Sun Life Grepa Financial, Inc.

Financial Statements
December 31, 2019 and 2018

and

Independent Auditor's Report

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Sun Life Grepa Financial, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sun Life Grepa Financial, Inc. (the Company), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of income, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulation No. 15-2010 in Note 36 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Sun Life Grepa Financial, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Lucy L. Chan

Lucy L. Chan
Partner
CPA Certificate No. 88118
SEC Accreditation No. 0114-AR-5 (Group A),
November 16, 2018, valid until November 15, 2021
Tax Identification No. 152-884-511
BIR Accreditation No. 08-001998-46-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125221, January 7, 2020, Makati City

March 4, 2020

SUN LIFE GREPA FINANCIAL, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Cash and cash equivalents (Notes 6 and 31)	**₱1,999,750,934**	₱1,331,424,203
Insurance receivables (Notes 7 and 31)	**108,338,869**	134,574,439
Financial assets (Notes 8, 18 and 31)		
Available-for-sale financial assets - net	**14,145,947,300**	12,802,735,596
Loans and receivables – net	**787,933,102**	903,634,874
Investments in subsidiaries (Note 9)	**1,076,092,200**	1,076,092,200
Accrued income (Notes 10 and 31)	**205,335,769**	210,852,429
Segregated fund assets (Note 18)	**29,566,005,906**	29,004,578,276
Property and equipment - net (Note 11)	**271,249,850**	127,076,155
Other assets (Note 12)	**70,369,327**	73,627,452
	₱48,231,023,257	₱45,664,595,624
LIABILITIES AND EQUITY		
Liabilities		
Segregated fund liabilities (Note 18)	**₱29,566,005,906**	₱29,004,578,276
Insurance contract liabilities		
Legal policy reserves - net (Notes 13 and 31)	**11,609,623,574**	11,501,141,015
Policy and contract claims payable (Notes 14 and 31)	**922,569,159**	907,472,088
Policyholders' dividends (Notes 15 and 31)	**207,524,059**	192,908,989
Premium deposit fund (Notes 16 and 31)	**281,387,807**	269,841,834
Insurance payables (Notes 17 and 31)	**324,269,033**	142,595,591
Accounts payable and accrued expenses (Notes 19 and 31)	**261,566,006**	273,055,728
Lease contract liabilities (Note 33)	**113,176,972**	–
Net pension liability (Note 27)	**69,177,400**	53,056,900
Other liabilities	**65,744,627**	61,773,103
	43,421,044,543	42,406,423,524
Equity		
Capital stock (Note 20)	**350,000,000**	350,000,000
Contributed surplus	**1,093,545**	1,093,545
Revaluation reserve on available-for-sale financial assets (Note 8)	**1,203,882,271**	(792,647,330)
Actuarial losses on retirement benefit plan (Note 27)	**(133,987,600)**	(90,699,100)
Remeasurement on legal policy reserves (Note 13)	**(1,241,482,900)**	(90,088,705)
Retained earnings (Note 21)	**4,630,473,398**	3,880,513,690
	4,809,978,714	3,258,172,100
	₱48,231,023,257	₱45,664,595,624

See accompanying Notes to Financial Statements.

SUN LIFE GREPA FINANCIAL, INC.
STATEMENTS OF INCOME

	Years Ended December 31	
	2019	2018
REVENUE		
Gross earned premiums on insurance contracts	**₱6,775,274,770**	₱7,561,757,628
Reinsurers' share of gross premiums on insurance contracts	**(29,101,573)**	(32,213,449)
Insurance premiums net of reinsurance (Note 22)	**6,746,173,197**	7,529,544,179
Investment income (loss) - net (Note 23)	**2,873,791,719**	(967,292,879)
Fee income (Note 24)	**1,042,285,094**	881,230,597
Foreign exchange gain (loss) - net	**(136,241,276)**	197,661,562
Other income	**41,003,316**	14,986,506
Investment and other income	**3,820,838,853**	126,585,786
Total revenue	**10,567,012,050**	7,656,129,965
BENEFITS AND EXPENSES		
Insurance benefits and claims incurred (Notes 14 and 25)	**8,141,983,812**	5,226,297,606
Reinsurers' share in insurance benefits and claims incurred (Notes 14 and 25)	**(6,676,240)**	(3,234,412)
Gross change in legal policy reserves (Notes 13 and 25)	**(1,042,911,636)**	(300,701,189)
Change in variable unit-linked segregated fund liabilities (Note 18)	**579,892,655**	187,199,061
Net insurance benefits and claims	**7,672,288,591**	5,109,561,066
Commissions and other direct expenses (Note 26)	**1,101,425,381**	1,095,074,783
General and administrative expenses (Note 26)	**836,419,011**	774,429,053
Insurance taxes	**46,703,809**	37,933,836
Interest expense (Note 26)	**20,478,785**	14,489,207
Expenses	**2,005,026,986**	1,921,926,879
Total benefits and expenses	**9,677,315,577**	7,031,487,945
INCOME BEFORE INCOME TAX	**889,696,473**	624,642,020
PROVISION FOR INCOME TAX (Note 28)	**139,736,765**	117,046,907
NET INCOME	**₱749,959,708**	₱507,595,113

See accompanying Notes to Financial Statements.

SUN LIFE GREPA FINANCIAL, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2019	2018
NET INCOME	**₱749,959,708**	₱507,595,113
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that will be reclassified to profit or loss:		
Fair value gain (loss) on available-for-sale financial assets (Note 8)	**1,989,945,884**	(1,458,123,392)
Transfers to profit or loss (Note 8)	**6,583,717**	7,363,785
	1,996,529,601	(1,450,759,607)
Item that will not be reclassified to profit or loss:		
Remeasurements of legal policy reserves (Note 13)	**(1,151,394,195)**	1,299,698,259
Net remeasurement gain (loss) on defined benefit plan (Note 27)	**(43,288,500)**	424,400
	(1,194,682,695)	1,300,122,659
	801,846,906	(150,636,948)
TOTAL COMPREHENSIVE INCOME	**₱1,551,806,614**	₱356,958,165

See accompanying Notes to Financial Statements.

SUN LIFE GREPA FINANCIAL, INC.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Capital Stock (Note 20)	**Contributed Surplus**	**Revaluation Reserve on Available-for-sale Financial Assets** (Note 8)	**Actuarial Losses on Retirement Benefit Plan** (Note 27)	**Remeasurement on Legal Policy Reserves** (Note 13)	**Retained Earnings** (Note 21)	**Total**
As at January 1, 2019	**₱350,000,000**	**₱1,093,545**	**(₱792,647,330)**	**(₱90,699,100)**	**(₱90,088,705)**	**₱3,880,513,690**	**₱3,258,172,100**
Net income	**–**	**–**	**–**	**–**	**–**	**749,959,708**	**749,959,708**
Other comprehensive income (loss)	**–**	**–**	**1,996,529,601**	**(43,288,500)**	**(1,151,394,195)**	**–**	**801,846,906**
Total comprehensive income (loss)	**–**	**–**	**1,996,529,601**	**(43,288,500)**	**(1,151,394,195)**	**749,959,708**	**1,551,806,614**
As at December 31, 2019	**₱350,000,000**	**₱1,093,545**	**₱1,203,882,271**	**(₱133,987,600)**	**(₱1,241,482,900)**	**₱4,630,473,398**	**₱4,809,978,714**
As at January 1, 2018	₱350,000,000	₱1,093,545	₱658,112,277	(₱91,123,500)	(₱1,389,786,964)	₱3,872,918,577	₱3,401,213,935
Net income	–	–	–	–	–	507,595,113	507,595,113
Other comprehensive income (loss)	–	–	(1,450,759,607)	424,400	1,299,698,259	–	(150,636,948)
Total comprehensive income (loss)	–	–	(1,450,759,607)	424,400	1,299,698,259	507,595,113	356,958,165
Cash dividends (Note 21)	–	–	–	–	–	(500,000,000)	(500,000,000)
As at December 31, 2018	₱350,000,000	₱1,093,545	(₱792,647,330)	(₱90,699,100)	(₱90,088,705)	₱3,880,513,690	₱3,258,172,100

See accompanying Notes to Financial Statements.

SUN LIFE GREPA FINANCIAL, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱889,696,473**	₱624,642,020
Adjustments for:		
Changes in legal policy reserves (Note 13)	**(1,042,911,636)**	(300,701,189)
Interest income (Note 23)	**(774,330,105)**	(811,820,524)
Unrealized foreign exchange (gain) loss - net (Note 8)	**414,109,062**	(193,095,260)
Depreciation and amortization (Notes 11 and 26)	**75,936,642**	37,526,970
Amortization of bond premium (Note 8)	**67,464,977**	78,322,126
Interest expense (Note 26)	**20,478,785**	14,489,207
Provision for impairment loss on:		
Available-for-sale financial assets (Notes 8 and 23)	**15,312,080**	21,270,154
Loans and receivables (Notes 8 and 26)	**587,835**	349,817
Gain on:		
Liquidation of investment in subsidiary (Note 23)	**(14,295,859)**	(85,880,536)
Sale of available-for-sale financial assets (Note 23)	**(8,728,363)**	(13,906,369)
Sale of property and equipment (Note 11)	**(1,267,203)**	(370,518)
Dividend income (Note 23)	**(8,551,352)**	(8,133,104)
Operating loss before changes in working capital	**(366,498,664)**	(637,307,206)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Insurance receivables	**26,235,570**	(40,250,344)
Loans and receivables	**115,113,937**	248,352,011
Segregated fund assets	**(561,427,630)**	(177,618,870)
Other assets	**(4,485,325)**	(8,498,588)
Increase (decrease) in:		
Segregated fund liabilities	**561,427,630**	177,618,870
Policy and contract claims payable	**15,097,071**	42,541,842
Policyholders' dividends	**8,409,347**	7,028,376
Premium deposit fund	**4,486,906**	(2,217,408)
Insurance payables	**181,673,442**	(148,816,511)
Accounts payable and accrued expenses	**(11,489,722)**	56,833,595
Net pension liability	**(27,168,000)**	(9,858,600)
Other liabilities	**3,971,524**	19,891,115
Net cash flows from (used in) operations	**(54,653,914)**	(472,301,718)
Income tax paid (Note 28)	**(139,736,765)**	(117,046,907)
Net cash flows used in operating activities	**(194,390,679)**	(589,348,625)

	Years Ended December 31	
	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**₱779,986,934**	₱811,368,036
Dividends received	**8,411,184**	8,292,060
Acquisitions of:		
Available-for-sale financial assets (Note 8)	**(1,117,161,980)**	(540,279,225)
Property and equipment (Note 11)	**(72,059,072)**	(12,945,977)
Proceeds from sale/maturities of:		
Available-for-sale financial assets (Note 8)	**1,282,322,121**	376,411,313
Investment in subsidiary (Note 9)	**14,295,859**	590,868,636
Property and equipment (Note 11)	**2,261,986**	659,183
Net cash flows provided by investing activities	**898,057,032**	1,234,374,026
CASH FLOWS FROM A FINANCING ACTIVITIES		
Payments of principal portion of lease liabilities	**(28,125,627)**	–
Interest payment on lease liabilities (Note 26)	**(7,213,995)**	–
Dividends paid to stockholders (Note 21)	**–**	(500,000,000)
Net cash flows used in financing activities	**(35,339,622)**	(500,000,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**668,326,731**	145,025,401
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,331,424,203**	1,186,398,802
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱1,999,750,934**	₱1,331,424,203

See accompanying Notes to Financial Statements.

SUN LIFE GREPA FINANCIAL, INC.
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Sun Life Grepa Financial, Inc. (the Company), was incorporated and registered with the Securities and Exchange Commission (SEC) in 1954 and renewed its corporate existence in 2003. The Company was formed to undertake life insurance business, including accident and health insurance; to write insurance contracts providing for all risks, hazards, guarantees and contingencies to which life, accident or health insurance is applicable; to grant endowment and annuities; to issue insurance policies providing for participation or nonparticipation of profits; to reinsure all or part of the risks underwritten by the Company; to undertake all kinds of reinsurance to the extent allowed by the law; and to act as agent or general agent of another insurance company. The Company also offers investment linked products to meet both protection and investment needs.

The Company is a subsidiary of GPL Holdings, Inc. (GPLHI), a corporation which is majority owned by the Company's ultimate parent, Pan Malayan Management and Investment Corporation (PMMIC). Both GPLHI and PMMIC are registered companies in the Philippines with offices located at 4th Floor, Grepalife Building, 221 Senator Gil J. Puyat Avenue, Makati City and 48th Floor, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue, Makati City, respectively.

The Company is 51% owned by GPLHI and 49% owned by Sun Life Financial Philippine Holding Company, Inc. (SLFPHI).

The registered office address of the Company is 6th Floor, Grepalife Building, 221 Senator Gil J. Puyat Avenue, Makati City.

The accompanying financial statements of the Company were approved and authorized for issue by the Board of Directors (BOD) on March 4, 2020.

2. Basis of Preparation and Statement of Compliance

The financial statements of the Company have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets and certain financial instruments under segregated fund assets, which have been measured at fair value.

The financial statements are presented in Philippine Peso (₱), which is the Company's functional currency. All amounts are rounded off to the nearest peso amount, unless otherwise indicated.

The Company has made use of the exemption from consolidation under Philippine Financial Reporting Standard (PFRS) 10, *Consolidated Financial Statements*. These financial statements are the separate financial statements of the Company. The financial statements of the Company and its subsidiaries are included in the consolidated financial statements of PMMIC, which are in accordance with PFRS. The registered office address of PMMIC is 48th Floor, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue, Makati City, where the consolidated financial statements can be obtained.

<u>Statement of Compliance</u>
The accompanying financial statements have been prepared for submission with the Bureau of Internal Revenue (BIR) and the Philippine SEC in compliance with PFRS.

Presentation of Financial Statements
The statements of financial position of the Company are presented in order of liquidity. An analysis regarding the recovery of assets or settlement of liabilities within twelve (12) months after the statement of financial position date (current) and more than twelve (12) months after the statement of financial position date (noncurrent) is presented in Note 35.

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRS and Philippine Accounting Standards (PAS) which became effective beginning January 1, 2019. The adoption of these new and amended standards did not have any significant impact on financial statements of the Company unless otherwise indicated.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:
  • Whether an entity considers uncertain tax treatments separately
  • The assumptions an entity makes about the examination of tax treatments by taxation authorities
  • How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  • How an entity considers changes in facts and circumstances

  The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

  Based on the Company's assessment, it has no uncertain tax treatments, accordingly, the adoption of this Interpretation has no impact on the Company's financial statements.

- PFRS 16, *Leases*

  PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, SIC-15, *Operating Leases – Incentives*, and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

  The Company has lease contracts for various office spaces used as branch offices. Prior to the adoption of PFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the lease asset to the Company; otherwise it was classified as an operating lease. All leases (as lessee) were classified as operating leases. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense under 'Rent' lodged in in 'Commissions and other direct expenses' and "General and administrative expenses' in the statement of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under 'Prepaid expenses' lodged in 'Other assets', and 'Other liabilities', respectively, in the statement of financial position.

  Upon adoption of PFRS 16, the Company applied a single recognition and measurement approach for all leases (as lessee) except for short-term leases and leases of low-value assets. The Company recognized lease liabilities representing lease payments and right-of-use (ROU) assets representing the right to use the underlying assets.

  Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate (IBR) at the date of initial application. ROU assets were recognized based on the amount equal to the lease liabilities adjusted for any related prepaid and accrued lease payments previously recognized.

  Except for the additional disclosures required, PFRS 16 has no impact for leases where the Company is the lessor.

