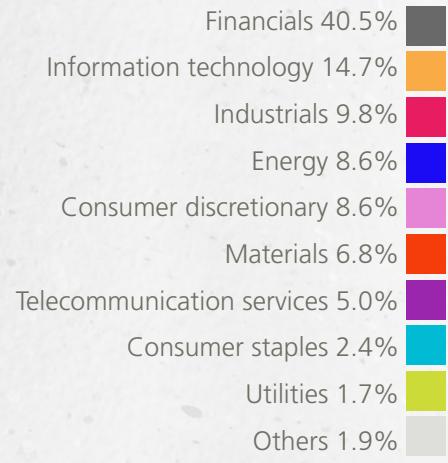
Top 10 Holdings

(Equity only)
As at 31 Dec 2014

ISIN CODE	SECURITY NAME	% of Total Fund
PH7182521093	PHILIPPINE LONG DISTANCE TELEPHONE CO	9.7%
PHY806761029	SM INVESTMENTS CORP	8.9%
PHY0488F1004	AYALA LAND INC	7.5%
PHY077751022	BDO UNIBANK INC	5.5%
PHY9297P1004	UNIVERSAL ROBINA CORPORATION	5.4%
PHY0967S1694	BANK OF PHILIPPINE ISLANDS	4.9%
PHY0486V1154	AYALA CORPORATION	4.9%
PHY6028G1361	METROPOLITAN BANK & TRUST COMPANY	4.7%
PHY444251177	JG SUMMIT HOLDINGS INC	4.5%
PHY8076N1120	SM PRIME HOLDINGS INC	3.7%

PRU*Link* Asia Pacific Equity Fund

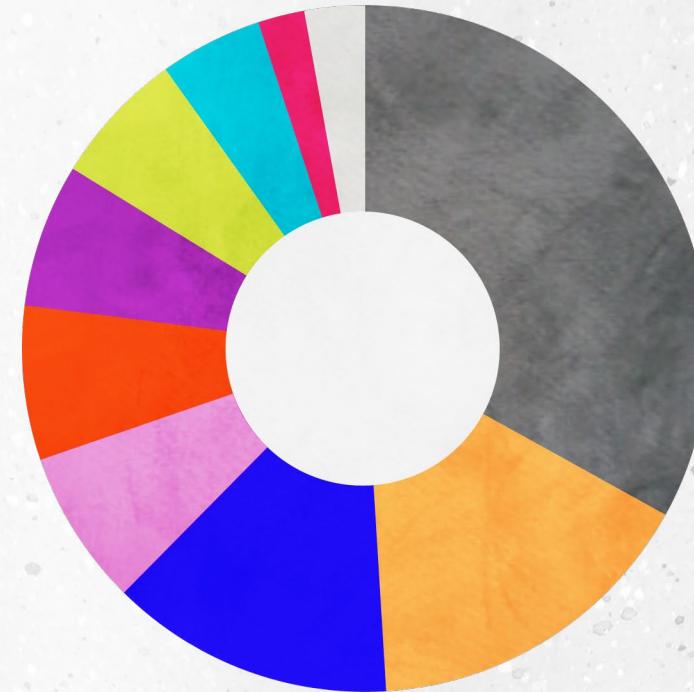
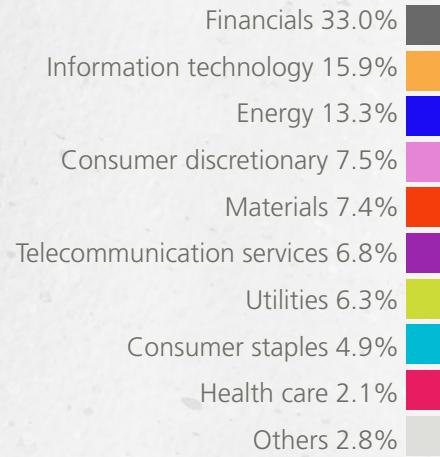
Fund CCY: USD
As at Dec 2014



ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
LU0238923246	INTERNATIONAL OPP-ASIA PACIFIC EQTY FUND	USD	1,892,526.30

PRU*Link* Global Emerging Markets Dynamic Fund

Fund CCY: USD
As at Dec 2014

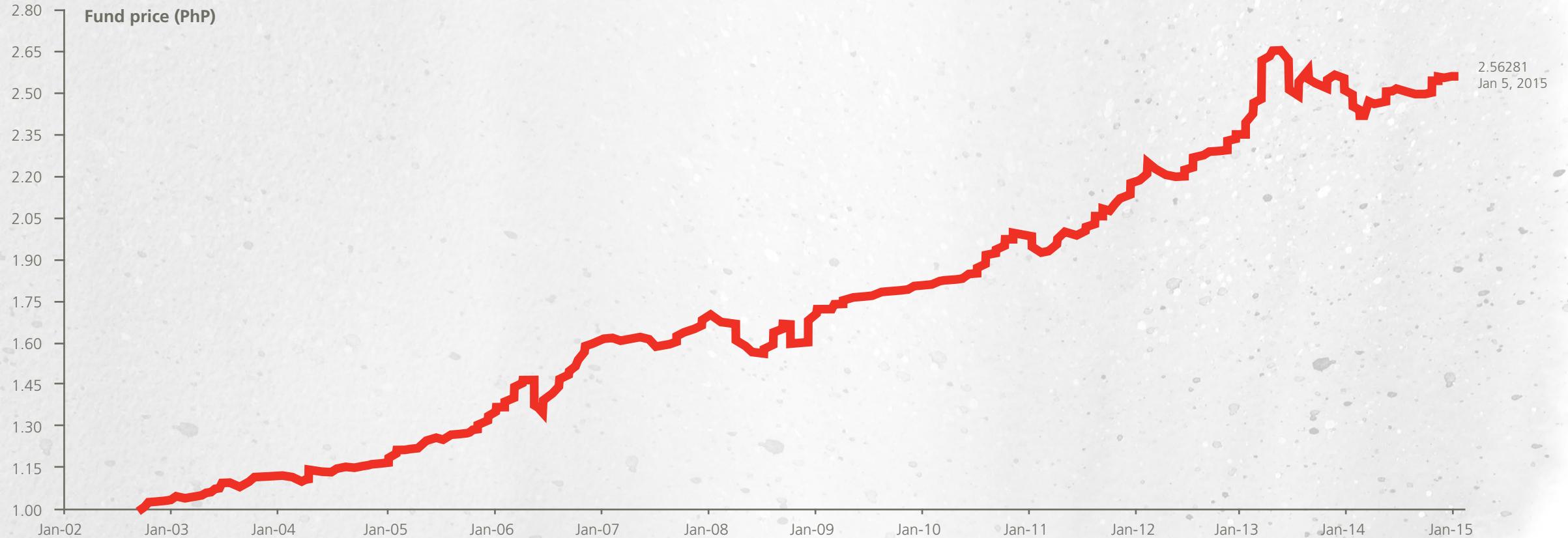


ISIN CODE	SECURITY NAME	SEC CCY	QUANTITY
LU0533427521	EASTSPRING INV GL EM DY-D	USD	1,445,084.44

PRULink Bond Fund

HIGHEST AND LOWEST UNIT PRICE ACHIEVED

Initial (24 Sep 02) 1.00000
 Highest (6 May 13) 2.68094
 Lowest (24 Sep 02) 1.00000



PRU *Link* US Dollar Bond Fund

HIGHEST AND LOWEST UNIT PRICE ACHIEVED

Initial (03 Jun 03) 1.00000
 Highest (12 Dec 14) 2.37250
 Lowest (05 Aug 03) 0.96080



PRULink Asian Local Bond Fund

HIGHEST AND LOWEST UNIT PRICE ACHIEVED

Initial (31 Jan 12) 1.00000
 Highest (9 May 13) 1.07329
 Lowest (29 Aug 13) 0.92385