  The Company adopted the modified retrospective approach with certain transition reliefs with the date of initial application of January 1, 2019 and applied the following practical expedients wherein it:

  - Applied the standard only to contracts that were previously identified as leases, applying the old standards at the date of initial application;
  - Used the recognition exemptions for short-term leases; and
  - Used hindsight when determining the lease term of contracts containing extension or termination options

  As of January 1, 2019, the effect of adoption PFRS 16 is an increase (decrease) in the following accounts in the statement of financial position:

Assets	
Property and equipment (Right-of-use asset)	₱136,594,703
Other assets (Prepaid rent)	(7,548,005)
Liabilities	
Lease liabilities	129,046,698

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018, as follows:

Operating lease commitments as at December 31, 2018	₱161,894,102
Add: Lease commitments due to application of hindsight on determination of lease term	2,397,967
Less: Commitments relating to short term leases	6,095,996
Operating lease commitments as at January 1, 2019	158,196,073
Weighted average incremental borrowing rate at January 1, 2019	6.18%
Lease liabilities recognized at January 1, 2019	₱129,046,698

Future Changes in Accounting Policies
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its Company's financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)

- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

PFRS 17 will affect how the Company account for insurance contracts and how it reports financial performance in the statements of comprehensive income. The Company is currently assessing the impact that PFRS 17 will have on the financial statements.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

<u>Accounting Standard Effective but not yet Adopted</u>

- PFRS 9, *Financial Instruments*

  Starting 2018, the Company applies the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4 *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*. The temporary exemption permits the Company to continue applying PAS 39 rather than PFRS 9 for annual periods beginning before 1 January 2022.

  The assessment on whether a reporting entity's activities are predominantly connected with insurance is based on the liabilities connected with insurance in proportion to the entity's total liabilities.

  The predominance assessment is performed using the carrying amounts of liabilities reported on the statement of financial position at the annual reporting date after March 31, 2015 and before April 1, 2016. Applying the requirements, the Company performed the predominance assessment using the statement of financial position as of December 31, 2015 and concluded that it qualified for the temporary exemption from PFRS 9. Since December 31, 2015, there has been no change in the activities of the Group that requires reassessment of the use of the temporary exemption.

  Fair value disclosures
  The table below presents an analysis of the fair value of classes of financial assets of the Company as of December 31, 2019 and 2018, as well as the corresponding change in fair value for the year then ended. The financial assets are divided into two categories:

  - Assets for which their contractual cash flows represent solely payments of principal and interest (SPPI), excluding any financial assets that are held for trading or that are managed and whose performance is evaluated on a fair value basis; and

- All financial assets other than those specified in SPPI above (i.e. those for which contractual cash flows do not represent SPPI, assets that are held for trading and assets that are managed and whose performance is evaluated on a fair value basis).

	2019			
	SPPI financial assets		**Other financial assets**	
	Fair value	**Fair value change**	**Fair value**	**Fair value change**
AFS financial assets				
Debt securities	**₱13,410,480,603**	**₱1,944,413,024**	**₱–**	**₱–**
Equity securities	–	–	**505,693,911**	**26,341,808**
Seed capital in variable unit-linked segregated fund	–	–	**229,772,786**	**19,191,052**
Cash and cash equivalents	**1,999,750,934**	–	–	–
Loans and receivables - net	**787,933,102**	–	–	–
Insurance receivables	**108,338,869**	–	–	–
Accrued income	**205,335,769**	–	–	–
Segregated fund assets	–	–	**29,566,005,906**	**1,471,122,187**
	₱16,511,838,277	**₱1,944,413,024**	**₱30,301,472,603**	**₱1,516,655,047**

	2018			
	SPPI financial assets		Other financial assets	
	Fair value	Fair value change	Fair value	Fair value change
AFS financial assets				
Debt securities	₱11,532,233,528	(₱324,709,005)	₱–	₱–
Equity securities	–	–	482,680,926	(67,423,054)
Seed capital in variable unit-linked segregated fund	–	–	183,002,615	(24,509,610)
GAMC mutual funds	–	–	604,818,527	(47,201,855)
Cash and cash equivalents	1,331,424,203	–	–	–
Loans and receivables - net	903,634,874	–	–	–
Insurance receivables	134,574,439	–	–	–
Accrued income	210,852,429	–	–	–
Segregated fund assets	–	–	29,004,578,276	(2,355,846,302)
	₱14,112,719,473	(₱324,709,005)	₱30,275,080,344	(₱2,494,980,821)

Credit risk disclosures

The following table shows the carrying amounts of the SPPI assets in accordance with PAS 39 categories by credit risk rating grades reported to key management personnel. The carrying amounts are measured in accordance with PAS 39. For assets measured at amortized cost, the carrying amount shown is before any allowance for impairment loss.

	2019					
			Credit Rating			
	Total	**AAA**	**AA/A**	**BBB**	**BB/B**	**Unrated**
AFS financial assets						
Debt securities	**₱13,410,480,603**	**₱13,410,480,603**	**₱–**	**₱–**	**₱–**	**₱–**
Cash and cash equivalents	**1,999,750,934**	**1,997,935,434**	–	–	–	**1,815,500**
Loans and receivables - net	**787,933,102**		–	–	–	**787,933,102**
Insurance receivables	**108,338,869**	–	–	–	–	**108,338,869**
Accrued income	**205,335,769**	**205,335,769**	–	–	–	–
	₱16,511,839,277	**₱15,613,751,806**	**₱–**	**₱–**	**₱–**	**₱898,087,471**

	2018					
	Credit Rating					
	Total	AAA	AA/A	BBB	BB/B	Unrated
AFS financial assets						
Debt securities	₱11,532,233,528	₱11,532,233,528	₱–	₱–	₱–	₱–
Cash and cash equivalents	1,331,424,203	1,329,839,703	–	–	–	1,584,500
Loans and receivables - net	903,634,874	863,630,868	–	–	–	40,004,006
Insurance receivables	134,574,439	–	–	–	–	134,574,439
Accrued income	210,852,429	210,233,906	–	–	–	–
	₱14,112,719,473	₱13,935,938,005	₱–	₱–	₱–	₱176,162,945

Financial assets that passed the SPPI test have low credit risk as of December 31, 2019 and 2018.

4. Summary of Significant Accounting Policies

Product Classification

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

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

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

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

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

For financial options and guarantees which are not closely related to the host insurance contract, bifurcation is required to measure these embedded financial derivatives separately at fair value through profit or loss. Bifurcation is not required if the embedded derivative is itself an insurance contract or when the host insurance contract itself is measured as financial assets or liabilities at FVPL. As such, the Company does not separately measure options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate).

Likewise, the embedded derivative in unit-linked insurance contracts linking the payments on the contract to units of an internal investment fund meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract.

Cash and Cash Equivalents

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

Insurance Receivables

Insurance receivables are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortized cost, using the effective interest rate (EIR). The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in profit or loss. Insurance receivables are derecognized when derecognition criteria of financial assets have been met.

Financial Instruments (including those under Segregated Fund Assets)

Date of recognition

Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition of financial instruments

Financial instruments are recognized initially at fair value. Except for financial instruments at FVPL, the initial measurement of financial assets includes transaction costs. The Company classifies its financial instruments in the following categories: financial assets at FVPL, AFS financial assets, held-to-maturity (HTM) investments, loans and receivables and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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

Initial recognition of financial liabilities

All financial liabilities are recognized initially at fair value. Except for financial liabilities at FVPL, the initial measurement of the financial liabilities includes transaction costs.

Reclassification of financial assets

A financial asset is reclassified out of the FVPL category when the following conditions are met:

- the financial asset is no longer held for the purpose of selling or repurchasing it in the near term; and
- there is a rare circumstance.

A financial asset that is reclassified out of the FVPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in profit or loss is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

Day 1 profit or loss
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' profit or loss) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where an unobservable data is used, the difference between the transaction price and model value is only recognized in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit or loss amount.

Financial assets or financial liabilities at FVPL
This category consists of financial assets or financial liabilities that are held for trading or designated by management as financial assets or financial liabilities at FVPL on initial recognition. Derivative instruments, except those covered by hedge accounting relationships, are classified under this category.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value, with changes in the fair value recorded in profit or loss, included under the net fair value gains or losses account. Interest earned or incurred is recorded in investment income or interest expense, respectively, while dividend income is recorded when the right of the payment has been established under the investment income account.

Financial assets or financial liabilities are classified as held-for-trading if they are entered into for the purpose of short-term profit taking.

Designated financial assets or financial liabilities at FVPL
Financial assets or financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

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

As of December 31, 2019 and 2018, the Company's financial assets designated at FVPL include investments in government and corporate debt securities, equity securities, structured notes and private peso bonds. These financial assets are managed and their performances are evaluated on a fair value basis, in accordance with the investment strategy.

The Company's financial assets at FVPL consist of certain investments held under segregated fund. Segregated fund can be further divided into variable-unit-linked and Gem trust fund (see Note 18).

AFS financial assets
AFS financial assets are those which are designated as such or do not qualify to be designated as financial assets at FVPL, HTM investments or loans and receivables. They are purchased and held

indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include government debt securities and equity securities.

After initial measurement, AFS financial assets are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in earnings. Interest earned on holding AFS financial assets are reported as interest income using the EIR method. Dividends earned on holding AFS financial assets are recognized in profit or loss as investment income when the right to receive the payment has been established. The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported as “Revaluation reserve on AFS financial assets” in OCI and in the equity section of the statement of financial position. The losses arising from impairment of such investments are recognized as provisions on impairment losses in profit and loss. When the security is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as “Gain on sale of AFS financial assets” in statement of income.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, net of any impairment in value. The Company classified its investments in government debt securities, equity securities and other debt securities as AFS financial assets.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS financial assets or financial assets at FVPL. This accounting policy relates to the following accounts: (a) “Cash and cash equivalents”, (b) “Insurance receivables”, which arise primarily from premiums due and uncollected and ceding companies and reinsurers; (c) “Loans and receivables”, (d) “Accrued income”, (e.) “Refundable deposits” under other assets and (f) “Subscription receivable” and “Investment receivable” under segregated fund assets.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the EIR method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in the “Interest income” under the “Investment income” account in profit or loss. The losses arising from impairment of such loans and receivables are recognized in “Provision for impairment losses” under “General and administrative expense”.

Other financial liabilities at amortized cost
Issued financial instruments or their components that are not designated as financial liabilities at FVPL are classified as other liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both asset or liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the asset or liability component on the date of issue. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Any effects of restatement of foreign currency-denominated liabilities are recognized in profit and loss.

This accounting policy applies primarily to the Company's premium deposit fund, insurance payables, accounts payable and accrued expenses and other liabilities that meet the above definition (other than liabilities covered by other accounting standards, such as pension liability and income tax payable).

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Fair Values
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Financial assets
The fair value for financial instruments traded in active markets at the end of the reporting period is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. When current market prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

Non-financial assets
A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair value hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the reporting period ended December 31, 2019 and 2018, there were no transfers between level 1 and level 2 fair value movements, and no transfer into and out of level 3 fair value measurement.

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt if it has a contractual obligation to:

- Deliver cash or another financial asset to another entity or
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company.

If the Company does not have an unconditional right to avoid delivering cash of another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

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

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

AFS financial assets carried at fair value
In case of equity investments classified as AFS, impairment indicators would include a significant or the prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit and loss - is removed from OCI and recognized in profit and loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in OCI.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest income" in profit or loss. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

AFS financial assets carried at cost
If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a

similar financial asset. The carrying amount of the asset is reduced through the use of an allowance account.

Loans and receivables
For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged against profit and loss. If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit and loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. Time value is generally not considered when the effect of discounting is not material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as type of borrower, collateral type, past-due status and term.

Financial assets, particularly trade receivables, are written off to the extent of the amount determined by management to be uncollectible. Those with pending cases in court are recommended for write-off, subject to management's approval.

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

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

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

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

Reinsurance Transactions
The Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence as a result of an event that occurred after initial recognition that the Company may not recover outstanding amounts due under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is charged against profit and loss. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

The Company also assumes reinsurance risk in the normal course of business for life insurance contracts. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to ceding companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on gross basis for both direct and assumed reinsurance. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Investments in Subsidiaries
The Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure or rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other voting shareholders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

The investment in a subsidiary is carried at cost less any impairment in value. The Company recognizes income from the investment in subsidiaries only to the extent that the Company receives distributions from accumulated profits of the investee arising after the date of acquisition.

Property and Equipment
Property and equipment are carried at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are charged to the statement of income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives (EUL) of the properties, except for leasehold improvements, which are amortized over their useful lives or terms of the lease, whichever is shorter. The EUL of the property and equipment are as follows:

	Years
Building improvements	10
Office furniture and fixtures	10
Office and electronic data processing equipment	3
Transportation equipment	3

Leasehold improvements are amortized over ten (10) years or the related lease term, whichever is shorter.

Effective January 1, 2019, it is the Company's policy to classify right-of-use assets as part of property and equipment. Prior to that date, all of the Company's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the statement of financial position. The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life of 10 years and lease term. Right-of-use assets are subject to impairment.

The property and equipment's residual values, estimated useful lives and depreciation and amortization method are reviewed periodically and adjusted if appropriate to ensure that the residual value, period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the original cost of the asset) is included in profit and loss in the year the asset is derecognized.

Impairment of Nonfinancial Assets
This accounting policy applies primarily to the Company's property and equipment. At each reporting date, the Company assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash generating unit).

An impairment loss is charged against operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged against the revaluation increment of the said asset.

For nonfinancial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its estimated remaining life.

Insurance Contract Liabilities
Life insurance contract liabilities
Life insurance contact liabilities are recognized when the contracts are entered into and the premiums are recognized. The provision for life insurance contracts is calculated on the basis of a stringent prospective actuarial valuation method where the assumptions used depend on the circumstances prevailing at the inception of the contract. Assumptions and actuarial valuation methods are also

subject to provisions of the Insurance Code (the Code) and guidelines set by the Insurance Commission.

Subsequently, new estimates are developed at each reporting date to determine whether the liabilities reflect the current experience using the gross premium valuation which considers assumptions on mortality, morbidity, lapse and/or persistency, expenses, non-guaranteed benefits, discount rate and margin for adverse deviation. The initial assumptions could not be altered if the Company deems the current assumptions to still be reflective of their experience. As a result, the effect of changes in the underlying variables on insurance liabilities and related assets is not symmetrical. Improvements and significant deteriorations in estimates have an impact on the value of the liabilities and related assets.

Movements in legal policy reserves attributable to changes in discount rate are recorded under "Remeasurement gain (loss) on legal policy reserves" in other comprehensive income and the changes in policies and assumptions are recorded under "Change in insurance contract liabilities" in the statement of income.

Insurance contracts with fixed and guaranteed terms
Premiums are recognized as revenue when they become due from the policyholders which for single premium business, is the date on which the policy becomes effective.

Benefits are recorded as an expense when they are incurred and are accrued as a liability.

An increase in liability for contractual benefits that are expected to be incurred in the future is recorded under 'change in legal policy reserves' in the statements of income when the premiums are recognized. The liability is determined as the sum of the present value of future benefits and expenses, less the present value of the future gross premiums arising from the policy contract discounted at the appropriate risk-free discount rate. The expected future cash flows is determined using the best estimate assumptions with due regard to significant recent experience and appropriate margin for adverse deviation from the expected experience.

The liability is based on actuarial assumptions such as mortality and morbidity, maintenance expenses, and lapse and/or persistency rates that are established at the time the contract is issued. A margin for adverse deviation (MfAD) is also included in the assumptions. For group life insurance and accident and health insurance, reserves are computed by calculating the unearned portion of the written premiums for the year.

Provision is also made for the cost of claims incurred but not reported (IBNR) as of the reporting date based on the Company's experience. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in the statement of income in later years. Policy and contract claims payable forms part of the insurance contract liability section of the statement of financial position.

Unit-linked insurance contracts
The Company issues unit-linked insurance contracts. In addition to providing life insurance coverage, a unit-linked contract links payments to insurance investment funds set-up by the Company with consideration received from the policyholders. As allowed by PFRS 4, the Company chose not to unbundle the investment portion of its unit-linked products. Premiums received from the issuance of unit-linked insurance contracts are recognized as premium revenue. Consideration received from policyholders that are transferred to the segregated funds is recognized as part of gross change in legal policy reserves in the statements of income.