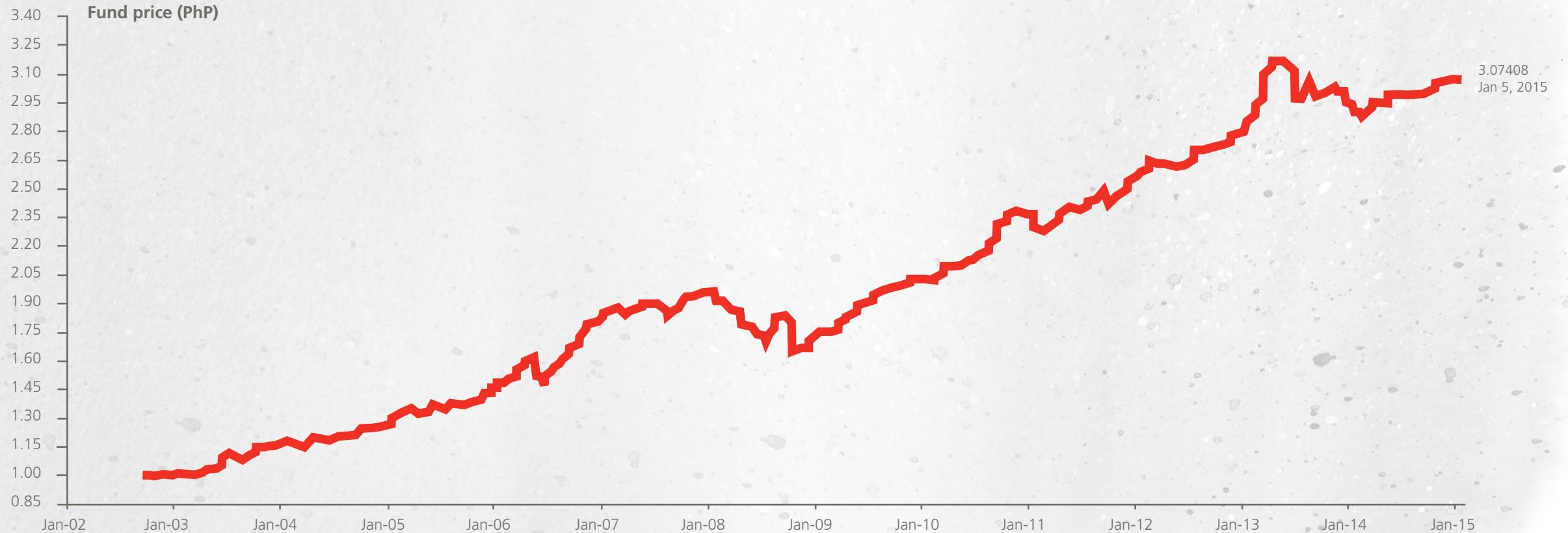
PRULink Managed Fund

HIGHEST AND LOWEST UNIT PRICE ACHIEVED

Initial (24 Sep 02) 1.00000

Highest (6 May 13) 3.19343

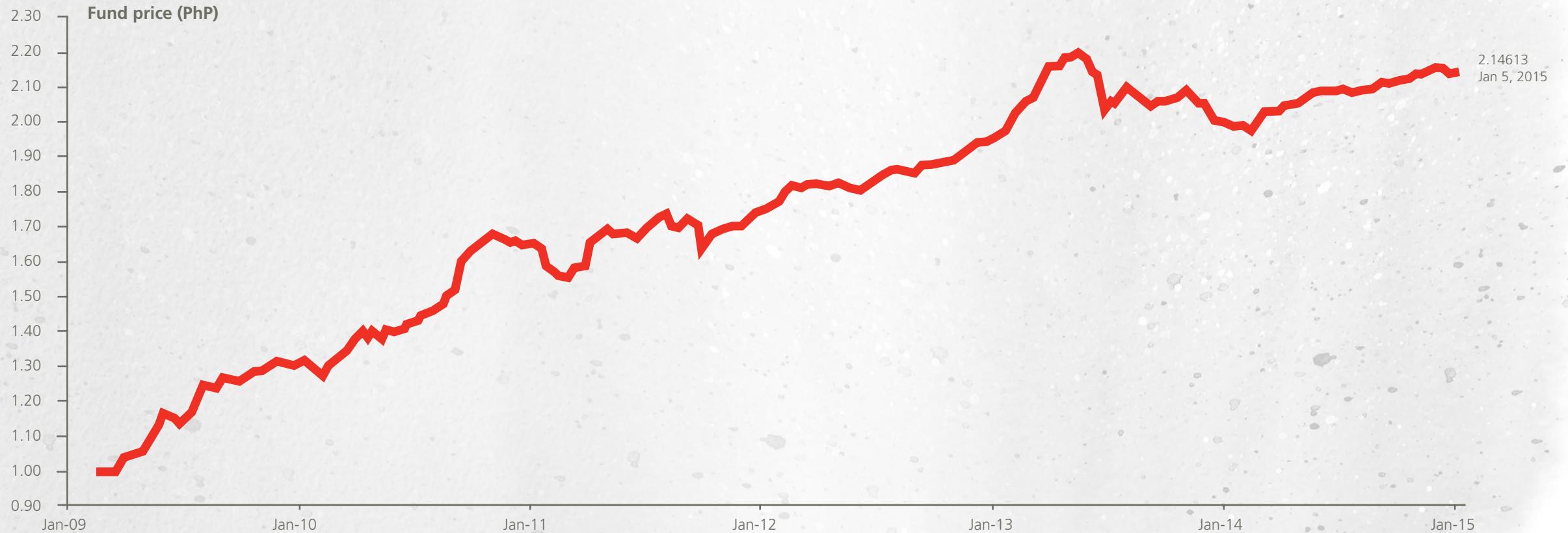
Lowest (23 Oct 02) 0.99568



PRULink ProActive Fund

HIGHEST AND LOWEST UNIT PRICE ACHIEVED

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



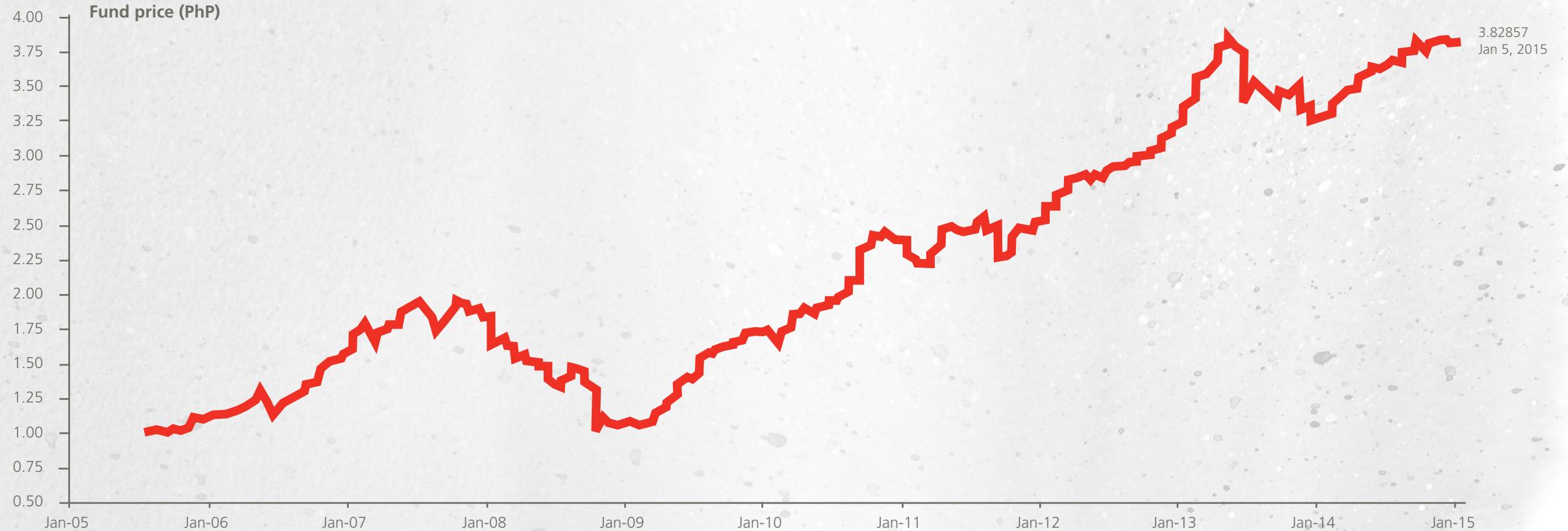
PRULink Growth Fund

HIGHEST AND LOWEST UNIT PRICE ACHIEVED

Initial (19 Jul 05) 1.00000

Highest (23 May 13) 3.91785

Lowest (28 Oct 08) 0.99584



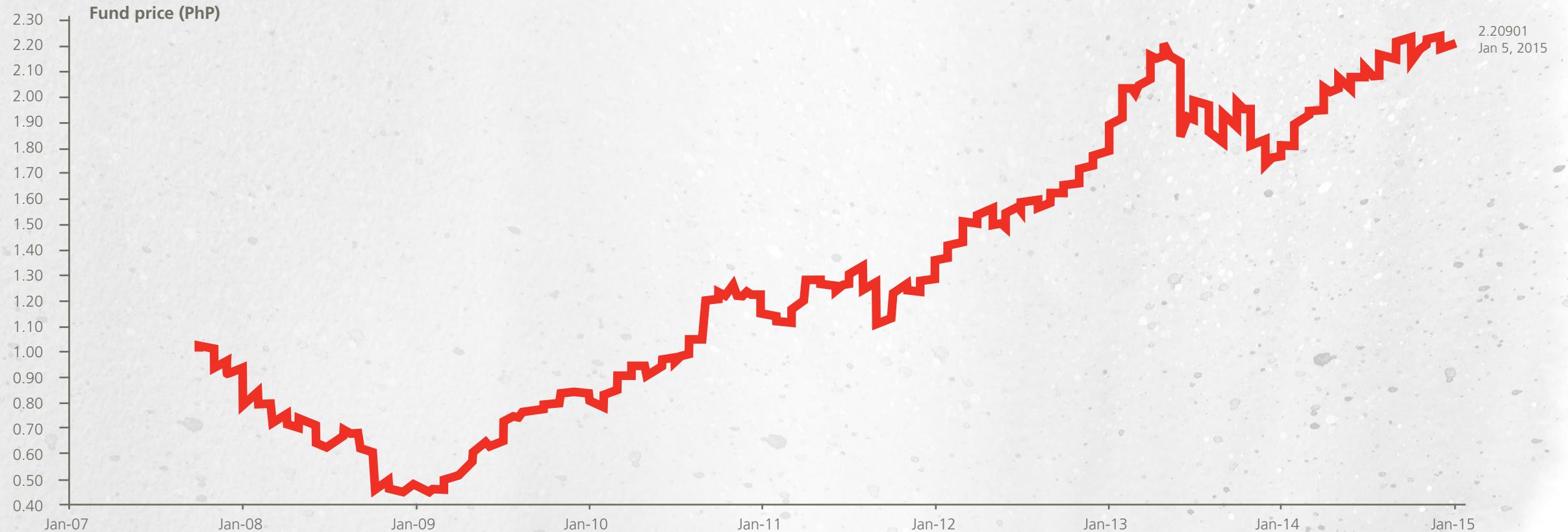
PRULink Equity Fund

HIGHEST AND LOWEST UNIT PRICE ACHIEVED

Initial (23 Oct 07) 1.00000

Highest (23 May 13) 2.26468

Lowest (28 Oct 08) 0.42505



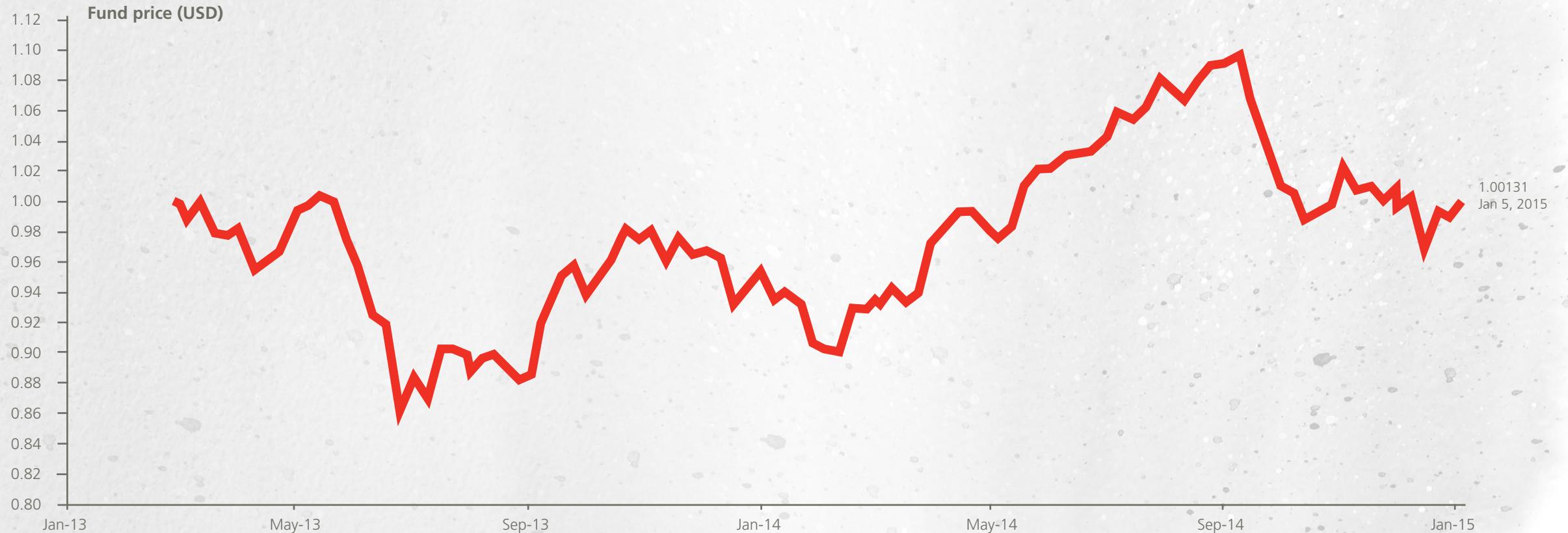
PRULink Asia Pacific Equity Fund

HIGHEST AND LOWEST UNIT PRICE ACHIEVED

Initial (26 Feb 2013) 1.00000

Highest (05 Sep 2014) 1.10429

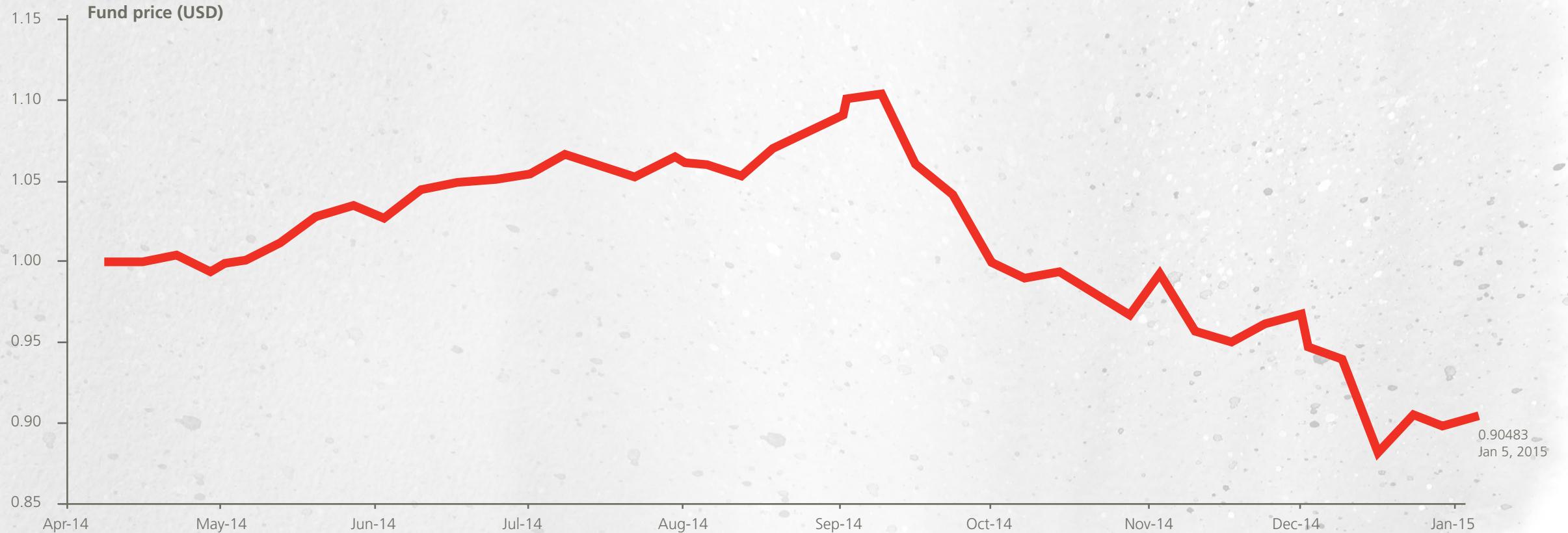
Lowest (26 Jun 2013) 0.85771



PRU*Link* Global Emerging Markets Dynamic Fund

HIGHEST AND LOWEST UNIT PRICE ACHIEVED

Initial (01 Apr 2014) 1.00000
 Highest (04 Sep 2014) 1.10986
 Lowest (17 Dec 2014) 0.86031



FUND MANAGER'S PROFILE

Chow Wing Kin

Investment Director
Philippines Equity

Wing Kin Chow is a Portfolio Manager in the Equity team at Eastspring Investments (Singapore) Limited. Wing Kin is the team leader of the ASEAN focus team and joined Eastspring Investments in 1999. Wing Kin is also the lead manager for the ASEAN, Thailand, Indonesia and Philippine equity strategies. Previously, Wing Kin was an Investment Analyst at The Insurance Corporation of Singapore. In all, Wing Kin has over 18 years of investment experience. Wing Kin holds a Bachelor of Business degree from Nanyang Technological University, Singapore.

Low Guan Yi

CFA, Investment Director
Fixed Income

Guan Yi is the co-manager of the **PruLink Bond Fund** and has 17 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 to launch and manage the Asian local currency fund. Prior to that, she was managing Asian local currency and credit portfolios at Fullerton Fund Management Company and at Standard Chartered Bank Singapore. She holds a Bachelor of Business from Nanyang Technological University, Singapore and is a Chartered Financial Analyst charterholder (2001).

Ang Hui Hui

CFA, Assistant Manager
Fixed Income

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

Leong Wai Mei

CPA, Assistant Director
Fixed Income

The **PruLink USD Bond Fund** is managed by Wai Mei who has 15 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 Philippine US dollar bond portfolios. Wai Mei has worked for 15 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 Bachelor of Business (Accounting) from RMIT, Australia. She is a Certified Public Accountant (1996).

Phua Zhenghao

CFA, 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 as Junior Portfolio Manager in the Global Asset Allocation Team. In his current role, Zhenghao is responsible for the management of various Asian balanced funds and global multi-asset portfolios. In addition, Zhenghao is responsible for asset class research, investment modeling and asset allocation tools, with an in-depth focus on macroeconomics. Prior to joining Eastspring Investments, Zhenghao was Asset Allocation Research Analyst with UOB Asset Management in Singapore and was responsible for strategic and tactical asset allocation research. Zhenghao is a Chartered Financial Analyst (CFA®) charterholder and has six years of investment experience. Zhenghao graduated from National University of Singapore in 2008 with a Bachelor of Business Administration (Honours).

Andrew Cormie

Portfolio Manager
Asia Equity

The **PruLink Asia Pacific Fund** is managed by Andrew Cormie. He is a Portfolio Manager in the Equity team at Eastspring Investments (Singapore) Limited. Andrew is a member of the Regional Asia focus team and joined Eastspring Investments in 2008. Andrew is also the lead manager for the Asia Pacific equity strategy. 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 the 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 2006/07. In all, Andrew has over 33 years of investment experience. Andrew holds a bachelor degree in Business Administration from Griffith University, Brisbane and a diploma from Securities Institute of Australia.