The Company withdraws the cost of insurance and administrative charges from the consideration received from the policyholders in accordance with the provisions of the unit-linked insurance contracts. After deduction of these charges, the remaining amounts in fund assets are equal to the surrender value of the unit-linked policies, and are withdrawable anytime.

The investment returns on the insurance investment funds belong to policyholders and the Company does not bear the risk associated with these assets (outside of guarantees offered). Accordingly, investment income earned and expenses incurred by these funds and payments to policyholders have the same corresponding change in the reserve for unit-linked liabilities. Such changes have no effect on the Company's results of operations. Management fee income earned by the Company for managing the insurance investment funds, periodic charges, and cost of insurance charges are included in fee income.

Insurance investment funds primarily include investments in debt securities, equities, short-term investments and cash and cash equivalents. The methodology applied to determine the fair value of the investments held in these funds is consistent with that applied to investments held by general fund. Reserve for unit-linked liabilities is measured based on the value of the insurance investment funds attributable to the policyholders.

The equity of each unit-linked policyholder in the fund is monitored through the designation of outstanding units for each policy. Hence, the equity of each unit-linked insurance contract in the fund is equal to its total number of outstanding units multiplied by the net asset value per unit (NAVPU). The NAVPU is the market value of the fund divided by its total number of outstanding units.

Policy and contract claims payable
Claims payable includes the sum of the individual amounts that are due and have already been approved for payment but have not actually been paid as of the end of the reporting period. This also includes accrual of reported claims that are not yet approved for payment. This is recognized when due and measured on initial recognition at fair value. Subsequent to initial recognition, this is measured at amortized cost using the effective interest rate method. This also includes provision for incurred but not reported losses.

Other insurance contract liabilities
Other insurance contract liabilities include advanced or excess collections and unpaid policy related disbursements.

Policyholders' Dividends
A number of insurance contracts are participating and contain a DPF. This feature entitles the policyholder to receive, as a supplement to guaranteed benefits, annual policy dividends that are credited at each policy anniversary, as long as the policy is in force. These annual policy dividends represent a portion of the theoretical investment and underwriting gains from the pool of contracts. Policy dividends are not guaranteed and may change based on the periodic experience review of the Company. Further, in accordance with regulatory requirements, dividends payable in the following year are prudently set-up as a liability in the statement of financial position.

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the annual cash dividends at the time the product is priced. The Company may exercise its discretion to revise the dividend scale in consideration of the emerging actual experience on each block of participating policies. Reserve for dividends to policyholders on contracts with premium deposit fund is shown in the statement of financial position.

There is no statutory requirement as to the level of eligible surplus that may be attributed to participating policyholders. The amount distributed to individual policyholders is at the discretion of the Company, subject to the endorsement of the Chief Actuary and approval by the BOD.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain and the expense relating to any provision is presented in profit and loss, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Retirement Cost
The Company has a funded, non-contributory retirement plan, administered by a trustee, covering its regular employees. Retirement cost is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.
Defined retirement costs comprise the following:

(a) Service costs
(b) Net interest on the net defined benefit liability or asset
(c) Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit and loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit and loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI under "Net remeasurement on loss on defined benefit plan" in the period in which they arise. Remeasurements are not recycled to profit and loss in subsequent periods.

Equity
Capital stock
Capital stock is measured at par value for all shares issued.

Contributed surplus
Contributed surplus represents the additional contribution of the stockholders in order to comply with the requirements of the Insurance Code (the Code).

Retained earnings
Retained earnings represent the cumulative balance of net income or loss of the Company, net of any dividend distribution.

Revenue Recognition
Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized within the scope of PFRS 15:

Fee income
Insurance contract policyholders are charged for policy administration services, surrenders and other contract fees. These fees and charges are recognized as revenue over the period in which the related services are performed.

Revenue outside the scope of PFRS 15
Premium income
Recurring premiums from life insurance contracts are recognized as revenue when payable by the policyholder. For single premium business, revenue is recognized on the date from which the policy is effective. For regular premium contracts, revenue is recorded at the date when payments are due.

Estimates of premiums due as of the reporting date but not yet received are assessed based on the estimates from underwriting or past experience, and are included in premiums earned.

Ceded reinsurance recoveries are accounted for in the same period as the underlying claim.

Premiums from group insurance contracts are recognized as revenue over the period of the contracts using the 365th method. The portion of the premiums written that relates to the unexpired periods of the policies at the end of the reporting period is accounted for as 'Provision for unearned premiums' and presented as part of insurance contract liabilities in the statements of financial position.

Interest income
For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as AFS financial assets or financial assets at FVPL, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as interest income.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Dividend income
Dividend income is recognized when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Other income
Income from other sources is recognized when earned.

Benefits and Expenses
Expenses, in general, are recognized in the statement of income in the period these are incurred.

Benefits and claims
Benefits and claims consists of benefits and claims paid to policyholders, which includes excess benefit claims for unit-linked contracts, as well as changes in the valuation of insurance contract liabilities and reserve for policyholders' dividends. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

Commissions
Commissions are recognized when the insurance contracts are entered into and the related premiums are recognized.

Interest expense
Interest expense on accumulated policyholders' dividends and premium deposit fund is recognized in the statement of comprehensive income as it accrues and is calculated using the EIR method. Accrued interest is credited to the liability account every policy anniversary date.

General expenses
Expenses are recognized in the statement of income in the period these are incurred.

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

Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses, in the period these are realized.

Leases
Policies applicable beginning January 1, 2019
The Company assesses at contract inception whether a contract is, or contains a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and ROU assets representing the right-of-use the underlying assets.

ROU assets
The Company recognizes ROU assets (included in 'Property and Equipment') at the commencement date of the lease (i.e. the date the underlying asset is available for use). ROU assets are measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of

lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Lease liabilities
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest (included in 'Interest expense') and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

The Group's lease liabilities are presented separately in the statement of financial position.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of branch offices (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Another exemption that can be considered is the lease of low-value assets (i.e., those with value of less than ₱250,000), however the Company has no lease contracts that would qualify under this exemption. Lease payments on short-term leases or low-value assets are recognized as expense on a straight-line basis over the lease term.

Policies applicable prior to January 1, 2019
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or;
d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

Company as lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Fixed lease payments are recognized as an expense on a straight-line basis.

For income tax purposes, expense under operating lease arrangement is treated as deductible expense in accordance with the term of the lease agreement.

Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries and associates.
The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Current tax and deferred tax relating to items recognized directly in equity or OCI is also recognized in equity or OCI and not in profit and loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

The movement in deferred tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

Value-Added Tax (VAT)

Revenue, expenses and assets are recognized, net of the amount of sales tax, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of VAT payable to the tax authority is included under "Accounts payable and accrued expenses" in the statement of financial position.

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- Capital management Note 30
- Management of insurance and financial risk Note 31

Judgments and estimates are continually evaluated and are 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 Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

(a) *Product classification*
The Company has determined that the unit-linked insurance policies it issues that link the payments on the contract to units of an internal investment fund has significant insurance risk and therefore meets the definition of an insurance contract and should be accounted for as such. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

(b) *Fair value of financial instruments*
Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to those models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

(c) *Financial assets not quoted in an active market*
The Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis. Related balances are shown in Note 8.

Estimates and Assumptions

(a) *Claims liability arising from insurance contracts*

Life Insurance Contracts
For life insurance contracts with fixed and guaranteed terms, estimates are made in two stages. At the inception of the contracts, the Company determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. These assumptions are used for calculating the liabilities during the life of the contract. A margin for risk and uncertainty is added to these assumptions.

Terms
Life insurance contracts offered by the Company mainly include whole life, term insurance, endowments, group medical insurance and unit-linked products.

Whole life and term insurance are conventional products where lump sum benefits are payable on death, provided death occurs within the terms of the policy.

Endowment products are products where lump sum benefits are payable after a fixed period or upon death if it occurs before the period is completed.

Group medical insurance is a supplementary benefit that provides assistance in times of hospitalization arising from sickness or accidents.

Unit-linked products differ from conventional policies in that premium, net of applicable charges, are allocated to units in a pooled investment fund and the policyholder benefits directly from the total investment growth and income of the fund.

Key Assumptions
Material judgment is required in determining the liabilities and in the choice of assumptions relating to insurance and investment contracts. Assumptions used are based on past experience, current internal data and conditions and external market indices and benchmarking, which reflect current observable market prices and other published information. Such assumptions are determined as appropriate and prudent estimates at the date of valuation, and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations. Assumptions are also subject to the provisions of the Code and guidelines set by the Insurance Commission.

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

- *Mortality and morbidity*
  The mortality and morbidity assumptions are based on rates of mortality and morbidity that are appropriate to the nature of the risks covered based on the Company's actual experience.

- *Discount rates*
  Discount rates relate to the time value of money. Discount rate assumptions are based on current observed rates in the market adjusted for default risk. The valuation interest rate assumptions are consistent with risk free rates as provided by IC.

  The assumptions are reviewed and revised at each reporting date. A decrease in discount rate would result in remeasurement loss on life insurance reserves.

- *Non-guaranteed benefits*
  The level of non-guaranteed benefits under traditional life insurance policies to be valued, including policy dividends, are determined with due regard to the Company's duty to treat its policyholders fairly and meet policyholders' reasonable expectations.

- *Expenses*
  The expense assumptions are based on the Company's experience derived from its latest expense study.

- *Lapses and/or persistency rates*
  Lapse and/or persistency rates reflective of the Company's actual experience are taken as the best estimate lapse and/or persistency assumption, with regard to changing Company practices and market conditions.

The carrying amounts of insurance contract liabilities are presented below:

	2019	2018
Legal policy reserves (Note 13)	**₱11,609,623,574**	₱11,501,141,015
Policy and contract claims payable (Note 14)	**922,569,159**	907,472,088
Policyholders' dividends (Note 15)	**207,524,059**	192,908,989
	₱12,739,716,792	₱12,601,522,092

(b) *Fair values of financial assets*
The Company carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgments. Fair value determinations for financial assets and liabilities are based generally on listed or quoted market prices. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time.

Valuation of unquoted equity investments is normally based on one of the following:
- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for terms with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value, credit risk, yield curve volatility factors and or prepayment rates of the underlying positions. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value of these financial assets and liabilities would affect profit and loss and equity.

The carrying values AFS financial assets were ₱14.15 billion and ₱12.80 billion as of December 31, 2019 and 2018, respectively (see Note 8).

Refer to Note 18 for the segregated fund assets.

(c) *Impairment of financial assets*
The Company treats AFS equity securities as impaired when there has been a significant or prolonged decline in the fair value below cost or where other objective evidence of impairment exists. The determination of what is ‘significant’ or ‘prolonged’ requires judgment. The Company treats ‘significant’ generally as 30% or more and ‘prolonged’ as greater than twelve (12) months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Impairment may be appropriate also when there is evidence of deterioration in the financial health of the investee, the industry and sector performance, changes in technology and operational and financing cash flows. The Company recorded impairment losses on its available-for-sale financial assets amounting to ₱15.31 million and ₱21.27 million in 2019 and 2018, respectively (see Note 8).

The Company reviews its loans and receivables at each reporting date to assess whether an allowance for impairment should be recorded in the statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ from such assumptions depending on the age of the receivables, resulting in future changes to the allowance.

The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to age of balances, financial status of counterparties, payment behavior and known market factors. The Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a regular basis.

In addition to specific allowance against individually significant insurance receivables and loans and receivables, the Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. The process of identifying impairment includes an evidence-based judgment about the ability to recover the value of the investment at some point in the future. The severity and duration of the impairment is considered. A quarterly review for impairments in financial assets classified as AFS, loans or receivables is performed for all instruments with unrealized losses at the end of the reporting period.

The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease net income.

The Company recorded impairment losses on its loans and receivables amounting to ₱0.59 million and ₱0.35 million in 2019 and 2018, respectively (see Note 8).

(d) *Estimated useful lives of property and equipment*
The Company reviews annually the estimated useful lives of property and equipment based on the period over which the assets are expected to be available for use. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of these properties would increase recorded depreciation and amortization expense and decrease the related asset accounts.

As of December 31, 2019 and 2018, the carrying amount of property and equipment were ₱271.25 million and ₱127.08 million, respectively (see Note 11).

(e) *Impairment of nonfinancial assets*
The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

As of December 31, 2019 and 2018, the Company did not recognize allowance for impairment loss on nonfinancial assets.

(f) *Deferred tax assets*
Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which these can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized. These assets are periodically reviewed for realization. Periodic reviews cover the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings and tax planning strategies which can be utilized to increase the likelihood that tax assets will be realized.

Refer to Note 28 for the unrecognized deferred tax assets as of December 31, 2019 and 2018.

(g) *Pension and other employee benefits*
The cost of defined benefit plan and the present value of the pension obligation are determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligation. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the market yields on Philippine government bonds with terms consistent with the expected term of the defined benefit obligation as of reporting date. The mortality rate is based on publicly available mortality tables in the Philippines. Future salary increases are based on expected future inflation rates. Refer to Note 27 for the details of assumptions used in the calculation.

The Company also estimates other employee benefit obligations and expenses, including costs of paid leaves based on historical leave availments of employees and subject to the Company's policy. These estimates may vary depending on the future changes in salaries and actual experiences during the year.

(h) Leases - Estimating the incremental borrowing rate
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR for lease liabilities is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The Company estimates the IBR for lease liabilities using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the Company's credit risk (i.e., credit spread).

The Company's lease liabilities amounted to ₱113.18 million as of December 31, 2019 (see Note 33).

(i) Contingencies
In the normal course of the Company's operations, there are various outstanding contingent liabilities which are not reported in the accompanying financial statements. The Company recognizes in its books losses and liabilities incurred in the normal course of operations as these become determinable and quantifiable. In the opinion of management and its legal and tax counsels, it is not liable to and has strong position on these contingent liabilities, and if decided adversely, will not have a material effect on the Company's financial position and result of operations.

6. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand		
Petty cash funds and revolving funds	**₱1,815,500**	₱1,584,500
Cash in banks		
Commercial banks and trust companies	**302,212,857**	112,157,665
Thrift and rural banks	**8,489,531**	5,898,660
Cash equivalents	**1,687,233,046**	1,211,783,378
	₱1,999,750,934	₱1,331,424,203

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are made for varying periods up to three months, depending on the immediate cash requirements of the Company, and earned interest that ranged from 0.01% to 2.25% in 2019 and 0.01% to 6.0% in 2018. Interest income earned from cash and cash equivalents amounted to ₱26.46 million and ₱22.50 million in 2019 and 2018, respectively (see Note 23).

7. Insurance Receivables

This account consists of:

	2019	2018
Premiums due and uncollected	**₱108,338,869**	₱134,515,670
Reinsurance recoverable on paid losses	**–**	58,769
	₱108,338,869	₱134,574,439

Premiums due and uncollected represent premiums on in-force policies which are collectible within the Company's grace period.

Reinsurance recoverable on paid losses pertains to amounts recoverable from the reinsurers in respect of claims already paid by the Company which are due and demandable.