Steven Gray

CFA, Portfolio Manager and Team Leader
Global Emerging Markets

Steven Gray is a Portfolio Manager in the Global Emerging Markets (Non-Asia) focus team. He is the lead manager for the Latam and EMEA equity strategies, as well as co-manager of the GEM Dynamic Fund. He has more than 26 years of financial industry experience. Steven joined Eastspring Investments in 2012. Prior to joining Eastspring Investments, Steven worked with GIC Asset Management in the Emerging Markets non-Asia department as the Senior Vice President – Head of Equity Research, managing a team of seven sector-focused analysts covering non-Asian emerging markets. Earlier on, Steven had a very successful career as a Fund Manager in South Africa, managing one of the largest funds in the country. Steven holds a Bachelor of Business Science from the University of Cape Town, and a Masters of Business Administration from UCT Graduate School of Business in South Africa. He is also a CFA® charterholder.

Sang Hoon Lee

CFA, Portfolio Manager and Team Leader
Global Emerging Markets

Sang Hoon is a Portfolio Manager in the Equity team at Eastspring Investments (Singapore) Limited. He is the leader of the Global Emerging Markets (Asia) focus team. He is also lead manager of the Emerging Asia equity strategy as well as co-manager of the GEM Dynamic Fund. Sang Hoon joined Eastspring Investments in 2005 and has over 19 years of financial industry experience. Previously, he was an Investment Analyst at Fidelity Investment Management (Hong Kong) Ltd. Prior to that, he was an Equity Analyst at Dresdner Kleinwort Benson and Seoul Securities, Korea. Sang Hoon holds a Bachelor's degree in Business Administration from Seoul National University and a Master degree of Business Administration from The Wharton School, University of Pennsylvania. He is also a CFA® charterholder.

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, 2014 and 2013



Charity with Arnel Pineda

Cha-Ching with Arnel Pineda - Pru Life UK and Prudence Foundation launched the new version of Cha-Ching's 'donate' anthem, Charity, in April 2014. The new recording was utilized as a donation awareness campaign post-super typhoon Yolanda (international name: Haiyan). The song is performed by Filipino singer and American rock band Journey frontman Arnel Pineda. The Charity song is part of the original lineup of animated Cha-Ching music videos that aims to teach children aged seven to 12 four fundamental money smart values – earn, save, spend and donate.

REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying combined financial statements of Prulink operated by the Linked Fund of Pru Life Insurance Corporation of U.K. (a wholly-owned subsidiary of Prudential Corporation Holdings Limited) as at December 31, 2014 and 2013, which comprise the combined statements of assets and liabilities, combined statements of changes in net assets and combined statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the combined financial statements present fairly, in all material respects, the combined financial position of Prulink operated by the Linked Fund of Pru Life Insurance Corporation of U.K. as at December 31, 2014 and 2013, and its combined financial performance and 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.

R.G. MANABAT & CO.

DENNIS I. ILAN
Partner
CPA License No. 089564
IC Accreditation No. SP-2014/023-R, Group A, valid until August 26, 2017
SEC Accreditation No. 1182-A, Group A, valid until April 30, 2015
Tax Identification No. 161-313-405
BIR Accreditation No. 08-001987-28-2014
Issued September 26, 2014; valid until September 25, 2017
PTR No. 4748109MC
Issued January 5, 2015 at Makati City

March 24, 2015
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, 2014

(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		P103,686	P128,168	P111,587	P294,486	P417,488	P59,325	P757,856	P676	P643	P1,873	P24,218	P1,900,006
Interest receivables		3	224,347	139,991	9	4,795	-	19	-	-	-	-	369,164
Receivable from life fund	2	4,152	503	20,159	45,974	57,478	-	41,035	-	4,448	1,455	39,773	214,977
Investments at fair value through profit or loss	2, 5, 8	6,915,634	22,384,186	8,255,592	7,988,846	24,778,831	-	14,270,251	1,120,698	1,130,298	602,394	251,174	87,697,904
Other assets		-	50,000	-	-	60,000	-	-	2,528	69	-	-	112,597
		7,023,475	22,787,204	8,527,329	8,329,315	25,318,592	59,325	15,069,161	1,123,902	1,135,458	605,722	315,165	90,294,648
LIABILITIES													
Liability to life fund and other linked funds	2, 8	(3,146)	(18,046,724)	(22,983)	(5,965)	(11,293,340)	(2)	(8,391)	(2,164)	-	(5)	-	(29,382,720)
Accrued expenses	8	(450)	(11,477)	(4,304)	(664)	(18,641)	(8)	(2,850)	(1,089)	(762)	(407)	(168)	(40,820)
Trade payable	8	-	-	-	(100,000)	(136,949)	-	(10,000)	-	-	(2,657)	(24,403)	(274,009)
NET ASSETS		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

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, 2013

(Amounts in Thousands)

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

*The fund ceased its operation in February 2013.
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, 2014

(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		P6,668,932	P5,107,007	P7,851,679	P5,223,025	P9,008,509	P20,396	P12,250,442	P1,090,353	P642,749	P -	P -	P47,863,092
Net additions (withdrawals) to the Fund for creation of units		60,297	(490,285)	(252,233)	2,004,347	2,504,881	39,067	1,875,126	(21,632)	469,770	689,242	292,760	7,171,340
		6,729,229	4,616,722	7,599,446	7,227,372	11,513,390	59,463	14,125,568	1,068,721	1,112,519	689,242	292,760	55,034,432
FUND INCOME													
Unrealized appreciation (depreciation) of investment at fair value through profit or loss		-	(112,059)	579,978	-	3,969,637	-	-	66,886	36,611	(81,268)	(1,760)	4,458,025
Interest income		828	1,103,981	435,582	1,088	1,279	339	4,543	-	-	1	-	1,547,641
Gain (loss) on sale of investment at fair value through profit or loss		-	132,643	12,317	-	329,451	-	-	6,077	3,471	(141)	-	483,818
Dividend income		-	-	-	-	420,928	-	-	-	-	-	-	420,928
Profit (loss) from interfund investments		306,086	(435,628)	-	1,012,886	(1,894,637)	-	1,011,293	-	-	-	-	-
FUND EXPENSES													
Management fees	6	(16,098)	(330,486)	(127,281)	(18,442)	(469,970)	(419)	(92,576)	(21,035)	(17,905)	(5,181)	(406)	(1,099,799)
Tax expense		(166)	(246,170)	-	(218)	(416)	(68)	(908)	-	-	-	-	(247,946)
		290,650	112,281	900,596	995,314	2,356,272	(148)	922,352	51,928	22,177	(86,589)	(2,166)	5,562,667
NET ASSETS AT END 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

See Notes to the Combined Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.

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

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

(Amounts in Thousands)

	Note	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Secured Return Fund I*	Secured Return Fund II*	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Combined
Net assets at beginning of year		P5,571,510	P4,364,672	P7,801,701	P3,758,216	P5,280,022	P25,150	P14,329	P12,929	P8,719,780	P991,723	P -	P36,540,032
Net additions (withdrawals) to the Fund for creation of units		834,219	474,111	113,987	1,535,819	4,247,397	(30,041)	(17,674)	7,711	3,388,535	120,024	653,239	11,327,327
		6,405,729	4,838,783	7,915,688	5,294,035	9,527,419	(4,891)	(3,345)	20,640	12,108,315	1,111,747	653,239	47,867,359
FUND INCOME													
Unrealized appreciation (depreciation) of investment at fair value through profit or loss		-	355,533	(392,657)	-	(970,113)	5,376	3,560	-	-	(4,603)	(1,830)	(1,004,734)
Interest income		2,219	1,021,937	419,568	2,018	1,223	223	150	155	9,786	1	-	1,457,280
Gain (loss) on sale of investment at fair value through profit or loss		-	104,865	34,246	-	201,321	(498)	(264)	-	-	2,881	(316)	342,235
Dividend income		-	-	-	-	324,867	-	-	-	-	-	-	324,867
Profit (loss) from interfund investments		279,333	(696,440)	-	(56,825)	254,842	-	-	-	219,090	-	-	-
FUND EXPENSES													
Management fees	6	(17,897)	(292,050)	(125,165)	(15,799)	(335,624)	(209)	(101)	(368)	(84,792)	(19,635)	(8,344)	(899,984)
Tax (expense) benefit		(452)	(225,621)	(1)	(404)	4,574	(1)	-	(31)	(1,957)	(38)	-	(223,931)
		263,203	268,224	(64,009)	(71,010)	(518,910)	4,891	3,345	(244)	142,127	(21,394)	(10,490)	(4,267)
NET ASSETS AT END OF YEAR		P6,668,932	P5,107,007	P7,851,679	P5,223,025	P9,008,509	P -	P -	P20,396	P12,250,442	P1,090,353	P642,749	P47,863,092

*The fund ceased its operation in February 2013.
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, 2014

(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	P290,650	P 112,281	P900,596	P995,314	P2,356,272	(P148)	P922,352	P51,928	P22,177	(P86,589)	(P2,166)	P5,562,667
Adjustments for:												
Unrealized (appreciation) depreciation of investment at fair value through profit or loss	-	112,059	(549,881)	-	(3,969,637)	-	-	(66,550)	(36,213)	81,571	1,824	(4,426,827)
Interest income	(828)	(1,103,981)	(435,582)	(1,088)	(1,279)	(339)	(4,543)	-	-	(1)	-	(1,547,641)
Gain (loss) on sale of investment at fair value through profit or loss	-	(132,643)	(12,317)	-	(329,451)	-	-	(6,077)	(3,471)	141	-	(483,818)
Dividend income	-	-	-	-	(420,928)	-	-	-	-	-	-	(420,928)
Foreign exchange gain	-	-	(31,723)	-	-	-	-	(336)	(398)	(303)	(64)	(32,824)
Profit (loss) from interfund investments	(306,086)	435,628	-	(1,012,886)	1,894,637	-	(1,011,293)	-	-	-	-	-
Operating loss before working capital changes	(16,264)	(576,656)	(128,907)	(18,660)	(470,386)	(487)	(93,484)	(21,035)	(17,905)	(5,181)	(406)	(1,349,371)
Decrease (increase) in:												
Receivable from life fund	23,796	11,165	(18,129)	(12,254)	(3,886)	-	57,895	149	(2,608)	(1,455)	(39,773)	14,900
Other assets	-	85,000	-	-	(30,000)	-	-	(1,133)	781	-	-	54,648
Liability to life fund and other linked funds	2,921	3,174,291	4,302	4,792	3,936,320	2	8,391	2,069	(85)	5	-	7,133,008
Trade payable	(50,000)	-	-	40,000	43,282	-	(45,000)	(991)	(1,923)	2,657	24,403	12,428
Increase in accrued expenses	77	4,700	1,634	331	10,532	2	976	391	475	407	168	19,693
Net cash provided by (used in) operating activities	(39,470)	2,698,500	(141,100)	14,209	3,485,862	(483)	(71,222)	(20,550)	(21,265)	(3,567)	(15,608)	5,885,306

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												
Acquisitions of investments - net	(P242,000)	(P3,521,511)	P7,517	(P2,003,001)	(P6,294,682)	P -	(P2,372,001)	P41,217	(P449,666)	(P683,803)	(P252,934)	(P15,770,864)
Interest received	833	1,098,782	428,331	1,087	8,572	339	4,562	-	-	1	-	1,542,507
Dividends received	-	-	-	-	420,928	-	-	-	-	-	-	420,928
Net cash provided by (used in) investing activities	(241,167)	(2,422,729)	453,848	(2,001,914)	(5,865,182)	339	(2,367,439)	41,217	(449,666)	(683,802)	(252,934)	(13,807,429)
CASH FLOWS FROM FINANCING ACTIVITY												
Net additions (withdrawals) to the fund for creation of units	60,297	(490,285)	(252,233)	2,004,347	2,504,881	39,067	1,875,126	(21,632)	469,770	689,242	292,760	7,171,340
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(220,340)	(214,514)	42,515	16,642	125,561	38,923	(563,535)	(965)	(1,161)	1,873	24,218	(750,783)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	324,026	342,682	68,547	277,844	291,927	20,402	1,321,391	1,641	1,804	-	-	2,650,264
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	-	-	525	-	-	-	-	-	-	-	-	525
CASH AND CASH EQUIVALENTS AT END OF YEAR	P103,686	P128,168	P111,587	P294,486	P417,488	P59,325	P757,856	P676	P643	P1,873	P24,218	P1,900,006

See Notes to the Combined Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.

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

COMBINED STATEMENTS OF CASH FLOWS OF THE PRULINK OPERATED BY THE LINKED FUND FOR THE YEAR ENDED DECEMBER 31, 2013

(Amounts in Thousands)

	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Secured Return Fund I*	Secured Return Fund II*	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Combined
CASH FLOWS FROM OPERATING ACTIVITIES												
Net increase (decrease) in net assets from operations for the year	P263,203	P268,224	(P64,009)	(P71,010)	(P518,910)	P4,891	P3,345	(P244)	P142,127	(P21,394)	(P10,490)	(P4,267)
Adjustments for:												
Unrealized (appreciation) depreciation of investment at fair value through profit or loss	-	(355,533)	851,533	-	970,113	(5,376)	(3,560)	-	-	9,929	5,514	1,472,620
Interest income	(2,219)	(1,021,937)	(419,568)	(2,018)	(1,223)	(223)	(150)	(155)	(9,786)	(1)	-	(1,457,280)
Gain (loss) on sale of investment at fair value through profit or loss	-	(104,865)	(34,246)	-	(201,321)	498	264	-	-	(2,881)	316	(342,235)
Dividend income	-	-	-	-	(324,867)	-	-	-	-	-	-	(324,867)
Foreign exchange gain loss	-	-	(472,856)	-	-	-	-	-	-	(5,326)	(3,684)	(481,866)
Profit (loss) from interfund investments	(279,333)	696,440	-	56,825	(254,842)	-	-	-	(219,090)	-	-	-
Operating loss before working capital changes	(18,349)	(517,671)	(139,146)	(16,203)	(331,050)	(210)	(101)	(399)	(86,749)	(19,673)	(8,344)	(1,137,895)
Decrease (increase) in:												
Receivable from life fund	(17,106)	92,612	(555)	(33,720)	(1,511)	-	-	-	(57,223)	90	(1,840)	(19,253)
Other assets	-	(134,776)	3,062	-	(29,995)	-	-	-	-	(1,395)	(850)	(163,954)
Liability to life fund and other linked funds	225	3,451,648	14,370	(9,172)	2,571,164	-	(2,500)	-	-	95	85	6,025,915
Trade payable	25,000	(369,218)	-	35,000	(146,991)	-	-	-	(20,000)	(11,077)	1,923	(485,363)
Increase (decrease) in accrued expenses	(76)	141	(612)	11	1,880	(8)	(10)	1	(40)	113	287	1,687
Net cash provided by (used in) operating activities	(10,306)	2,522,736	(122,881)	(24,084)	2,063,497	(218)	(2,611)	(398)	(164,012)	(31,847)	(8,739)	4,221,137

Forward

	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Secured Return Fund I*	Secured Return Fund II*	Money Market Fund	Proactive Fund	Asian Local Bond Fund	Asia Pacific Equity Fund	Combined
CASH FLOWS FROM INVESTING ACTIVITIES												
Acquisitions of investments - net	(P849,999)	(P3,968,196)	(P434,665)	(P1,475,999)	(P6,576,800)	P27,020	P18,153	P -	(P3,261,000)	(P97,380)	(P642,696)	(P17,261,562)
Interest received	2,257	992,560	408,452	2,042	-8,287	1,067	716	155	9,918	1	-	1,408,881
Dividends received	-	-	-	-	324,867	-	-	-	-	-	-	324,867
Net cash provided by (used in) investing activities	(847,742)	(2,975,636)	(26,213)	(1,473,957)	(6,260,220)	28,087	18,869	155	(3,251,082)	(97,379)	(642,696)	(15,527,814)
CASH FLOWS FROM FINANCING ACTIVITY												
Net additions (withdrawals) to the fund for creation of units	834,219	474,111	113,987	1,535,819	4,247,397	(30,041)	(17,674)	7,711	3,388,535	120,024	653,239	11,327,327
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(23,829)	21,211	(35,107)	37,778	50,674	(2,172)	(1,416)	7,468	(26,559)	(9,202)	1,804	20,650
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	347,855	321,471	98,684	240,066	241,253	2,172	1,416	12,934	1,347,950	10,843	-	2,624,644
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	-	-	4,970	-	-	-	-	-	-	-	-	4,970
CASH AND CASH EQUIVALENTS AT END OF YEAR	P324,026	P342,682	P68,547	P277,844	P291,927	P -	P -	P20,402	P1,321,391	P1,641	P1,804	P2,650,264

*The fund ceased its operation in February 2013.
See Notes to the Combined Financial Statements.

PRU LIFE INSURANCE CORPORATION OF U.K.

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

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

(Amounts in Thousands, except as indicated)

1. Organization and Business

Pru Life Insurance Corporation of U.K. (the "Company") was incorporated in the Philippines on January 17, 1996, primarily to engage in the business of life insurance. On September 11, 2002, the Insurance Commission (IC) also approved the Company's license to sell variable or unit-linked life insurance contracts, an insurance policy either on a group or on an individual basis, which provides for benefits or other contractual payments or values thereunder 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 eleven funds available for investment, for which these combined financial statements have been prepared.

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

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

b. Bond Fund (Peso) - a fund denominated in Philippine peso and invested in the medium-term together with long-term capital growth through investments in fixed income securities and money market instruments.

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

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

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

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

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

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

k. 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 ETF.

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

For investment activities of the Funds that 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 22nd Floor, The Marajo Tower, 312 26th Street corner Fourth Avenue, Fort Bonifacio Global City, Taguig City 1634.

2. Basis of preparation

Statement of Compliance

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

The combined financial statements of the Funds as at and for the years ended December 31, 2014 and 2013 were authorized for issue by the Board of Directors of Pru Life Insurance Corporation of U.K. on March 24, 2015.

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 that have been measured at fair value.

Basis of Combination

Combined financial statements are prepared for a group of commonly controlled entities. Where the entities have been under common control but do not form a legal group, the financial statements can be presented on a combined or aggregated basis. The fundamental difference between combined and consolidated financial statements is that there are no controlling financial interests present between or among the combined entities. For the purpose of the combined financial statements, interfund transactions are not eliminated.