8. Financial Assets

The Company's financial assets are summarized by measurement categories as follows:

	2019	2018
AFS financial assets - net	**₱14,145,947,300**	₱12,802,735,596
Loans and receivables - net	**787,933,102**	903,634,874
	₱14,933,880,402	₱13,706,370,470

AFS financial assets
This account consists of:

	Cost		Fair Value	
	2019	2018	**2019**	2018
At fair value				
Government debt securities:				
Local currency	**₱9,323,280,984**	₱8,678,135,563	**₱10,166,070,380**	₱7,841,688,863
Foreign currency	**2,786,180,621**	3,456,306,692	**2,998,339,081**	3,430,641,074
Corporate debt securities:				
Local currency	**235,000,000**	275,000,000	**220,434,135**	232,481,575
Foreign currency	**25,364,676**	26,669,997	**25,637,007**	27,422,016
Equity securities:				
Common shares	**361,585,063**	373,376,440	**504,331,713**	481,318,728
Preferred shares	**138,759**	138,759	**147,198**	147,198
Seed capital in variable unit-linked segregated funds (Note 18)				
Local currency	**133,347,426**	123,347,426	**148,840,334**	132,956,994
Foreign currency	**75,952,500**	52,724,000	**80,932,452**	50,045,621
GAMC mutual funds	**–**	608,469,049	**–**	604,818,527
	12,940,850,029	13,594,167,926	**14,144,732,300**	12,801,520,596
At cost				
Equity securities- common shares	**1,215,000**	1,215,000	**1,215,000**	1,215,000
	₱12,942,065,029	₱13,595,382,926	**₱14,145,947,300**	₱12,802,735,596

In 2019, the Company redeemed its investments in GAMC mutual funds as the corporate existence of these mutual funds has ended on December 31, 2019.

The Company recognized impairment losses on AFS equity securities as follows:

	2019	2018
At January 1	**₱89,534,397**	₱68,264,243
Provision for impairment loss (Note 23)	**15,312,080**	21,270,154
At December 31	**₱104,846,477**	₱89,534,397

In 2019 and 2018, management recorded an allowance for impairment losses based on the assessment on each equity security.

The fair values of AFS financial assets have been determined as follows:

	2019	2018
At January 1	**₱12,802,735,596**	₱13,982,217,942
Additions	**1,117,161,980**	540,279,225
Maturities and disposals	**(1,282,322,121)**	(376,411,313)
Amortization of premium	**(67,464,977)**	(78,322,126)
Fair value gain/(losses)	**1,989,945,884**	(1,458,123,392)
Foreign exchange adjustments	**(414,109,062)**	193,095,260
At December 31	**₱14,145,947,300**	₱12,802,735,596

Interest income from AFS financial assets amounted ₱679.78 million and ₱713.37 million, in 2019 and 2018, respectively (see Note 23).

Dividend income from AFS financial assets amounted to ₱8.55 million and ₱8.13 million in 2019 and 2018, respectively (see Note 23).

The government securities maintained at the Bureau of Treasury - Registry of Scripless Securities (BTR-Ross) amounted to ₱526.25 million, both in 2019 and 2018. From these securities, ₱137.50 million were earmarked as non-tradable pursuant to Section 203 in relation to Section 192 of the Insurance Code.

The rollforward analyses of revaluation reserve on AFS financial assets follow:

	2019	2018
At January 1	**(₱792,647,330)**	₱658,112,277
Fair value gains (losses)	**1,989,945,884**	(1,458,123,392)
Transferred to profit and loss (Note 23)		
Provision for impairment loss	**15,312,080**	21,270,154
Gain on sale of AFS financial assets	**(8,728,363)**	(13,906,369)
At December 31	**₱1,203,882,271**	(₱792,647,330)

"Revaluation reserve on AFS financial assets" records the difference between the amortized cost and fair value of AFS debt securities and the difference between carrying value and fair value of AFS equity securities.

Loans and receivables - net

	2019	2018
Policy loans	**₱675,600,848**	₱742,520,600
Due from:		
Related parties (Note 32)	**44,010,621**	92,402,014
Employees	**15,498,833**	15,554,578
GEM trust fund (Notes 18 and 32)	**3,131,545**	14,189,435
Agents	**1,405,269**	1,601,292
Short-term investments	**22,286,605**	17,628,961
Others	**29,733,345**	22,884,123
	791,667,066	906,781,003
Less allowance for impairment losses	**3,733,964**	3,146,129
	₱787,933,102	₱903,634,874

Policy loans pertain to interest-bearing loans granted to policyholders. The policyholders' cash surrender values on their life insurance policies serve as collateral on the loans. Interest charged on these loans are at 10% and 6% per annum on Peso and US Dollar loans, respectively, with ceiling rates mandated by the IC.

Interest earned on policy loans amounted to ₱68.08 million and ₱75.96 million in 2019 and 2018, respectively (see Note 23).

Due from GEM trust fund pertains to amounts paid in advance by the Company on surrenders made by certain policyholders owning interests in the trust being held by GEM trust fund. This amount is non-interest bearing and due and demandable.

Due from employees represents cash advances and personal loans granted to employees. These are collected through payroll deductions or thru expense liquidations.

Due from agents represents advances for marketing and sales activities undertaken by agents on behalf of the Company. These are collected through deductions from the commissions due to agents.

Short-term investments refers to time deposit placements for minor beneficiaries.

Other receivables consist of non-interest-bearing receivables which are due and demandable.

Movements in the allowance for impairment losses follow:

	2019	2018
At January 1	**₱3,146,129**	₱2,796,312
Provision for impairment loss (Note 26)	**587,835**	349,817
At December 31	**₱3,733,964**	₱3,146,129

9. Investments in Subsidiaries

This account consists of:

	2019	2018
Grepa Realty Holdings Corporation (GRHC)	**₱1,056,092,200**	₱1,056,092,200
Grepalife Asset Management Corporation (GAMC)	**20,000,000**	20,000,000
	₱1,076,092,200	₱1,076,092,200

The Company's percentages of ownership in the shares of stock of investees follow:

	Percentage of ownership	
	2019	2018
GRHC	**51%**	51%
GAMC	**100%**	100%

All subsidiaries were incorporated in the Philippines.

The Company has another subsidiary named Great Life Financial Assistance Corporation (GLFAC) in which the corporate existence ended on July 31, 2013 through approval of its BOD and shareholders on December 7, 2012. GLFAC filed the tax clearance with the Bureau of Internal Revenue (BIR) last August 24, 2016. On October 18, 2017, GLFAC was issued a certificate of no outstanding liability by the large taxpayers' service of the BIR in relation to GLFAC's application for cessation of business. On March 9, 2018, GLFAC filed for corporate dissolution with the SEC. On March 9, 2019, GLFAC declared liquidating dividends of ₱590,868,636. The Company recognized a gain of ₱14.30 million in 2019 and ₱85.88 million in 2018 from the liquidation of GLFAC (see Note 23).

As of December 31, 2019 and 2018, financial information of GLFAC are as follows:

	2019	2018
Total assets	**₱7,002,121**	₱590,954,876
Total liabilities	**–**	86,240
Total revenues	**8,299,502**	15,414,941
Net income	**7,985,709**	13,642,682

On December 6, 2018, the BOD of GAMC approved the shortening of its corporate life until December 31, 2019. This was subsequently ratified by the shareholders on March 7, 2019. The decision is in line with the direction of the Company to focus on core business.

The Company's investment in GRHC resulted from a Deed of Exchange with Subscription Agreement (the "Deed") executed on October 20, 2011 to transfer ownership of land, buildings and condominium to GRHC with an aggregate appraised value of ₱1,056.09 million to the latter in exchange for 10,560,922 preferred shares of stock, representing 51% of the total outstanding capital stock. Subsequent to the agreements, certain properties were still being occupied by the Company as a lessee. The Company's ownership interest over GRHC remains the same as of December 31, 2019 and 2018.

Financial information of significant investments in subsidiaries follows:

GRHC

	2019	2018
Total assets	**₱1,527,879,293**	₱1,489,239,920
Total liabilities	**62,595,153**	56,711,726
Total revenues	**102,773,261**	128,231,171
Net income	**16,020,920**	49,013,446

GAMC

	2019	2018
Total assets	**₱67,826,506**	₱61,722,072
Total liabilities	**2,467,619**	1,943,396
Total revenues	**16,892,083**	11,970,290
Net income	**5,580,211**	1,552,597

10. Accrued Income

This account consists of:

	2019	2018
Interest	**₱205,064,611**	₱210,721,440
Dividend	**271,158**	130,989
	₱205,335,769	₱210,852,429

Interest receivable includes interest accrued arising from AFS debt securities and receivables with interest rates ranging from 3.62% to 11.25% in 2019 and in 2018. Interest receivable rates from policy loans ranges from 6% to 8% in 2019 and 2018.

Dividend receivable represents dividends accrued arising from AFS equity securities.

11. Property and Equipment

The rollforward analyses of this account follow:

	2019				
	Building and Leasehold Improvements	**Transportation Equipment**	**Office Furniture, Fixtures and Equipment**	**Right-of-use Assets – Building**	**Total**
Cost					
At January 1 as previously reported	**₱166,584,370**	**₱54,652,774**	**₱361,471,179**	**₱–**	**₱582,708,323**
Effect of adoption of PFRS 16 (Note 3)	–	–	–	**136,594,703**	**136,594,703**
At January 1, as restated	**166,584,370**	**54,652,774**	**361,471,179**	**136,594,703**	**719,303,026**
Additions	**26,271,878**	**9,248,235**	**36,538,959**	**12,451,345**	**84,510,417**
Disposals	–	**(2,200,354)**	–	–	**(2,200,354)**
At December 31	**192,856,248**	**61,700,655**	**398,010,138**	**149,046,048**	**801,613,089**

(Forward)

	2019				
	Building and Leasehold Improvements	**Transportation Equipment**	**Office Furniture, Fixtures and Equipment**	**Right-of-use Assets – Building**	**Total**
Accumulated Depreciation					
At January 1	**₱94,589,859**	**₱40,997,833**	**₱320,044,476**	**₱–**	**₱455,632,168**
Depreciation	**15,064,024**	**7,815,384**	**21,161,730**	**31,895,504**	**75,936,642**
Disposals	**–**	**(1,205,571)**	**–**	**–**	**(1,205,571)**
At December 31	**109,653,883**	**47,607,646**	**341,206,206**	**31,895,504**	**530,363,239**
Net Book Value	**₱83,202,365**	**₱14,093,009**	**₱56,803,932**	**₱117,150,544**	**₱271,249,850**

	2018				
	Building and Leasehold Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Right-of-use Assets – Building	Total
Cost					
At January 1	₱166,100,870	₱45,229,571	₱360,378,905	₱–	₱571,709,346
Additions	483,500	11,370,203	1,092,274	–	12,945,977
Disposals	–	(1,947,000)	–	–	(1,947,000)
At December 31	166,584,370	54,652,774	361,471,179	–	582,708,323
Accumulated Depreciation					
At January 1	80,168,480	35,079,435	304,515,618	–	419,763,533
Depreciation	14,421,379	7,576,733	15,528,858	–	37,526,970
Disposals	–	(1,658,335)	–	–	(1,658,335)
At December 31	94,589,859	40,997,833	320,044,476	–	455,632,168
Net Book Value	₱71,994,511	₱13,654,941	₱41,426,703	₱	₱127,076,155

Details of depreciation and amortization expense charged against operations are as follow:

	2019	2018
General and administrative expenses (Note 26)	**₱64,345,906**	₱30,313,214
Commissions and other direct expenses (Note 26)	**11,590,736**	7,213,756
	₱75,936,642	₱37,526,970

The disposal of assets resulted to gain of ₱1.27 million and ₱0.37 million in 2019 and 2018, respectively.

12. Other Assets

This account consists of:

	2019	2018
Refundable deposits	**₱46,676,827**	₱49,939,696
Prepaid expenses	**14,384,384**	13,510,817
Creditable withholding taxes	**3,691,426**	4,592,744
Deferred input VAT	**2,847,894**	3,004,350
Input VAT	**2,768,796**	2,579,845
	₱70,369,327	₱73,627,452

Refundable deposits represent security and utility deposits made on lease and service agreements entered into by the Company. These are refunded upon termination of the related lease and service agreements.

Prepaid expenses pertain mainly to unexpired insurance. This is used in operations within one year after the reporting period.

Creditable withholding taxes are those withheld by the suppliers, service providers and clients of the Company. These are available for offset against income tax due.

Input VAT pertains to the excess of input over output VAT. These are available for offset against output VAT.

13. Legal Policy Reserves

Insurance contract liabilities may be analyzed as follows:

	2019			2018		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities**	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
Ordinary life	**₱11,450,856,538**	**₱6,697,073**	**₱11,444,159,465**	₱11,281,132,154	₱4,578,868	₱11,276,553,286
Group life	**306,486,346**	**2,579,833**	**303,906,513**	280,372,037	3,492,048	276,879,989
Accident and health	**52,072,801**	**2,741,117**	**49,331,684**	48,854,751	3,116,060	45,738,692
Variable life	**(187,774,088)**	**–**	**(187,774,088)**	(98,030,952)	–	(98,030,952)
	₱11,621,641,597	**₱12,018,023**	**₱11,609,623,574**	₱11,512,327,990	₱11,184,906	₱11,501,141,015

The movements during the year in legal policy reserves are as follows:

	2019	2018
At January 1	**₱11,501,141,015**	₱13,101,540,463
Due to change in discount rates	**1,151,394,195**	(1,299,698,259)
Due to change in policies and assumptions	**(1,042,911,636)**	(300,701,189)
At December 31	**₱11,609,623,574**	₱11,501,141,015

The movements in the legal policy reserves due to change in discount rates are recorded under "Remeasurements on policy reserves". The rollforward analyses of this account follow:

	2019	2018
At January 1	**(₱90,088,705)**	(₱1,389,786,964)
Net increase (decrease) due to change in discount rate	**(1,151,394,195)**	1,299,698,259
At December 31	**(₱1,241,482,900)**	(₱90,088,705)

14. Policy and Contract Claims Payable

This account consists of:

	2019	2018
Claims payable	**₱585,208,029**	₱571,301,233
Maturities and surrenders payable	**337,361,130**	336,170,855
	₱922,569,159	₱907,472,088

The rollforward analysis of policy and contract claims payable follow:

	2019	2018
At January 1	**₱907,472,088**	₱864,930,246
Arising during the year	**8,141,983,812**	5,226,297,606
Paid during the year	**(8,126,886,741)**	(5,183,755,764)
At December 31	**₱922,569,159**	₱907,472,088

Claims payable pertain to approved but unpaid claims which are due and demandable. This account also includes incurred but not reported (IBNR) claims that already occurred but notice still has not been received by the Company, based on a reasonable estimate of unreported claims based on the Company's historical experience. The IBNR amounted to ₱133.78 million and ₱138.60 million in 2019 and 2018, respectively.

Maturities and surrenders payable represent claims on matured and surrendered policies which are due and unpaid as at reporting date.

15. Policyholders' Dividends

The movements in this account follow:

	2019	2018
At January 1	**₱192,908,989**	₱179,884,281
Accrual (Note 25)	**18,758,547**	16,067,477
Interest (Note 26)	**6,205,723**	5,996,332
Payment	**(10,349,200)**	(9,039,101)
At December 31	**₱207,524,059**	₱192,908,989

Policyholders' dividends pertain to due and unpaid dividends on participating policies which are in-force for three (3) or more years. Policyholders are given an option to deposit the dividends with the Company to accumulate and earn interest. Interest expense on policyholders' dividends amounted to ₱6.21 million and ₱6.00 million in 2019 and 2018, respectively (see Note 26).

16. Premium Deposit Fund

This account pertains to funds held for policyholders which bear interest at annual rates ranging from 2.00% to 6.00% in 2019 and 2018. Interest expense of the Company related to premium deposit fund amounted to ₱7.06 million and ₱8.49 million in 2019 and 2018, respectively (see Note 26).

17. Insurance Payables

This account consists of:

	2019	2018
Life insurance deposits	**₱189,823,722**	₱101,114,800
Subscriptions to variable unit-linked funds (Note 18)	**114,692,451**	31,392,998
Due to reinsurers	**19,752,860**	10,087,793
	₱324,269,033	₱142,595,591

Life insurance deposits pertain to premiums collected in advance and are not yet credited to premium income until these become due.

Subscriptions to variable unit-linked funds pertain to unremitted contributions to the segregated funds relating to variable unit-linked policies.

Due to reinsurers represents premiums due and unpaid on treaty and facultative reinsurance agreements entered into by the Company.