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

	2014	2013
Proactive Fund invested at Bond Fund (Peso)	P9,710,543	P7,828,769
Managed Fund invested at Bond Fund (Peso)	6,066,187	5,701,625
Growth Fund invested at Equity Fund	5,877,525	3,632,918
Proactive Fund invested at Equity Fund	4,559,708	3,058,188
Growth Fund invested at Bond Fund (Peso)	2,111,321	1,340,041
Managed Fund invested at Equity Fund	849,447	665,923
	P29,174,731	P22,227,464

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

	2014	2013
Liability of Bond Fund (Peso) to Proactive Fund	P9,710,543	P7,828,769
Liability of Bond Fund (Peso) to Managed Fund	6,066,187	5,701,625
Liability of Equity Fund to Growth Fund	5,877,525	3,632,918
Liability of Equity Fund to Proactive Fund	4,559,708	3,058,188
Liability of Bond Fund (Peso) to Growth Fund	2,111,321	1,340,041
Liability of Equity Fund to Managed Fund	849,447	665,923
	P29,174,731	P22,227,464

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 P214.98 million and P229.88 million as at December 31, 2014 and 2013, 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 P207.98 million and P22.25 million as at December 31, 2014 and 2013, respectively.

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 (P000s), except when otherwise indicated. Transactions in foreign currencies pertain only to acquisitions and disposals of financial assets at fair value through profit or loss that are translated

to the functional currency using the foreign currency exchange rate prevailing at the date of transaction. These financial assets at fair value through profit or loss 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 fair value through profit or loss.

Use of Estimates and Judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to 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, and have been applied consistently by the Funds.

Certain comparative amounts in the combined statements of changes in net assets have been reclassified as a result of a change in the classification of certain accounts during the current year (see Note 9).

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Funds have adopted the following amendments to standards and interpretations starting January 1, 2014. The adoption of these amendments to standards and interpretations did not have any significant impact on the Fund's financial statements.

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

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

- eliminate or result in insignificant credit and liquidity risk; and
- process receivables and payables in a single settlement process or cycle.

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

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2014. However, the Funds have not applied the following new or amended standards in preparing these financial statements. The Funds are assessing the potential impact on its financial statements resulting from the application of the new standard.

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.

Financial Instruments

Non-derivative Financial Assets

The Funds initially recognize loans and receivables on the date that they are originated. All other financial assets, including assets designated at fair value through profit or loss (FVPL), are recognized initially on the trade date, which is the date that the Funds become a party to the contractual provisions of the instrument.

The Funds derecognize a financial 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 has 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 transferred control of the asset, the asset is 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.

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.

The Funds classifies non-derivative financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, loans and receivables and available-for-sale (AFS) financial assets.

As at December 31, 2014 and 2013, the Funds have no investments classified as HTM investments and AFS financial assets.

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 Philippine Stock Exchange 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 P87.70 billion and P66.98 billion as at December 31, 2014 and 2013, respectively.

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.

As at December 31, 2014 and 2013, the Funds' combined financial assets classified as loans and receivables amounted to P696.74 million and P761.15 million, respectively.

Cash and Cash Equivalents. 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.

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 fair value through profit or loss.

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.

As at December 31, 2014 and 2013, the Funds' other financial liabilities comprise accrued expenses of P40.82 million and P21.13 million, respectively and trade payable of P274.01 million and P261.58 million, respectively.

Impairment

Non-derivative Financial Assets

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

Objective evidence that the financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Funds on terms that the Funds would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Financial Assets Measured at Amortized Cost

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

In assessing collective impairment, the Funds uses historical trends of the probability of default, the timing of recoveries and the amount of the loss incurred, adjusted for management's judgment as to

whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the combined statement of changes in net assets and reflected in an allowance account against loans and receivables. 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.

Revenue Recognition

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

Investment Income

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

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.

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

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

Profit (loss) from Interfund Investments

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

Expenses

All expenses, including management fees (see Note 6) and custodian fees, 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.

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.

Judgments

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

(a) 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:

	2014											
	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 -	P18,486,689	P -	P -	P -	P1,098,436	P -	P -	P19,585,125
Accumulated fair value gain	-	-	-	-	6,292,142	-	-	-	31,862	-	-	6,324,004
	-	-	-	-	24,778,831	-	-	-	1,130,298	-	-	25,909,129
Investment in bond funds	4,596,423	-	-	1,898,122	-	-	8,500,252	-	-	-	-	14,994,797
Accumulated fair value gain	1,469,764	-	-	213,199	-	-	1,210,291	-	-	-	-	2,893,254
	6,066,187	-	-	2,111,321	-	-	9,710,543	-	-	-	-	17,888,051
Investment in equity funds	544,078	-	-	3,881,095	-	-	3,405,853	-	-	-	-	7,831,026
Accumulated fair value gain	305,369	-	-	1,996,430	-	-	1,153,855	-	-	-	-	3,455,654
	849,447	-	-	5,877,525	-	-	4,559,708	-	-	-	-	11,286,680
Treasury notes	-	20,823,879	7,615,445	-	-	-	-	1,085,353	-	683,662	252,934	30,461,273
Accumulated fair value gain (loss)	-	1,560,307	640,147	-	-	-	-	35,345	-	(81,268)	(1,760)	2,152,771
	-	22,384,186	8,255,592	-	-	-	-	1,120,698	-	602,394	251,174	32,614,044
	P6,915,634	P22,384,186	P8,255,592	P7,988,846	P24,778,831	P -	P14,270,251	P1,120,698	P1,130,298	P602,394	P251,174	P87,697,904

	2013											
	Managed Fund	Bond Fund (Peso)	Bond Fund (Dollar)	Growth Fund	Equity Fund	Secured Return Fund	Secured Return Fund II	Money Market Fund	Proactive Fund	Asian Local Bind Fund	Asia Pacific Equity Fund	Combined
Investment in shares of stocks	P -	P -	P -	P -	P13,757,193	P -	P -	P -	P -	P -	P -	P14,399,575
Accumulated fair value gain (loss)	-	-	-	-	2,322,505	-	-	-	-	-	(1,832)	2,320,673
	-	-	-	-	16,079,698	-	-	-	-	-	640,550	16,720,248
Investment in bond funds	4,370,797	-	-	1,175,905	-	-	-	-	6,858,251	-	-	12,404,953
Accumulated fair value gain	1,330,828	-	-	164,136	-	-	-	-	970,518	-	-	2,465,482
	5,701,625	-	-	1,340,041	-	-	-	-	7,828,769	-	-	14,870,435
Investment in equity funds	506,708	-	-	2,596,095	-	-	-	-	2,659,725	-	-	5,762,528
Accumulated fair value gain	159,215	-	-	1,036,823	-	-	-	-	398,463	-	-	1,594,501
	665,923	-	-	3,632,918	-	-	-	-	3,058,188	-	-	7,357,029
Treasury notes	-	17,605,353	7,574,231	-	-	-	-	-	-	1,115,392	-	26,294,976
Accumulated fair value gain (loss)	-	1,672,366	95,482	-	-	-	-	-	-	(26,440)	-	1,741,408
	-	19,277,719	7,669,713	-	-	-	-	-	-	1,088,952	-	28,036,384
	P6,367,548	P19,277,719	P7,669,713	P4,972,959	P16,079,698	P -	P -	P -	P10,886,957	P1,088,952	P640,550	P66,984,096

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 document:

	2014	2013
Managed Fund	1.79%	1.79%
Bond Fund (Peso)	1.53%	1.53%
Bond Fund (Dollar)	1.53%	1.53%
Growth Fund	2.25%	2.25%
Equity Fund	2.25%	2.25%
Secured Return Fund I*	-	1.00%
Secured Return Fund II*	-	1.00%
Proactive Fund	2.25%	2.25%
Money Market Fund	0.50%	1.28%
Asian Local Bond Fund	1.80%	1.80%
Asia Pacific Equity Fund	2.05%	2.05%
Global Emerging Market Fund**	2.05%	-
Cash Flow Fund***	1.95%	-

* The fund ceased its operation in February 2013.

**The fund started its operation in April 2014.

***The fund started its operation in November 2014.

7. Number of Units and Unit Prices

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

	2014	2013
Managed Fund	2,283,512	2,262,410
Bond Fund (Peso)	1,845,131	2,040,023
Bond Fund (Dollar)	80,443	82,995
Growth Fund	2,147,898	1,601,271
Equity Fund	6,279,450	5,100,271
Proactive Fund	7,011,851	6,104,079
Money Market Fund	57,777	19,791
Asian Local Bond Fund	25,334	25,760
Asia Pacific Equity Fund	25,432	15,053
Global Emerging Market Fund*	14,976	-
Cash Flow Fund**	6,601	-
	19,778,405	17,251,653

The corresponding published unit prices are as follow:

	2014	2013
Unit price in Php		
Managed Fund	P3.07416	P2.94771
Bond Fund (Peso)	2.56296	2.50340
Growth Fund	3.82825	3.26180
Equity Fund	2.20874	1.76628
Proactive Fund	2.14607	2.00692
Money Market Fund	1.02661	1.03057
Unit price in US\$		
Bond Fund (Dollar)	\$2.36827	\$2.13005
Asian Local Bond Fund	0.99144	0.95300
Asia Pacific Equity Fund	1.00001	0.96140
Global Emerging Market Fund*	0.90193	-
Cash Flow Fund**	0.98664	-

*The fund started its operation in April 2014.

**The fund started its operation in November 2014.

8. Financial Risk Management

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

Investment Risk

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

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

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

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

There has been no change to the Funds' exposure to

investment risk or the manner in which it manages and measures the risk since prior financial year.

Financial Risk

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

(a) Credit Risk

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

The carrying amounts of investment in debt securities and the related interest receivables amounted to P50.87 billion and P43.27 billion as at December 31, 2014 and 2013, respectively, represent the maximum credit risk exposure at the reporting dates.

The Funds' investment in debt securities consist primarily of government treasury securities. Since these are backed by the full faith and credit of their respective governments, these are generally considered to be free of credit risk.

The Funds concentration of credit risk arises from its investments in government securities since the said investments amounted to P42.91 billion (2013: P50.50 billion) and 60.95% (55.93%) of its total assets as at December 31, 2014.

The table below provides information regarding the credit risk exposure of the Funds as of December 31, 2014 and 2013 by classifying assets according to the Funds' credit grading of counterparties.

2014					
	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	P1,900,006	P -	P1,900,006	P -	P1,900,006
Interest receivables	369,164	-	369,164	-	369,164
Receivable from life fund	214,977	-	214,977	-	214,977
Investment at fair value through profit or loss	50,502,095	-	50,502,095	-	50,502,095
Other assets	112,597	-	112,597	-	112,597
	P53,098,839	P -	P53,098,839	P -	P53,098,839

2013					
	Investment High-grade	Non-investment Grade - Satisfactory	Total Financial Assets Neither Past Due nor Impaired	Past Due but not Impaired	Total
Cash and cash equivalents	P2,650,264	P -	P2,650,264	P -	P2,650,264
Interest receivables	364,030	-	364,030	-	364,030
Receivable from life fund	229,877	-	229,877	-	229,877
Investment at fair value through profit or loss	42,906,819	-	42,906,819	-	42,906,819
Other assets	167,245	-	167,245	-	167,245
	P46,318,235	P -	P46,318,235	P -	P46,318,235

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

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

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

Credit risk arising from transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved

and the high credit quality of the brokers used. The Funds monitors the credit ratings of the brokers used to further mitigate the risk.

Substantially all of the assets, including cash and cash equivalents, of the Funds are held by the SCB, Philippine Branch pursuant to a custodianship agreement entered into by the Funds with SCB, a reputable financial institution with high credit rating.

(b) Liquidity Risk

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

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

The tables below summarize the maturity profile of the financial liabilities of the Funds' based on remaining contractual obligations or on the estimated timing of net cash flows as of December 31, 2014 and 2013:

2014							
	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	P29,382,720	P -	P29,382,720				
Accrued expenses	40,820	-	-	-	-	-	40,820
Trade payable	274,009	-	-	-	-	-	274,009
	P29,697,549	P -	P29,697,549				

	2013						Total
	Less than 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	More than 5 years	
Liability to life fund and other linked funds	P22,249,712	P -	P -	P -	P -	P -	P22,249,712
Accrued expenses	21,127	-	-	-	-	-	21,127
Trade payable	261,581	-	-	-	-	-	261,581
	P22,532,420	P -	P -	P -	P -	P -	P22,532,420

(c) Market Risk

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

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

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

Currency Risk

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

of that portion of the Fund's assets or liabilities denominated in currencies other than Philippine peso.

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

	2014	2013
Short-term time deposits	\$2,501	\$1,543
Investments	148,559	145,305
	151,060	146,848
Foreign exchange rate to the Philippine peso used*	44.62	44.41
	P6,740,297	P6,521,520

*Exchange rate used is based on BSP foreign exchange rate as at December 29, 2014 and December 27, 2013.

A 4% (2013: 7%) strengthening of Philippine Peso against the US Dollar as at December 31, 2014, with all variables remain constant, would have affected the measurement of profit before tax and equity by P269.59 million (2013: P456.55 million). A 4% (2013: 7%) weakening

of the Philippine peso in relation to the US dollar would have an equal but opposite effect, on the basis that all other variables remain constant.

Interest Rate Risk

There are two types of interest rate risk:

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

A significant portion of the Funds' investments in debt instruments carried at fair value through profit or loss is interest-bearing. As a result, the Funds are subject to exposure to fair value interest rate risk. The Funds do not carry debt instruments with variable interest rates and, thus, are not exposed to cash flow interest rate risk.

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

Any excess cash and cash equivalents of the Funds are invested in short-term 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

December 31, 2014	50 Basis Points	50 Basis Points
	Increase	Decrease
<i>Currency</i>		
Philippine peso	(P876,493)	P935,783
US dollar	(345,718)	368,528
Fair value sensitivity	(P1,222,211)	P1,304,311

Changes in Variables

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

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 P25.91 billion and P16.72 billion as of December 31, 2014 and 2013, respectively. The value of these equity securities fluctuates upon changes in market conditions.

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

All of the Funds' equity investments are listed in the PSE. A 7% (2013: 5%) increase in stock prices would have increased profit before income tax and equity by P1.81 billion and P0.84 billion as at December 31, 2014 and 2013, 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 and other payable and liability to policyholder, 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 fair value through profit or loss 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).

9. Reclassification of Accounts

In 2014, the Funds reclassified certain accounts in the combined statements of changes in net assets in order to better reflect the nature of the accounts. Accordingly, the Funds also reclassified the comparative figures in 2013.

	Before Reclassification	Reclassification	After Reclassification
Net additions/withdrawals to the fund for creation of units	P10,885,725	P441,602	P11,327,327
Profit (loss) from interfund investments	-	(441,602)	(441,602)

Profit (loss) from interfund investments amounting to P441.60 million which was originally taken up under "net additions/ withdrawals to the fund for creation of units" was reclassified to "profit (loss) from interfund investments" in the combined statements of changes in net assets.

The above reclassification has no significant effect on the information in the combined statements of changes in net assets and combined statements of assets and accountabilities for the period reported. Accordingly, the management did not present combined statements of assets and accountabilities at the beginning of the earliest comparative period.

December 31, 2014				
	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments at fair value through profit or loss	P87,697,904	P -	P -	P87,697,904

December 31, 2013				
	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments at fair value through profit or loss	P66,984,096	P -	P -	P66,984,096

There have been no transfers from Level 1 to Levels 2 or 3 in 2014 and 2013.

I. The Board of Directors

In the Annual Shareholders' Meeting of Pru Life Insurance Corporation of U.K. ("Pru Life UK") held on 24 June 2014, the following were elected as members of the Board of Directors for the year 2014 to 2015 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: 54 years old

Date of first appointment:

17 June 2010 as Board Member

23 August 2012 as Chairman of the Board

Length of service: 5 years

Directorship in other listed companies:

None

Qualification and 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. He is a Fellow of the Actuarial Society of the Philippines and member of the International Actuarial Association.

Henry is currently an adjunct faculty at the Asian Institute of Management (AIM) and sits as an independent director of ATR KimEng family of ventured funds.

Henry is a Statistics cum laude and MBA graduate of the University of the Philippines (UP), and has also accomplished courses at AIM, the Wharton Graduate School of Business, and the Harvard School of Business. He has also earned units in MS Mathematics major in Actuarial Services from UP. He is the first recipient of the ASEAN Young Insurance Manager Award in 1995, Outstanding Alumni Awardee, UP College of Business Administration in 2007, and The Outstanding Thomasian Alumni (TOTAL) Award also in the same year.

2. Stephen Paul "Steve" Bickell

Non-executive Board Member

Age: 50 years old

Date of first appointment:

5 June 2008

Length of service: 7 years

Directorship in other listed companies:

None

Qualification and relevant experience:

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

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

3. Lilian Lup-Yin Ng

Non-executive Board Member

Age: 48 years old

Date of first appointment:

24 February 2011

Length of service: 4 years

Directorship in other listed companies:

None

Qualification and relevant experience:

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

4. Antonio Manuel “Jumbing” G. de Rosas*Executive Board Member***Age:** 49 years old**Date of first appointment:**

7 December 2010

Length of service: 5 years**Directorship in other listed companies:**

None

Qualification and relevant experience:

Jumbing also acts as the President and Chief Executive Officer of Pru Life UK.

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

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

5. Cesar P. Manalaysay*Independent Board Member***Age:** 66 years old**Date of first appointment:**

2 August 2006

Length of service: 9 years**Directorship in other listed companies:**

None

Qualification and 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.

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

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

6. Jose “Boy” A. Feria, Jr.*Non-executive Board Member***Age:** 66 years old**Date of first appointment:**

10 January 1996 to December 1997;
reappointed in July 2003

Length of service: 13 years**Directorship in other listed companies:**

Liberty Flour Mills, Inc.

Qualification and relevant experience:

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

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

7. Romerico “Romy” S. Serrano*Independent Board Member***Age:** 64 years old**Date of first appointment:**

2 August 2006

Length of service: 9 years**Directorship in other listed companies:**

None

Qualification and relevant experience:

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

II. Board Education Session

On 27 November 2014, a Board Education Session was conducted for the training and continuing education programme of the Board Members of Pru Life UK.