18. Segregated Funds

This account consists of:

	2019	2018
Variable-unit linked fund	**₱29,493,086,908**	₱28,913,194,253
GEM trust fund	**72,918,998**	91,384,023
	₱29,566,005,906	₱29,004,578,276

Variable-unit linked (VUL) fund
This fund consists of:

	2019	2018
Net asset value of segregated funds	**₱29,722,859,694**	₱29,096,196,868
Seed capital in segregated funds (Note 8)	**(229,772,786)**	(183,002,615)
	₱29,493,086,908	₱28,913,194,253

The rollforward analysis of variable unit-linked segregated fund follows:

	2019	2018
At January 1	**₱28,913,194,253**	₱28,725,995,192
Subscriptions allocated to unit-linked funds (Note 22)	**4,740,657,016**	5,662,365,379
Investment income (loss) - net (Note 23)	**2,083,198,120**	(1,865,763,258)
Withdrawals and redemptions (Note 25)	**(6,243,962,481)**	(3,609,403,060)
Net change in variable unit-linked	**579,892,655**	187,199,061
At December 31	**₱29,493,086,908**	₱28,913,194,253

Subscriptions allocated to unit-linked funds represent the investment portion of variable unit-linked policies issued by the Company which were subsequently invested to unit-linked funds at the discretion of the policyholder. These amounts are presented under "Gross earned premiums on insurance contracts" in the statements of income.

Investment income (loss) pertains to the results of operation of unit-linked funds. These amounts are presented under "Investment income (loss) - net" in the statements of income.

Withdrawals and redemptions pertain to benefit payments to VUL policyholders taken out of unit-linked funds. These amounts are presented under "Insurance benefits and claims incurred" in the statements of income.

Investment income account consists of:

	2019	2018
Fair value gains (loss)	**₱1,471,122,187**	(₱2,479,594,048)
Dividend income	**319,718,823**	287,211,273
Interest income	**297,201,712**	331,057,883
Investment expense	**(4,844,602)**	(4,438,366)
Investment income (loss) - net	**₱2,083,198,120**	(₱1,865,763,258)

The Company issues variable unit-linked insurance contracts where payments to policyholders are linked to internal investment funds set up.

Bond Fund
The SLG Bond Fund is one of the investment options for policyholders of Sun Grepa Power Builder 5 and 10. The fund is invested in high-quality fixed-income securities issued by the Philippine government and in high-quality corporate debt securities issued by Philippine companies.

Balanced and Opportunity Fund
These funds are designed to provide optimum returns consisting of current income and capital growth through investment in a mix of debt (bonds) and equity (stocks) securities from both domestic and foreign issuers.

Equity and Growth Fund
These funds are designed to generate long-term capital appreciation by investing in high-quality equities diversified across sectors.

Income Fund
This fund is designed to stay invested only in high-quality fixed income instruments that are classified as below average risk.

Global Asset Builder Fund
This fund is designed to provide protection and also allows policyholders to participate in the performance of selected global investment assets.

Global Asset Builder Fund - Emerging Asia
This fund is designed to meet certain needs that other standardized financial instruments in the market cannot. The structure’s underlying assets are comprised of high-growth equity funds from Emerging Asian countries. Sun Grepa Global Asset Builder (Emerging Asia) is a single-pay, US dollar-denominated, investment-linked insurance product that matures in seven (7) years, and allows the policyholder to participate in the equities of eight (8) high-growth Emerging Asian economies - China, South Korea, Taiwan, Indonesia, Malaysia, Thailand, Vietnam, and the Philippines.

Global Asset Builder (PriMO)
This fund is an investment-inked life insurance plan that provides protection for 7 years and enables the US dollars to benefit from global investment opportunities without the fear of losing its capital.

Peso Asset Builder
This fund is an investment-linked life insurance plan that provides protection for 7 years and enables the investment to benefit from global investment opportunities while protecting the capital.

Dynamic Fund
This fund is an adaptive, agile and flexible fund that aims to maximize returns by taking advantage of market highs and engaging in opportunistic trades. It is designed to provide optimum returns consisting of current income and capital growth through investment in a mix of high quality fixed-income and equity instruments from domestic issuers.

Index Fund
This fund tracks the performance of the benchmark PSEi, mainly by investing in listed equities that are part of the PSEi, in such proportion that the performance of the Fund will match that of the PSEi.

Captains Fund
This fund invests in publicly-listed local firms that are among the country's largest in terms of revenues, profits, assets and market values, there is more opportunity for upside potential earnings.

My Future Fund
This fund is a target date fund that invests primarily in high-quality stocks and a mix of government and domestic corporate debt in accordance with an asset allocation strategy that promotes capital appreciation at the onset to maximize earning potential in the earlier years and shifts to wealth preservation to reduce exposure to risk as the maturity of the fund approaches.

Growth Plus Fund
This Fund aims to maximize returns through a combination of long-term capital growth and current income by investing in a portfolio of high-quality Philippine listed equity and equity-linked securities that yield dividends.

Global Opportunity Fund
This Fund may invest in, but is not limited to, USD-denominated mutual funds, USD-denominated exchange-traded funds (ETFs), and any securities similar to said funds.

Global Income Fund
This Fund is invested only in foreign currency-denominated high-quality fixed income and fixed income-linked instruments that are classified as average to below average risk.

Money Market Fund
This Fund is focused on money market securities which deliver steady accrual income.

Global Growth Fund
The Fund is a pure equity mandate which endeavors to provide clients access to an active and concentrated suite of global equity outlets.

The details of these internal investment funds, which comprise the assets backing unit-linked liabilities, are presented in the tables below:

	2019												
	Cash and cash equivalents	Government debt securities	Equity securities	Corporate loans	Private peso bonds	Structured notes	Subscriptions receivable (Note 17)	Investment receivable	Accrued income	Seed capital	Total Assets	Accounts payable and accrued expenses	Net Assets
Bond Fund	₱18,844,542	₱331,176,019	₱6,439,926	₱23,726,228	₱38,428,488	₱–	₱721,638	₱39,178	₱8,737,077	(₱2,326,654)	₱425,786,442	(₱1,064,568)	₱424,721,874
Balanced Fund	20,653,429	475,521,036	920,863,346	40,474,732	61,170,629	–	888,453	640,276	12,493,746	(13,257,000)	1,519,448,647	(2,103,550)	1,517,345,097
Equity Fund	21,124,578	22,968,518	768,779,432	–	–	–	3,407,263	3,303,721	895,340	(14,435,000)	806,043,852	(3,931,493)	802,112,359
Growth Fund	24,256,698	24,124,080	1,119,070,547	–	–	–	(5,319)	12,219,033	1,344,790	(14,434,000)	1,166,575,829	(3,031,096)	1,163,544,733
Opportunity Fund	6,595,083	1,194,017,271	2,647,619,721	190,165,712	266,443,108	–	(20,620)	9,531,623	35,741,336	(13,724,000)	4,336,369,234	(2,887,316)	4,333,481,918
Income Fund	29,463,374	814,914,247	8,976,130	106,145,063	169,193,483	–	(7,356)	232,126	23,662,111	(2,325,679)	1,150,253,499	(2,488,892)	1,147,764,607
Dynamic Fund	67,974,401	348,204,140	1,582,648,288	–	34,411,325	–	(949,626)	49,177	11,425,834	(9,619,000)	2,034,144,539	(5,047,732)	2,029,096,807
Index Fund	58,336,153	–	3,360,645,982	–	–	–	76,812,395	–	1,895,583	(9,193,000)	3,488,497,113	(36,969,209)	3,451,527,904
Captains Fund	33,815,685	–	415,732,537	–	–	–	25,626,212	–	286,724	(9,729,000)	465,732,158	(10,798,750)	454,933,408
Money Market Fund	6,533,447	–	9,918,385	–	–	–	–	–	271	(10,063,000)	6,389,103	(2,074)	6,387,029
My Future 2025	10,948,597	473,917,100	311,952,784	–	–	–	(78,855)	–	3,771,258	(10,287,000)	790,223,884	(273,542)	789,950,342
My Future 2030	12,982,141	53,462,710	115,552,793	–	–	–	267,776	467,101	1,085,827	(10,114,000)	173,704,348	(247,394)	173,456,954
My Future 2035	3,855,858	11,365,718	67,098,283	–	–	–	88,781	986,850	217,700	(9,957,000)	73,656,190	(23,833)	73,632,357
My Future 2040	2,010,858	11,062,930	76,374,971	–	–	–	311,873	771,633	325,730	(10,098,000)	80,759,995	(57,726)	80,702,269
Growth Plus	502,894,535	–	5,781,626,443	–	–	–	13,588,469	57,933,886	3,552,995	(9,278,000)	6,350,318,328	(21,047,003)	6,329,271,325
Global Opportunity	36,634,425	33,974,511	2,256,952,503	–	–	–	(7,018)	5,063,500	76,955	(28,203,695)	2,304,491,181	(602,302)	2,303,888,879
Global Income	15,062,563	57,918,159	550,770,102		–	–	(2,121)	–	176,271	(25,914,993)	598,009,981	(141,719)	597,868,262
Global Growth Fund	7,917,777	–	369,154,392	–	–	–	2,034,358	–	22	(26,813,765)	352,292,784	(96,475)	352,196,309
Global Asset Builder - Emerging Asia Fund	–	–	–	–	–	901,334,849	(979,483)	–	–	–	900,355,366	–	900,355,366
Global Asset Builder – Emerging Asia 1	–	–	–	–	–	861,379,125	(2,042,261)	–	–	–	859,336,864	–	859,336,864
Global Asset Builder – Emerging Asia 2	–	–	–	–	–	467,469,004	–	–	–	–	467,469,004	–	467,469,004
Global Asset Builder – PriMO	–	–	–	–	–	821,555,559	(4,962,108)	–	–	–	816,593,451	–	816,593,451
Peso Asset Builder - PriMO	–	–	–	–	–	417,449,790	–	–	–	–	417,449,790		417,449,790
	₱879,904,144	₱3,852,626,439	₱20,370,176,565	₱360,511,735	₱569,647,033	₱3,469,188,327	₱114,692,451	₱91,238,104	₱105,689,570	(₱229,772,786)	₱29,583,901,582	(₱90,814,674)	₱29,493,086,908

	2018												
	Cash and cash equivalents	**Government debt securities**	**Equity securities**	**Corporate loans**	**Private peso bonds**	**Structured notes**	**Subscriptions receivable (Note 17)**	**Investment receivable**	**Accrued income**	**Seed capital**	**Total Assets**	**Accounts payable and accrued expenses**	**Net Assets**
Bond Fund	₱91,139,972	₱233,654,061	₱5,098,046	₱14,726,000	₱25,307,560	₱–	₱764,994	₱14,742,914	₱7,618,715	(₱1,958,783)	₱376,367,479	(₱13,804,680)	₱362,562,799
Balanced Fund	67,511,643	390,144,066	819,817,625	25,494,880	45,329,234	–	3,212,632	28,529,513	10,785,274	(12,132,000)	1,353,197,987	(5,690,055)	1,347,507,932
Equity Fund	39,759,956	–	618,273,479	–	–	–	3,909,414	2,382,101	217,236	(14,051,000)	650,491,186	(45,565)	650,445,621
Growth Fund	57,323,711	–	1,433,058,643	–	–	–	(1,273,983)	14,270,796	511,164	(14,102,000)	1,489,788,331	(47,379)	1,489,740,952
Opportunity Fund	187,559,659	1,497,760,695	3,303,394,162	146,828,645	203,224,005	–	(1,067,571)	162,357,924	45,938,094	(12,537,000)	5,386,629,968	(10,725,017)	5,375,904,951
Income Fund	343,333,870	894,837,728	5,100,243	83,557,475	122,119,625	–	(112,909)	83,661,668	31,330,961	(1,957,211)	1,478,313,975	(44,635,814)	1,433,678,161
Dynamic Fund	57,654,471	132,260,750	1,751,422,893	–	218,613,359	–	(73,221)	–	9,407,759	(9,074,000)	2,160,212,011	(1,118,254)	2,159,093,757
Index Fund	79,274,408	–	2,238,029,554	–	–	–	7,767,418	–	681,106	(8,862,000)	2,316,890,486	(53,068,140)	2,263,822,346
Captains Fund	12,720,369	–	76,250,462	–	–	–	3,913,053	–	38,975	(10,698,000)	82,224,859	(10,760,820)	71,464,039
My Future 2025	11,895,275	425,039,935	378,070,835	–	–	–	731,912	–	3,738,920	(9,606,000)	809,870,877	(73,401)	809,797,476
My Future 2030	11,410,112	40,460,060	116,031,353	–	–	–	177,474	–	871,913	(9,370,000)	159,580,912	(164,965)	159,415,947
My Future 2035	5,910,328	8,706,037	60,442,628	–	–	–	129,512	–	302,968	(9,378,000)	66,113,473	(58,128)	66,055,345
My Future 2040	8,197,243	4,280,560	67,732,626	–	–	–	53,296	–	162,892	(9,572,000)	70,854,617	(29,642)	70,824,975
Growth Plus	412,063,190	–	6,066,209,894	–	–	–	18,360,716	34,773,849	12,914,885	(9,659,000)	6,534,663,534	(115,387,772)	6,419,275,762
Global Opportunity	38,242,724	–	1,942,755,453	–	–	–	3,150,942	5,799,640	499	(24,956,905)	1,964,992,353	(28,571)	1,964,963,782
Global Income	9,032,738	–	593,656,567	–	–	–	(1,621)	–	–	(25,088,715)	577,598,969	(8,412)	577,590,557
Global Asset Builder Fund	–	–	–	–	–	650,671,793	(876,399)	–	–	–	649,795,394	–	649,795,394
Global Asset Builder - Emerging Asia Fund	–	–	–	–	–	904,006,031	(965,535)	–	–	–	903,040,496	–	903,040,496
Global Asset Builder – Emerging Asia 1	–	–	–	–	–	855,256,535	(1,613,407)	–	–	–	853,643,128	–	853,643,128
Global Asset Builder – Emerging Asia 2	–	–	–	–	–	460,859,619	(910,596)	–	–	–	459,949,023	–	459,949,023
Global Asset Builder – PriMO	–	–	–	–	–	828,504,936	(3,883,123)	–	–	–	824,621,813	–	824,621,813
	₱1,433,029,669	₱3,627,143,892	₱19,475,344,463	₱270,607,000	₱614,593,783	₱3,699,298,914	₱31,392,998	₱346,518,405	₱124,521,361	(₱183,002,614)	₱29,168,840,871	(₱255,646,615)	₱28,913,194,256

Cash and cash equivalents
Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods not exceeding three months depending on the immediate cash requirements of the funds and earn interest at the prevailing short-term deposit rates.

Government debt securities
Government securities pertain to peso denominated bonds with interest rates ranging from 3.37% to 9.5% and 3.63% to 11.25% in 2019 and 2018, respectively.

Equity securities
Equity securities consist mainly of shares which are listed and actively traded.

Structured notes
Structured notes are issued by foreign investment-grade banks with underlying assets invested in pre-defined mix of equities, bonds, commodity-linked assets and exchange traded funds.

Corporate loans
This consists of unquoted corporate loans which are carried at amortized cost.

Private peso bonds
Private peso bonds are either a plain bond, a callable bond, a credit-linked bond or a structure product. The Company rely on counterparty valuations for plain bond and credit-linked notes while the Company use discounted cash flow approach for callable bond.

Subscriptions receivable
Subscriptions receivable pertain to amounts due from the Company for subscriptions from unitholders which have not yet been transferred to the corresponding VUL fund as of reporting date.

Investment receivable
Investment receivable pertains to amounts due from brokers which represent receivables for securities sold that have been contracted for but not yet settled as of the end of the reporting period.

Accrued income
Accrued income includes interest receivable and dividends receivable. Interest receivable pertains to interest accrued on cash equivalents and government debt securities. Dividends receivable pertain to dividends accrued on listed equity securities.

Accounts payable and accrued expenses
Accounts payable and accrued expenses pertain to amounts due to brokers which represent payables for securities purchased that have been contracted for but not yet settled as of the end of the reporting period. It also includes redemptions payable to unitholders.