III. Board Meetings

For the year 2014, the Board of Directors of Pru Life UK held six (6) meetings. Below are the attendance details of the directors in the said six (6) board meetings:

Date and type of board meeting	Directors present in the board meeting	Directors absent in the board meeting
1 Regular meeting of the Board of Directors held on 27 March 2014	Henry Joseph M. Herrera Stephen Paul Bickell Lilian Lup-Yin Ng Antonio Manuel G. de Rosas Cesar P. Manalaysay Jose A. Feria, Jr. Romerico S. Serrano	None
2 Special meeting of the Board of Directors held on 27 March 2014	Henry Joseph M. Herrera Stephen Paul Bickell Lilian Lup-Yin Ng Antonio Manuel G. de Rosas Cesar P. Manalaysay Jose A. Feria, Jr. Romerico S. Serrano	None
3 Organizational meeting of the Board of Directors held on 24 June 2014	Henry Joseph M. Herrera Stephen Paul Bickell Lilian Lup-Yin Ng Antonio Manuel G. de Rosas Cesar P. Manalaysay Jose A. Feria, Jr. Romerico S. Serrano	None

Date and type of board meeting	Directors present in the board meeting	Directors absent in the board meeting
4 Regular meeting of the Board of Directors held on 28 August 2014	Henry Joseph M. Herrera Lilian Lup-Yin Ng Antonio Manuel G. de Rosas Cesar P. Manalaysay Jose A. Feria, Jr. Romerico S. Serrano	Stephen Paul Bickell
5 Regular meeting of the Board of Directors held on 27 November 2014	Henry Joseph M. Herrera Stephen Paul Bickell Lilian Lup-Yin Ng Antonio Manuel G. de Rosas Cesar P. Manalaysay Romerico S. Serrano	Jose A. Feria, Jr.
6 Special meeting of the Board of Directors held on 27 November 2014	Henry Joseph M. Herrera Stephen Paul Bickell Lilian Lup-Yin Ng Antonio Manuel G. de Rosas Cesar P. Manalaysay Romerico S. Serrano	Jose A. Feria, Jr.

Board member	Percentage of attendance
Henry Joseph M. Herrera	100%
Stephen Paul Bickell	83%
Lilian Lup-Yin Ng	100%
Antonio Manuel G. de Rosas	100%
Cesar P. Manalaysay	100%
Jose A. Feria, Jr.	67%
Romerico S. Serrano	100%

IV. External Auditor

In the Audit Committee meeting of Pru Life UK held on 24 June 2014, the Audit Committee endorsed to the shareholders of Pru Life UK the appointment of R.G. Manabat & Co. as external auditor for the audit year 2014. In the Annual Meeting of the shareholders of Pru Life UK held on 24 June 2014, R.G. Manabat & Co. was appointed as the external auditor for the audit year 2014. 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.

V. The Nomination Committee

In the Organizational Board of Directors' meeting held on 24 June 2014, the following were elected as members of the Nomination Committee for the year 2014 to 2015 and until their successors shall have been duly elected and qualified:

Cesar P. Manalaysay - Independent Chairman

Henry Joseph M. Herrera - Independent Member

Stephen Paul Bickell - Non-executive Member

For the year 2014, 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 27 March 2014	Cesar P. Manalaysay Stephen Paul Bickell Henry Joseph M. Herrera	None
2 Regular meeting held on 27 November 2014	Cesar P. Manalaysay Stephen Paul Bickell Henry Joseph M. Herrera	None

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

VI. Remuneration Committee

In the Organizational Board of Directors' meeting held on 24 June 2014, the following were elected as members of the Remuneration Committee for the year 2014 to 2015 and until their successors shall have been duly elected and qualified:

Lilian Lup-Yin Ng - Non-executive Co-Chairwoman

Romerico S. Serrano - Independent Co-Chairman

Henry Joseph M. Herrera - Independent Member

For the year 2014, 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 27 March 2014	Romerico S. Serrano Lilian Lup-Yin Ng Henry Joseph M. Herrera	None
2 Regular meeting held on 27 November 2014	Romerico S. Serrano Lilian Lup-Yin Ng Henry Joseph M. Herrera	None

Remuneration Committee member	Percentage of attendance
Romerico S. Serrano	100%
Lilian Lup-Yin Ng	100%
Henry Joseph M. Herrera	100%

VII. Audit Committee

In the Organizational Board of Directors' meeting held on 24 June 2014, the following were elected as members of the Audit Committee for the year 2014 to 2015 and until their successors shall have been duly elected and qualified:

1. Henry Joseph "Henry" M. Herrera

Independent Chairman of the Audit Committee

Qualification and 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. He is a Fellow of the Actuarial Society of the Philippines and member of the International Actuarial Association.

Henry is currently an adjunct faculty at the Asian Institute of Management (AIM) and sits as an independent director of ATR KimEng family of ventured funds.

Henry is a Statistics cum laude and MBA graduate of the University of the Philippines (UP), and has also accomplished courses at AIM, the Wharton Graduate School of Business, and the Harvard School of Business. He has also earned units in MS Mathematics major in Actuarial Services from UP. He is the

first recipient of the ASEAN Young Insurance Manager Award in 1995, Outstanding Alumni Awardee, UP College of Business Administration in 2007, and The Outstanding Thomasian Alumni (TOTAL) Award also in the same year.

2. Stephen Paul "Steve" Bickell

Non-executive Member of the Audit Committee

Qualification and relevant experience:

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

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

3. Cesar P. Manalaysay

Independent Member of the Audit Committee

Qualification and 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.

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

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

4. Romerico "Romy" S. Serrano

Independent Member of the Audit Committee

Qualification and relevant experience:

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

For the year 2014, the Audit Committee of Pru Life UK held four (4) meetings. Below are the attendance details of each of its members in the said four (4) meetings:

Date and type of Audit Committee meetings	Members present in the Audit Committee meeting	Members absent in the Audit Committee meeting
1 Regular meeting of the Audit Committee held on 27 March 2014	Henry Joseph M. Herrera Stephen Paul Bickell Cesar P. zManalaysay Romerico S. Serrano	None
2 Regular meeting of the Audit Committee held on 24 June 2014	Henry Joseph M. Herrera Stephen Paul Bickell Cesar P. Manalaysay Romerico S. Serrano	None
3 Regular meeting of the Audit Committee held on 28 August 2014	Henry Joseph M. Herrera Cesar P. Manalaysay Romerico S. Serrano	Stephen Paul Bickell
4 Regular meeting of the Audit Committee held on 27 November 2014	Henry Joseph M. Herrera Stephen Paul Bickell Cesar P. Manalaysay Romerico S. Serrano	None

Audit Committee member	Percentage of attendance
Henry Joseph M. Herrera	100%
Stephen Paul Bickell	75%
Romerico S. Serrano	100%
Cesar P. Manalaysay	100%

VIII. Policies and guidelines

For the year 2014, the Board of Directors and its Committees adhered to the following principles and guidelines:

- Pru Life UK forbidded granting loans to directors.

- Independent directors are elected every year for a term of one (1) year. Independent directors may serve for a maximum total of nine (9) years. None of the independent directors of Pru Life UK served for more than nine (9) years.

- An individual independent/non-executive director shall only simultaneously hold up to a maximum of five (5) board seats.

- A director shall only simultaneously hold up to a maximum of five (5) board seats in publicly listed companies including unlisted subsidiaries.

- None of the independent directors served on more than five (5) boards of publicly-listed companies.

- The executive director of Pru Life UK did not serve on more than two (2) boards of listed companies whether or not outside of the group of Pru Life UK.

- Independence for Board Members or Independent Director refers to a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having any relationship with the corporation, which could interfere with the exercise of independent judgment in carrying out the responsibilities of a director. This means that apart from the director's fees and

shareholdings, he/she should be independent of management and free from any business or other relationship that could materially interfere with the exercise of his/her independent judgment (Insurance Commission Circular Letter No. 31-2005 dated 26 September 2005 entitled Corporate Governance Principles and Leading Practices).

- The independent directors were independent of management and major substantial shareholders.

- The Corporate Secretary sent the board papers to the Board of Directors at least five (5) business days in advance of the board meetings.

- As a policy, an annual Board Education Session was mandated for the training and continuing education programme of the Board Members of Pru Life UK.

- The criteria used in the annual performance assessments for the year 2014 of the Board of Directors, the Individual Board Members, the Board Committees, and the Chief Executive Officer are based on the Self-Assessment Questionnaire of the Insurance Commission Circular Letter No. 31-2005 dated 26 September 2005 entitled Corporate Governance Principles and Leading Practices. The Board Members, Board Committee Members, and the Chief Executive Officer were asked to accomplish the Self-Assessment Questionnaire and submit the same to the Corporate Secretary.

- The Human Resources Division has adopted programs to identify and train potential successors to the CEO/President and key management positions.

IX. Compliance and Risk Management

For the year 2014, the Board of Directors conducted a review of Pru Life UK's material controls (including operational, financial and compliance controls) and risk management systems.

For the year 2014, the Board of Directors also confirmed the adequacy of Pru Life UK's internal controls/risk management systems.

For the year 2014, the President and CEO of Pru Life UK presented to the Audit Committee the Annual Statement of Compliance and the Head of Department Sign Off for the year 2014 that showed Pru Life UK's compliance, in all material respects, with the risk management policies.

X. Whistle Blowing Policy

For concerns and complaints on possible violation of rights and illegal (including corruption) and unethical behavior, please contact us in 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: 22/F Marajo Tower, 312 26th Street West Corner Fourth Avenue, Bonifacio Global City, 1634 Taguig City, Metro Manila, Philippines

Tel: (+63 2) 884 8484

Fax: (+63 2) 370 2990

Email: contact.us@prulifeuk.com.ph



PRU LIFE U.K.

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

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

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

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PRU LIFE INSURANCE CORPORATION OF U.K.

22/F Marajo Tower, 312 26th Street West corner Fourth Avenue,
Bonifacio Global City, 1634 Taguig City, Metro Manila, Philippines
Tel. nos.: (+632) 884 8484, (+632) 887 LIFE, 1-800-10-PRULINK;
Fax: (+632) 370 2990; E-mail: contact.us@prulifeuk.com.ph