The unit-linked financial assets at fair value are classified as follows:

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Segregated fund assets				
Government debt securities	**₱–**	**₱3,852,626,439**	**₱–**	**₱3,852,626,439**
Equity securities	**20,370,176,565**	**–**	**–**	**20,370,176,565**
Private peso bonds	**–**	**569,647,033**	**–**	**569,647,033**
Structured notes	**–**	**–**	**3,469,188,327**	**3,469,188,327**
	₱20,370,176,565	**₱4,422,273,472**	**₱3,469,188,327**	**₱28,261,638,364**

	2018			
	Level 1	Level 2	Level 3	Total
Segregated fund assets				
Government debt securities	₱–	₱3,627,143,892	₱–	₱3,627,143,892
Equity securities	19,475,344,463	–	–	19,475,344,463
Private peso bonds	–	614,593,783	–	614,593,783
Structured notes	–	–	3,699,298,914	3,699,298,914
	₱19,475,344,463	₱4,241,737,675	₱3,699,298,914	₱27,416,381,052

Following are the stress testing schedules of the unit-linked financial assets classified as level 3:

1. Sun Grepa Global Asset Builder - Emerging Asia 1

Bloomberg ISIN	XS0904730008		
Maturity	27-Apr-20		
Valuation Date	31-Dec-19		
Note Provider	ING Bank N.V.		
Remaining Time to Maturity	0.33	*assume this is duration factor for the scenario/stress testing, given ZCB duration = remaining tenor*	
Option Value	0.00%		
Fixed Income Value	96.30%		
Total	96.30%	*figures as disclosed by counterparty as of end-2019*	
	Scenario 1	**Scenario 2**	**Scenario 3**
Current Value	96.30%	96.30%	96.30%
USD IRS	0.00%	0.00%	0.00%
ROP CDS	-0.19%	-0.18%	-0.11%
ING CDS	-0.08%	-0.06%	-0.04%
Fixed Income Level	96.02%	96.06%	96.14%
Option Sensitivity	0.00%	0.00%	0.00%
MTM Level	**96.02%**	**96.06%**	**96.14%**

2. Sun Grepa Global Asset Builder - Emerging Asia 2

Bloomberg ISIN	XS1062046161		
Maturity	29-Apr-21		
Valuation Date	31-Dec-19		
Note Provider	ING Bank N.V.		
Remaining Time to Maturity	1.35	*assume this is duration factor for the scenario/stress testing, given ZCB duration = remaining tenor*	
Option Value	2.00%		
Fixed Income Value	95.73%		
Total	97.73%	*figures as disclosed by counterparty as of end-2019*	
	Scenario 1	**Scenario 2**	**Scenario 3**
Current Value	97.73%	97.73%	97.73%
USD IRS	-0.02%	-0.01%	-0.01%
ROP CDS	-0.86%	-0.79%	-0.52%
ING CDS	-0.41%	-0.33%	-0.19%
Fixed Income Level	96.44%	96.60%	97.02%
Option Sensitivity	-2.00%	-2.00%	-2.00%
MTM Level	**94.44%**	**94.60%**	**95.02%**

3. Sun Grepa Global Asset Builder - Emerging Asia 3

Bloomberg ISIN	XS1112847766		
Maturity	29-Sep-21		
Valuation Date	31-Dec-19		
Note Provider	ING Bank N.V.		
Remaining Time to Maturity	1.77	*assume this is duration factor for the scenario/stress testing, given ZCB duration = remaining tenor*	
Option Value	0.15%		
Fixed Income Value	95.42%		
Total	95.57%	*figures as disclosed by counterparty as of end-2019*	
	Scenario 1	**Scenario 2**	**Scenario 3**
Current Value	95.57%	95.57%	95.57%
USD IRS	-0.03%	-0.01%	-0.01%
ROP CDS	-1.21%	-1.11%	-0.73%
ING CDS	-0.03%	-0.01%	-0.01%
Fixed Income Level	94.31%	94.43%	94.82%
Option Sensitivity	-0.15%	-0.15%	-0.15%
MTM Level	**94.16%**	**94.28%**	**94.67%**

4. Sun Grepa Global Asset Builder - PriMO

Bloomberg ISIN	**XS1792287267**		
Maturity	17-Dec-25		
Valuation Date	31-Dec-19		
Note Provider	Goldman Sachs		
Remaining Time to Maturity	5.96	*assume this is duration factor for the scenario/stress testing, given ZCB duration = remaining tenor*	
Option Value	3.40%		
Fixed Income Value	98.40%		
Total	101.80%	*figures as disclosed by counterparty as of end-2019*	
	Scenario 1	**Scenario 2**	**Scenario 3**
Current Value	101.80%	101.80%	101.80%
USD IRS	-0.09%	-0.05%	-0.04%
ROP CDS	-4.06%	-3.73%	-2.45%
GS CDS	-3.77%	3.84%	4.99%
Fixed Income Level	93.88%	101.86%	104.30%
Option Sensitivity	-3.40%	-3.40%	-3.40%
MTM Level	**90.48%**	**98.46%**	**100.90%**

5. Sun Grepa Peso Asset Builder - PriMO

Bloomberg ISIN	**XS1934993764**		
Maturity	04-Mar-26		
Valuation Date	31-Dec-19		
Note Provider	Goldman Sachs		
Remaining Time to Maturity	6.18	*assume this is duration factor for the scenario/stress testing, given ZCB duration = remaining tenor*	
Option Value	3.00%		
Fixed Income Value	102.70%		
Total	105.70%	*figures as disclosed by counterparty as of end-2019*	
	Scenario 1	**Scenario 2**	**Scenario 3**
Current Value	105.70%	105.70%	105.70%
PHP NDS	-0.15%	-0.13%	-0.09%
ROP CDS	-4.21%	-3.86%	-2.54%
GS CDS	-3.91%	3.97%	5.17%
Fixed Income Level	97.43%	105.68%	108.24%
Option Sensitivity	-3.00%	-3.00%	-3.00%
MTM Level	**94.43%**	**102.68%**	**100.90%**

The rollforward analysis of structured notes follows:

	Structured notes - Citi Group		Structured notes - ING Bank N.V.		`Structured notes - Goldman Sachs	
	2019	2018	**2019**	2018	**2019**	2018
Beginning balance	**₱650,671,793**	₱642,978,785	**₱2,220,122,185**	₱2,049,342,235	**₱828,504,936**	₱–
Purchase	**–**	–	**–**	–	**400,000,000**	854,128,800
Disposals/maturities	**(601,493,165)**	(37,803,108)	**(60,053,110)**	(37,486,764)	**(14,533,350)**	–
Fair value gain	**(49,178,628)**	45,496,116	**70,113,904**	208,266,714	**25,033,762**	(25,623,864)
Ending balance	**₱–**	₱650,671,793	**₱2,230,182,979**	₱2,220,122,185	**₱1,239,005,348**	₱828,504,936

GEM Trust Fund

On February 24, 2015, a supplemental Investment Management Agreement (IMA) was entered into by the Company and RCBC, as investment manager of the GEM trust fund portfolio, with legal title to the GEM trust fund in the name of the Company. As of December 31, 2019 and 2018, the Company recognized the net assets of the GEM trust fund on its books amounting to ₱72.92 million and ₱91.38 million, respectively. The same amount is recorded as part of the segregated fund liabilities.

The details of the GEM trust fund are presented below:

	2019	2018
Assets		
Cash and cash equivalents	**₱20,174,621**	₱29,234,817
Investment in equity securities	**41,182,407**	44,407,996
Investment in government securities	**6,942,099**	13,168,285
Investment in mutual fund	**5,539,451**	5,539,450
Investment receivables	**119,650**	97,116
	73,958,228	92,447,664
Liabilities		
Accounts payable and accrued expenses	**(1,039,230)**	(1,063,641)
	₱72,918,998	₱91,384,023

GEM trust fund is an old product of the Company with features of life insurance and investment portion. Its investments are being managed by the Company and held under trust with RCBC.

	2019	2018
Net Liabilities		
Accounts payable and accrued expenses	**₱1,039,230**	₱1,063,641
Due to general fund (Note 8)	**3,131,545**	14,189,435
	₱4,170,775	₱15,253,076

Due to general fund is the amount due from GEM trust fund recorded under "Loans and receivables" account representing amounts paid in advance by the Company on surrenders made by certain policyholders owning interests in the GEM trust.

19. Accounts Payable and Accrued Expenses

This account consists of:

	2019	2018
Accrued expenses	**₱192,772,350**	₱200,766,104
Taxes payable	**28,271,886**	23,473,908
Due to a related party (Note 32)	**28,002,581**	29,416,797
Accounts payable	**12,519,189**	19,398,919
	₱261,566,006	₱273,055,728

Accrued expenses pertain mainly to employee incentives and bonuses computed based on current salary and length of service. These amounts are due to be paid within one year after the reporting date.

Taxes payable consist mainly of premium taxes and documentary stamp taxes on insurance policies, withholding taxes from employees' compensation and purchases from suppliers which are subsequently remitted within one month after the reporting date.

Accounts payable consist mainly of unpaid commissions, supplies, utilities, professional fees, repairs and maintenance, and security services which are due and demandable.

20. Capital Stock

As of December 31, 2019, and 2018, the Company's capital stock consists of the following:

Common shares - ₱10 par value	
Authorized - 78,000,000 shares	₱780,000,000
Issued and outstanding - 35,000,000 shares	350,000,000

21. Retained Earnings

During the regular meeting of the BOD on March 4, 2020, the Company has declared cash dividends amounting to ₱300.00 million in favor of the stockholders of record as of December 31, 2019.

On March 7, 2018, the Company has declared cash dividends amounting to ₱500.00 million in favor of the stockholders of record as of December 31, 2017. The dividend was paid on May 22, 2018.

The retained earnings available for dividend declaration amounted to ₱4.63 billion and ₱3.63 billion as of December 31, 2019 and 2018, respectively.

22. Net Insurance Premiums

Gross earned premiums on insurance contracts:

	2019	2018
Variable life (Note 18)	**₱4,740,657,016**	₱5,662,365,379
Group life insurance	**1,387,141,788**	1,350,875,817
Ordinary life insurance	**647,448,299**	547,271,323
Reinsurance assumed	**27,667**	1,245,109
	₱6,775,274,770	₱7,561,757,628

Reinsurers' share of gross premiums on insurance contracts:

	2019	2018
Ordinary life insurance	**₱15,332,657**	₱10,319,695
Group life insurance	**13,768,916**	21,893,754
	₱29,101,573	₱32,213,449

23. Investment Income (loss) – net

Investment income account consists of:

	2019	2018
Interest income on:		
AFS financial assets (Note 8)	**₱679,782,347**	₱713,368,557
Loans and receivables (Note 8)	**68,083,208**	75,956,773
Cash and cash equivalents (Note 6)	**26,464,550**	22,495,194
	774,330,105	811,820,524
Gain on liquidation of Investment in subsidiary (Note 9)	**14,295,859**	85,880,536
Dividend income (Note 8)	**8,551,352**	8,133,104
Gain on sale of AFS financial assets (Note 8)	**8,728,363**	13,906,369
Impairment loss on AFS financial assets (Note 8)	**(15,312,080)**	(21,270,154)
General fund	**790,593,599**	898,470,379
Segregated funds (Note 18)	**2,083,198,120**	(1,865,763,258)
Total	**₱2,873,791,719**	(₱967,292,879)

24. Fee Income

This account consists of:

	2019	2018
Management fees	**₱527,376,252**	₱501,257,148
Periodic charges	**258,969,115**	179,772,284
Cost of insurance	**222,910,309**	174,743,009
Policy administration fees	**33,029,418**	25,458,156
	₱1,042,285,094	₱881,230,597

Management fees represent charges to variable unit-linked funds for management services rendered by the Company. The Company charges management fees of 1.0% to 2.0% of assets under management.

Periodic charges are fees collected for the maintenance/administration of the VUL policies. These may cover, among others, the salaries of employees, renewal commissions of advisors, and other operational costs incurred by the Company.

Cost of insurance are the cost of the life insurance component of the VUL.

Policy administration fees represent charges collected by the Company for surrenders, policy reinstatement, amendments and other modifications requested by policyholders.

25. Net Insurance Benefits and Claims Incurred

This account consists of:

	2019	2018
Maturities and surrenders	**₱1,428,352,081**	₱1,179,943,928
Claims	**428,085,435**	405,084,843
Experience refunds	**22,825,268**	15,798,298
Policyholders' dividends	**18,758,547**	16,067,477
General fund	**1,898,021,331**	1,616,894,546
Segregated funds (Note 18)	**6,243,962,481**	3,609,403,060
Insurance contract benefits and claims incurred (Note 14)	**8,141,983,812**	5,226,297,606
Reinsurers' share	**(6,676,240)**	(3,234,412)
	₱8,135,307,572	₱5,223,063,194

Gross insurance contract benefits and claims paid arise from:

	2019	2018
Ordinary life insurance	**₱1,221,186,403**	₱970,913,959
Group life insurance	**676,834,928**	645,980,587
	₱1,898,021,331	₱1,616,894,546

Reinsurers' share of gross insurance contract benefits and claims paid arise from:

	2019	2018
Group life insurance	**₱5,330,000**	₱2,245,640
Ordinary life insurance	**1,346,240**	988,772
	₱6,676,240	₱3,234,412

The changes in legal policy reserves follow:

	2019		
	Gross change in legal policy reserves	**Reinsurers' share of change in legal policy reserves**	**Net**
Ordinary life insurance	**₱169,724,385**	**₱2,118,205**	**₱167,606,180**
Group life insurance	**26,114,309**	**(912,214)**	**27,026,523**
Accident and health	**3,218,050**	**(374,943)**	**3,592,993**
Variable unit-linked policies	**(89,743,137)**	**–**	**(89,743,137)**
Sub-total	**109,313,607**	**831,048**	**108,482,559**
Net increase due to change in discount rate	**(1,151,394,195)**	**–**	**(1,151,394,195)**
	(₱1,042,080,588)	**₱831,048**	**(₱1,042,911,636)**

	2018		
	Gross change legal policy reserves	Reinsurers' share of change in legal policy reserves	Net
Ordinary life insurance	(₱1,497,951,173)	₱1,543,827	(₱1,499,495,000)
Group life insurance	(55,511,596)	(50,814)	(55,460,782)
Accident and health	(4,828,076)	(579,248)	(4,248,828)
Variable unit-linked policies	(41,194,838)	–	(41,194,838)
Sub-total	(1,599,485,683)	913,765	(1,600,399,448)
Net increase due to change in discount rate	1,299,698,259	–	1,299,698,259
	(₱299,787,424)	₱913,765	(₱300,701,189)

26. Expenses

Commissions and other direct expenses consist of:

	2019	2018
Commissions	**₱806,856,933**	₱780,239,409
Salaries, wages and benefits (Note 27)	**167,901,969**	174,378,487
Contracted services (Note 32)	**47,509,467**	46,932,565
Trainings, conventions and meetings	**36,935,776**	51,499,020
Rent	**19,110,251**	23,106,164
Depreciation and amortization (Note 11)	**11,590,736**	7,213,756
Office supplies	**9,863,642**	3,491,459
Others	**1,656,607**	8,213,923
	₱1,101,425,381	₱1,095,074,783

General and administrative expenses consist of:

	2019	2018
Contracted services (Note 32)	**₱282,733,971**	₱268,853,144
Salaries, wages and benefits (Note 27)	**177,312,592**	153,989,765
Depreciation and amortization (Note 11)	**64,345,906**	30,313,214
Trainings, conventions and meetings	**48,018,943**	45,264,555
Office supplies	**36,406,666**	28,261,104
Membership fees	**35,645,493**	32,726,615
Professional fees	**27,979,214**	11,245,201
Transportation and travel	**27,006,983**	25,550,957
Taxes and licenses	**26,846,331**	26,256,834
Rent	**25,848,781**	53,821,647
Communication	**16,695,690**	15,445,904
EDP expenses	**16,262,733**	11,983,469
Bank service fees	**7,996,828**	9,026,819
Donation and dues	**5,526,601**	7,642,443
Advertising	**5,025,994**	13,554,391
Utilities	**4,788,722**	4,840,464
Insurance cost	**3,897,218**	2,869,895
Repairs and maintenance	**3,437,897**	2,060,500
Entertainment, amusement and recreation	**3,216,143**	3,586,868
Provision for impairment losses (Note 8)	**587,835**	349,817
Others	**16,838,470**	26,785,447
	₱836,419,011	₱774,429,053

Interest expense arises from:

	2019	2018
Interest accretion on lease liabilities	**₱7,213,995**	₱-
Premium deposit fund (Note 16)	**7,059,067**	8,492,875
Policyholders' dividends (Note 15)	**6,205,723**	5,996,332
	₱20,478,785	₱14,489,207

27. Employee Benefits

The Company has a funded, noncontributory, tax-qualified defined benefit pension plan covering substantially all of its regular employees. The benefits are based on current salaries and years of service and compensation on the last year of employment.

The funds are administered by Rizal Commercial Banking Corporation, an affiliated local bank, under the supervision of the Board of Trustees of the plan. The Board of Trustees is responsible for investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plans' objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The Board of Trustees delegates the implementation of the investment policy in accordance with the investment strategy as well as various principles and objectives to a Pension Investment Committee, which consists of a bank representative, a Chief Investment Officer and a Chief Financial Officer.

The rollforward analyses of actuarial losses on retirement benefit plan recognized in other comprehensive income follow:

	2019	2018
At January 1	**(₱90,699,100)**	(₱91,123,500)
Actuarial (gains)/losses on:		
Experience adjustments	**3,206,000**	2,630,100
Change in demographic assumptions	**44,300**	–
Change in financial assumptions	**30,007,300**	(16,320,000)
Actuarial loss during the period	**33,257,600**	(13,689,900)
Return on plan assets (excluding amount included in net interest cost)	**10,030,900**	13,265,500
Remeasurement effects recognized in OCI	**43,288,500**	(424,400)
At December 31	**(₱133,987,600)**	(₱90,699,100)

Changes in net pension liability follow:

	2019									
		Net benefit cost in statement of income				**Remeasurements in other comprehensive income**				
	At January 1	**Current service cost**	**Net interest**	**Subtotal**	**Benefits paid**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from experiences and changes in financial assumptions**	**Subtotal**	**Contribution by employer**	**At December 31**
Present value of defined benefit obligation	**₱161,446,100**	**₱14,129,000**	**₱11,045,500**	**₱25,174,500**	**(₱21,023,300)**	**₱–**	**₱33,257,600**	**₱33,257,600**	**₱–**	**₱198,854,900**
Fair value of plan assets	**(108,389,200)**	**–**	**(8,042,600)**	**(8,042,600)**	**–**	**10,030,900**	**–**	**10,030,900**	**(23,276,600)**	**(129,677,500)**
	₱53,056,900	**₱14,129,000**	**₱3,002,900**	**₱17,131,900**	**(₱21,023,300)**	**₱10,030,900**	**₱33,257,600**	**43,288,500**	**(₱22,003,800)**	**₱69,177,400**

	2018									
		Net benefit cost in statement of income				Remeasurements in other comprehensive income				
	At January 1	Current service cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes rising from experiences and changes in financial assumptions	Subtotal	Contribution by employer	At December 31
Present value of defined benefit obligation	₱154,676,700	₱15,258,900	₱8,314,100	₱23,573,000	(₱3,113,700)	₱–	(₱13,689,900)	(₱13,689,900)	₱–	₱161,446,100
Fair value of plan assets	(94,065,400)	–	(5,585,500)	(5,585,500)	–	13,265,500	–	13,265,500	(22,003,800)	(108,389,200)
	₱60,611,300	₱15,258,900	₱2,728,600	₱17,987,500	(₱3,113,700)	₱13,265,500	(₱13,689,900)	(₱424,400)	(₱22,003,800)	₱53,056,900

The distribution of the plan assets as at December 31 follows:

	2019	2018
Cash and cash equivalents	**₱94,758,403**	₱64,012,692
Investments in equity securities	**35,202,331**	44,751,857
Accrued income	**225,620**	252,979
Other receivables	**48**	35
Accounts payable	**(508,902)**	(628,363)
	₱129,677,500	₱108,389,200

The Company's plan assets consist of:

- Cash and cash equivalents include regular savings and time deposits;
- Equity instruments include investments in listed stocks and mutual funds and other equity instruments; and

The investment portfolio of the Company's retirement fund includes investments in equity and debt securities of related parties recognized at fair value as shown below:

	Relationship	2019	2018
Equity securities			
IPeople	Affiliate	**₱14,890,400**	₱20,846,560
Petro Energy Resources Corp.	Affiliate	**9,175,055**	7,382,228
RCBC Leasing & Finance Corp.	Affiliate	**6,304,035**	6,304,035
Malayan Credit Corp.	Affiliate	**1,354,795**	1,354,795
House of Investments	Affiliate	**438,253**	455,440
		₱32,162,538	₱36,343,058

The asset allocation of the Plan is set and reviewed from time to time by the Management taking into account the membership profile and the liquidity requirements of the Plan. The Company's current strategic investment strategy consists of 60.60% of cash and cash equivalents, 27.15% of equities and 12.25% of government securities in 2019 and 58.71% of cash and cash equivalents, 36.84% of equities and 4.45% of government securities in 2018.

Company contributions are agreed between the Plan Trustees and Company, in consideration of the contribution advice from the Plan Actuary. The expected contribution for 2020 is ₱26,096,000.

The principal assumptions used in determining pension obligation for the Company's plan are shown below:

	2019	2018
Discount rate	**4.75%**	7.25%
Rate of salary increase	**6.00%**	6.00%
Average future working lives (in years)	**8.42**	8.49

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2019 and 2018, respectively, assuming all other assumptions were held constant:

		Impact on present value of defined benefit plan	
	Increase (decrease)	**2019**	2018
Discount rate	1%	**(₱15,411,255)**	(₱6,167,241)
	(1%)	**17,817,399**	7,668,690
Future salary increase rate	1%	**17,419,689**	7,700,979
	(1%)	**(15,371,484)**	(6,296,398)

The maturity analysis of the undiscounted benefit payments follow:

	2019	2018
Within 1 year	**₱31,553,700**	₱18,189,900
More than 1 year to 5 years	**48,924,600**	66,721,900
More than 5 years	**131,413,900**	113,962,000

Staff costs and other employee-related costs consist of (see Note 26):

	2019	2018
Salaries and wages	**₱305,830,770**	₱281,956,330
Net benefit expense	**14,129,000**	15,258,900
Other employee benefits	**25,254,791**	31,153,022
	₱345,214,561	₱328,368,252

28. **Income Tax**

The provision for income tax consists of:

	2019	2018
Final	**₱113,960,732**	₱110,932,305
MCIT	**25,776,033**	6,114,602
	₱139,736,765	₱117,046,907

The reconciliation of the statutory income tax to the effective income tax shown in the statements of income follows:

	2019	2018
Provision for income tax at statutory tax rate	**₱266,908,942**	₱187,392,606
Tax effects of:		
Applied NOLCO	**(195,926,623)**	–
Change in unrecognized deferred tax assets and others	**147,782,200**	47,186,359
Income subjected to final tax	**(98,018,213)**	(109,924,996)
Nondeductible expenses, including PFRS 16 adjustments	**24,174,373**	24,768,941
Income exempt from income tax	**(5,183,914)**	(32,376,003)
Effective income tax	**₱139,736,765**	₱117,046,907

As of December 31, 2018, the Company's recognized deferred tax assets and liability consist of the following:

Deferred tax assets	
Accrued expenses	₱52,733,617
Pension liability	1,716,048
	54,449,665
Deferred tax liability	
Unrealized foreign exchange gain	54,449,665
	₱–

The Company did not recognize deferred tax assets on certain temporary deductible differences as shown in the table below, since the management believes that the tax benefit of these assets will not be realized through income tax deductions in the near future.

	2019	2018
Remeasurement on legal policy reserves	**₱1,241,482,900**	₱90,088,705
NOLCO	**334,249,182**	987,337,926
Accruals	**196,127,377**	–
Unrealized foreign exchange loss	**136,241,276**	–
Pension liability	**69,177,400**	43,336,740
MCIT	**54,145,350**	33,817,833
Unamortized past service cost	**27,198,130**	30,096,640
Allowance for impairment	**3,733,963**	3,146,129

Details and movements of the Company's NOLCO are as follows:

NOLCO

Inception Year	Beginning Balance	Used	Expired	Ending Balance	Expiry Year
2015	₱604,028,290	₱–	(₱604,028,290)	₱–	2018
2016	325,472,734	(325,472,734)	–	–	2019
2017	376,551,138	(327,616,010)	–	48,935,128	2020
2018	285,314,054	–	–	285,314,054	2021
	₱1,591,366,216	(₱653,088,744)	(₱604,028,290)	₱334,249,182	

	2019	2018
Balances at beginning of year	**₱987,337,926**	₱1,306,052,162
Addition	**–**	285,314,054
Expiration/Used	**(653,088,744)**	(604,028,290)
Balances at end of year	**₱334,249,182**	₱987,337,926

Details and movements of the Company's MCIT are as follows

MCIT

Inception Year	Amount	Used	Expired	Balance	Expiry Year
2016	₱5,448,520	₱–	(₱5,448,520)	₱–	2019
2017	22,254,711	–	–	22,254,711	2020
2018	6,114,602	–	–	6,114,602	2021
2019	25,776,037	–	–	25,776,037	2022
	₱59,593,870	₱–	(₱5,448,520)	₱54,145,350	

	2019	2018
Balances at beginning of year	**₱33,817,833**	₱27,703,231
Addition	**25,776,037**	6,114,602
Expiration/Used	**(5,448,520)**	–
Balances at end of year	**₱54,145,350**	₱33,817,833

29. **Subsequent Events**

On March 4, 2020, the Company declared cash dividend amounting to ₱300.00 million in favor of the stockholders of record as of December 31, 2019.

30. **Capital Management**

This policy is intended to safeguard capital for the benefit of all the stakeholders including the shareholders and the policyholders. The BOD establishes the written policies, standards and procedures necessary to effectively implement policies. The level of capital adequacy risk accepted by the Company should be prudent as determined by management. Capital adequacy risk is mitigated through appropriate risk management policies and processes.

Capital Structure

Maximizing returns on capital requires maintenance of an optimal capital structure. The Company seeks to maintain the optimal mixture of available financial instruments within its capital structure. The overall quality of the capital base is a function of the characteristics and amounts of the individual types of capital within the overall capital structure. In general, the quality of individual capital item is measured by the capital's permanency, degree of subordination, ability to absorb losses and fixed charge obligations.

The Company is committed to maintaining a sufficiently high quality capital structure to:

a. Maintain the target level of financial strength;
b. Achieve the target financial ratings; and
c. Comply with the capital adequacy requirements.

The Company has established capital risk management processes and the BOD and Management review the capital structure periodically. A corporate capital management committee monitors the capital management program of the Company to ensure adherence to the policies and to the local regulatory capital requirements. A capital plan is prepared on an annual basis as part of the business planning process.

The capital structure of the Company consists of equity comprising issued capital, reserves and retained earnings.

The Company maintains at least the minimum capital required by the applicable local regulators. In addition, the Company maintains an appropriate operational minimum capital ratio and move towards an optimal target capital ratio.

The equity ratio at year end is as follows:

	2019	2018
Equity	**₱4,809,978,714**	₱3,258,172,100
Total assets	**48,231,023,257**	45,664,595,624
Equity ratio	**0.10:1**	0.07:1

Management believes that the above ratio is within the acceptable range.

Regulatory Capital Requirement
On January 13, 2015, the IC issued Circular Letter No. 2015-02-A clarifying the minimum capitalization and networth requirements of new and existing insurance companies in the Philippines. All domestic life and non-life insurance companies duly licensed by the IC must have a networth of at least ₱250.00 million by December 31, 2013. (Sec. 194). The minimum networth of the said companies shall remain unimpaired at all times and shall increase to the amounts as follows:

Minimum Networth	**Compliance Date**
₱550,000,000	December 31 ,2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

On December 23, 2019, the IC provided the result of the verification of the 2018 annual statement of the Company. Accordingly, the following requirements have been duly complied:

- Minimum Networth Requirement - Section 194 of the Amended Insurance Code
- Capital Investment - Section 209 of the Amended Insurance Code
- Reserve Investment - Section 212 of the Amended Insurance Code
- Minimum Risk-based Capital Ratio - IMC 6-2006

The estimated amounts of the Company's non-admitted assets, as defined in the Code, are included in the accompanying statements of financial position.

	2019	2018
Property and equipment - net	**₱114,509,026**	₱114,509,026
Loans and receivables	**61,580,126**	131,739,292
Other assets	**73,954,018**	73,455,014
	₱250,043,170	₱319,703,332

The Excess Solvency shall be the excess of the value of its admitted assets (as defined under the same Code), over the amount of its liabilities and the required minimum capital/net worth.

If an insurance company failed to meet the minimum required capital, the Insurance Commission is authorized to suspend or revoke all certificates of authority granted to such companies, its officers and agents, and no new business shall be done by and for such company until its authority is restored by the Insurance Commission.

The final amount of the net worth as of December 31, 2019 and 2018 can be determined only after the accounts of the Company have been examined by the Insurance Commission, specifically as to admitted and non-admitted assets as defined under the Code.

Unimpaired Capital Requirement
In August 7, 2008, the Insurance Commission issued IMC 22-2008 providing that for purposes of determining compliance with the law, rules and regulations requiring that the paid-up capital should remain intact and unimpaired at all times, the statements of financial position should show that the net worth or equity is at least equal to the actual paid-up capital. The Company has complied with the unimpaired capital requirement.

Risk-based Capital Requirements (RBC)
In 2006, the IC issued Memorandum Circular (IMC) No. 6-2006 adopting a risk-based capital framework to establish the required amounts of capital to be maintained by the life insurance companies in relation to their investment and insurance risks. The investments and insurance risks of the company are classified under four major categories as asset default risk, insurance pricing risk, interest rate risk and general business risk.

The RBC ratio shall be calculated as net worth divided by the RBC requirement. Net worth shall include the company's paid-up capital, capital in excess of par value, contributed and contingency surplus and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of net worth only to the extent authorized by the IC.

Every life insurance company is annually required to maintain a minimum RBC ratio of 100% and not fail the trend test. The trend test has failed, in the event that:

a. The RBC ratio is less than 125% but is not below 100%
b. The RBC ratio has decreased over the past year
c. The difference between RBC ratio and the decrease in the RBC ratio over the past year is less than 100%

Failure to meet the RBC ratio shall subject the insurance company to the corresponding regulatory intervention which has been defined at various levels.

For 2018, the Company's RBC ratio was 246%, which is more than the minimum required ratio of 100%. The RBC ratio in 2019 can be determined only after the accounts of the Company have been examined by the IC.

In 2016, IC issued Circular Letter No. 2016-68, *Amended Risk-Based Capital (RBC2) Framework*, prescribes that all insurance companies must satisfy the minimum statutory RBC ratio of 100% and not fail the Trend Test as stated under Section 3 of this Circular. The RBC ratio of an insurance company shall be equal to the Total Available Capital (TAC) divided by the RBC requirement.

IC Circular Letter No. 2016-69, *Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves and Amended Risk-Based Capital (RBC2) Framework*, provides that the level of sufficiency for the RBC2 Framework shall be at, 97.50% in 2018 and 99.50% in 2019.

Financial Reporting Framework (FRF)
In 2015, IC issued Circular Letter No. 2015-29, *Financial Reporting Framework under Section 189 of the amended Insurance Code (RA No. 10607).* Whereas, the FRF will adopt the economic valuation of assets and liabilities based on internationally accepted accounting, actuarial and insurance core principles.

Subsequently, the IC issued Circular Letter No. 2016-65 which states that the new regulatory requirement is hereby promulgated effective January 1, 2018. Accordingly, the financial reporting framework will be used on the statutory quarterly and annual reporting for net worth requirements.

IC has released Circular 2016-66 on the Valuation Standards for Life Insurance Policy Reserves which provides a change in the basis of valuation of the life insurance policy reserves from Net Premium Valuation (NPV) to Gross Premium Valuation (GPV). Whereas, the methods and assumptions shall be in accordance with the internationally accepted actuarial standards and consider the generally accepted actuarial principles concerning financial reporting framework promulgated by the Actuarial Society of the Philippines (ASP) which now considers other assumptions such as morbidity, lapse and/or persistency, expenses, non-guaranteed benefits and margin for adverse deviation.

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31. **Management of Insurance and Financial Risk**

Insurance Risk
Insurance risk pertains to the uncertainty of the amount and timing of any claim arising from the occurrence of an insured event. The principal risk the Company faces under an insurance contract is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated, and subsequent development of long-term claims.

Terms and conditions
The Company principally writes life insurance where the life of policyholder is insured against death, illness, injury or permanent disability, usually for pre-determined amount.

Life insurance contracts offered by the Company mainly include whole life, term insurance, endowments and unit-linked products.

Whole life and term insurance are conventional products where lump sum benefits are payable on death.

Endowment products are investments/savings products where lump sum benefits are payable after a fixed period or on death before the period is completed.

Unit-linked products differ from conventional policies in that a guaranteed percentage of each premium is allocated to units in a pooled investment fund and the policyholder benefits directly from the total investment growth and income of the fund.

The risks associated with the life and accident and health products are underwriting risk and investment risk.

The main risks the Company are exposed to include:

- Mortality risk - risk of loss arising due to policyholder death experience being different than expected.
- Morbidity risk - risk of loss arising due to policyholder health experience being different than expected.
- Expense risk - risk of loss arising from expense experience being different than expected.
- Policyholder decision risk - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured and by industry. Undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

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

The table below sets out the Company's concentration of insurance risk based on the sum assured:

	2019		2018	
	Number of Policies	**Amount of Insurance**	Number of Policies	Amount of Insurance
Group life	**1,373**	**₱151,064,910,729**	1,204	₱124,746,741,233
Whole life	**45,563**	**15,151,876,103**	46,639	14,560,293,338
Endowment	**12,302**	**3,705,402,928**	16,137	4,624,093,892
Term	**14,804**	**5,435,282,410**	14,675	5,288,198,636
Accident and health	**221**	**19,198,117,902**	150	1,848,489,530
Variable unit-linked	**81,254**	**33,925,147,062**	72,402	28,717,895,463
	155,517	**₱228,480,737,134**	151,207	₱179,785,712,092

Key assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions relating to insurance contracts. Assumptions in use are based on past experience, current internal data and conditions and external market indices and benchmarks, which reflect current observable market prices and other published information. Such assumptions are determined as appropriate at inception of the contract and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations. Assumptions are subject to the provisions of the Code and guidelines set by the IC.

For insurance contracts, the Company determines the assumptions in relation to future deaths, illness or injury and investment returns at inception of the contract.

The reserves for traditional life insurance policies shall be valued, where appropriate, using the gross premium valuation. This is calculated as the sum of the present value of future benefits and expenses, less the present value of future gross premiums arising from the policy discounted at the appropriate risk-free discount rate. The expected future cash flows shall be determined using best estimate assumptions with due regard to significant recent experience and appropriate margin for adverse deviation from the expected experience.

The key assumptions to which the estimation and adequacy testing of liabilities are particularly sensitive are as follows:

- Mortality and morbidity rates
  Assumptions are based on rates of mortality and morbidity that are appropriate to the nature of the risks covered based on the Company's actual experience.
- Discount rates
  The risk-free discount rate shall be used for all cash flows to determine the liability of a traditional life insurance policy. The yield curve used as basis for the risk-free discount shall be obtained from the following sources:

  - For Philippine peso policies: BVAL rates
  - For US Dollar policies: International Yield Curve (IYC) from Bloomberg

Investment Risk
The investment risk represents the exposure to loss resulting from cash flows from invested assets, primarily long-term fixed rate investments, being less than the cash flows required to meet the obligations of the expected policy and contract liabilities and the necessary return on investments.

Additionally, there exists a future investment risk associated with certain policies currently in force which will have premium receipts in the future. That is, the investment of those future premium receipts may be at a yield below that required to meet future policy liabilities.

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 Company's strategy is to invest primarily in high quality securities while maintaining diversification to avoid significant exposure to issuer, industry and or country concentrations. Another strategy is to produce cash flows required to meet maturing insurance liabilities. The Company invests in equities for various reasons, including diversifying its overall exposure to interest rate risk. AFS financial assets are subject to changes in fair value. Generally, insurance regulations restrict the type of assets in which an insurance company may invest.

The Company uses asset-liability matching as a management tool to determine the composition of the invested assets and appropriate investment and marketing strategies. As part of these strategies, the Company may determine that it is economically advantageous to be temporarily in an unmatched position due to anticipated interest rate or other economic changes.

Fair Value of Financial Instruments
Due to short-term nature of cash and cash equivalents, insurance receivables, loans and receivables, accrued income, refundable deposits, policy and contract claims, policyholders' dividends, reserve for policyholders' dividends, insurance payables and accounts payable and accrued expense, the carrying values reasonably approximate fair values as of the end of the reporting date.

The fair values of financial assets at FVPL and AFS financial assets were determined using quoted market prices at the reporting date. For unquoted equity securities, these are carried at cost less allowance for impairment losses due to unpredictable nature of future cash flows and the lack of other suitable methods of arriving at a reliable fair value.

The following tables show the analyses of financial instruments recorded at fair value by level of the fair value as of December 31, excluding Segregated fund assets (see Note 18):

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
AFS financial assets				
Equity securities	**₱504,478,911**	**₱–**	**₱–**	**₱504,478,911**
Debt securities	**–**	**13,410,480,603**	**–**	**13,410,480,603**
Seed capital in segregated funds	**–**	**229,772,786**	**–**	**229,772,786**
	₱504,478,911	**₱13,640,253,389**	**₱–**	**₱14,144,732,300**

	2018			
	Level 1	Level 2	Level 3	Total
Financial assets:				
AFS financial assets				
Equity securities	₱481,465,926	₱–	₱–	₱481,465,926
Debt securities	–	11,532,233,528	–	11,532,233,528
Seed capital in segregated funds	–	183,002,615	–	183,002,615
GAMC mutual funds	–	604,818,527	–	604,818,527
	₱481,465,926	₱12,320,054,670	₱–	₱12,801,520,596

The Company invests in government securities which are valued using the BVAL which are input other than the quoted market price. Thus, these government securities were classified as Level 2.

The Company invests in its managed VUL funds which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods, redemption gates and side pockets. The Company's investment manager considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the NAV of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the managed VUL funds and the Company as fund manager. In measuring fair value, consideration is also paid to any transactions in the units of the fund. The Company classifies these funds as AFS financial assets measured at fair value classified as Level 2 based on the nature and level of adjustments needed to the NAV and the level of trading in the fund.

Financial Risk

The Company is exposed to financial risk through its financial assets, financial liabilities and insurance liabilities. In particular, the key financial risk that the Company is exposed to is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

Credit risk
Credit risk is the risk that the company will incur a loss arising from its counterparties that fail to discharge their contractual obligations.

The Company manages the level of credit risk it accepts through a comprehensive group credit risk processes, setting out the assessment and determination of what constitutes credit risk for the Company; setting up of exposure parameters by each counterparty or group of counterparties, geographical and industry segments; right of offset where counterparties are both debtors and creditors whenever possible; and procedures on obtaining collateral and guarantees as needed.

As of December 31, 2019 and 2018, the carrying values of the Company's financial instruments represent maximum exposure to credit risk as of reporting date.

The table below provides information regarding the credit risk exposure of the Company by classifying financial assets according to the Company's credit ratings of counterparties:

	2019				
	Investment Grade	**Non-investment grade - Satisfactory**	**Past due but not impaired**	**Past due or impaired**	**Total**
Cash and cash equivalents	**₱1,997,935,434**	**₱1,815,500**	**₱–**	**₱–**	**₱1,999,750,934**
Insurance receivables					
Premiums due and uncollected	–	**108,338,869**	–	–	**108,338,869**
AFS financial assets					
Debt securities	**13,410,480,603**	–	–	–	**13,410,480,603**
Equity securities	**505,693,911**				**505,693,911**
Seed capital in segregated funds	**229,772,786**	–	–	–	**229,772,786**
Segregated fund assets					
Cash and cash equivalents	**879,904,144**	–	–	–	**879,904,144**
Government debt securities	**3,852,626,439**	–	–	–	**3,852,626,439**
Corporate loans	**360,511,735**	–	–	–	**360,511,735**
Equity securities	**20,370,176,565**	–	–	–	**20,370,176,565**
Structured notes	**3,469,188,327**	–	–	–	**3,469,188,327**
Private peso bonds	**569,647,033**	–	–	–	**569,647,033**
Subscription receivable	–	**114,692,451**	–	–	**114,692,451**
Investment receivable	–	**91,238,104**	–	–	**91,238,104**
Accrued income	**105,689,570**	–	–	–	**105,689,570**
Loans and receivables					
Due from related parties and GEM Trust Fund	**3,131,545**	**24,177,286**	**19,833,335**	–	**47,142,166**
Due from agents	–	**1,405,269**	–	–	**1,405,269**
Policy loans	**675,600,848**	–	–	–	**675,600,848**
Short term investments	**22,286,605**	–	–	–	**22,286,605**
Others	**20,725,243**	**20,772,971**	–	**3,733,964**	**45,232,178**
Accrued income	**205,335,769**	–	–	–	**205,335,769**
Other assets - refundable deposits	–	**46,676,827**	–	–	**46,676,827**
	₱46,678,706,557	**₱409,117,277**	**₱19,833,335**	**₱3,733,964**	**₱47,111,391,133**

	2018				
	Investment Grade	Non-investment grade - Satisfactory	Past due but not impaired	Past due or impaired	Total
Cash and cash equivalents	₱1,329,839,703	₱1,584,500	₱–	₱–	₱1,331,424,203
Insurance receivables					
Premiums due and uncollected	–	134,515,670	–	–	134,515,670
AFS financial assets	–	58,769	–	–	58,769
Debt securities	11,532,233,528	–	–	–	11,532,233,528
Equity securities	482,680,926				482,680,926
Seed capital in segregated funds	183,002,615	–	–	–	183,002,615
GAMC mutual funds	604,818,527	–	–	–	604,818,527

(Forward)

	2018				
	Investment Grade	Non-investment grade - Satisfactory	Past due but not impaired	Past due or impaired	Total
Segregated fund assets					
Cash and cash equivalents	₱1,433,029,669	₱–	₱–	₱–	₱1,433,029,669
Government debt securities	3,627,143,892	–	–	–	3,627,143,892
Corporate loans	270,607,000	–	–	–	270,607,000
Equity securities	19,475,344,463	–	–	–	19,475,344,463
Structured notes	3,699,298,914	–	–	–	3,699,298,914
Private peso bonds	614,593,783	–	–	–	614,593,783
Subscription receivable	–	31,392,998	–	–	31,392,998
Investment receivable	–	346,518,405	–	–	346,518,405
Accrued income	124,521,361	–	–	–	124,521,361
Loans and receivables					
Due from related parties and GEM Trust Fund	14,189,435	72,568,679	19,833,335	–	106,591,449
Due from agents	–	1,601,292	–	–	1,601,292
Policy loans	742,520,600	–	–	–	742,520,600
Short term investments	17,628,961	–	–	–	17,628,961
Others	13,717,057	21,575,515	–	3,146,129	38,438,701
Accrued income	210,852,429		–	–	210,852,429
Other assets - refundable deposits		49,939,696			49,939,696
	₱44,376,022,863	₱659,755,524	₱19,833,335	₱3,146,129	₱45,058,757,851

Investment grade financial assets are assets which have strong capacity to meet the Company's financial commitments and are unsusceptible to adverse effects of changes in economic conditions.

Non-investment grade financial assets are assets which are vulnerable to impairment due to the assets' significant speculative characteristics. Adverse economic conditions will likely impair non-investment grade financial assets.

Cash and cash equivalents are substantially deposited to a related party commercial bank in good financial standing and covered by the standard deposit insurance. As part of Company policy, bank deposits are only maintained with reputable financial institutions.
Segregated fund assets are the Company's financial assets designated at FVPL which mostly consist of government and corporate debt securities, equity securities, structured notes and private peso bonds that are rated investment grade.

AFS securities consist mostly of government bonds while others are private local corporations issued debt and equity securities. Loans and receivables are composed significantly of loan to policyholders which are 100% secured by earned cash values, net of outstanding premiums and due from cedants.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty or Company of counterparty, and to geographical and line of risk segments. The policy of the Company is to deal only with creditworthy counterparties.

The tables below show the analyses of age of financial assets that are past due but are not impaired.

	2019						
	Past-due but not impaired				**Total past-due**		
	< 30 days	**31 to 60 days**	**61 to 90 days**	**More than 90 days**	**but not impaired**	**Past-due and impaired**	**Total**
Loans and receivables							
Due from related parties	**₱–**	**₱–**	**₱–**	**₱19,833,335**	**₱19,833,335**	**₱–**	**₱19,833,335**
Others	–	–	–	–	–	**3,733,964**	**3,733,964**
Total	**₱–**	**₱–**	**₱–**	**₱19,833,335**	**₱19,833,335**	**₱3,733,964**	**₱23,567,299**

	2018						
	Past-due but not impaired				Total past-due but not impaired	Past-due and impaired	Total
	< 30 days	31 to 60 days	61 to 90 days	More than 90 days			
Loans and receivables							
Due from related parties	₱–	₱–	₱–	₱19,833,335	₱19,833,335	₱–	₱19,833,335
Others	–	–	–	–	–	3,146,129	3,146,129
Total	₱–	₱–	₱–	₱19,833,335	₱19,833,335	₱3,146,129	₱22,979,464

The Company conducts a periodic review of allowance for impairment losses based on the corresponding age of past due accounts, payment behavior, credit capacity and length of relationship with the counterparty. The Company did not have any significant concentration of credit risk with a single counterparty or group of counterparties, geographical and industry segments as of December 31, 2019 and 2018.

Liquidity risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or the counterparty failing on repayment of a contractual obligation; or the insurance liability falling due for payment earlier than expected; or inability to generate cash inflows as anticipated.

The following processes and procedures are in place to mitigate the Company's exposure to liquidity risk:

- A liquidity risk process sets out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with this is monitored and exposures and breaches are reported to the Company risk committee. This is regularly reviewed for pertinence and for changes in the risk environment.

- Providing guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance and investment contract obligations.

- Setting up contingency funding plans which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

It is unusual for a company primarily transacting insurance business to predict the requirements of funding with absolute certainty as theory of probability is applied on insurance contracts to ascertain the likely provision and the time period when such liabilities will require settlement. The amounts and maturities in respect of insurance liabilities are thus based on management's best estimate using statistical techniques and data on past experience.

The Company has not recognized any contingent assets on the statements of financial position due to the uncertainty of the assets' recoverability.

The tables below summarize the maturity profile of financial assets and liabilities of the Company using undiscounted contractual maturities based on remaining contractual obligations.

	2019				
	Up to a year*	**1- 5 years**	**Over 5 years**	**No maturity date**	**Total**
Financial assets:					
Cash and cash equivalents	**₱1,999,750,934**	**₱–**	**₱–**	**₱–**	**₱1,999,750,934**
Insurance receivables					
Premiums due and uncollected	**108,338,869**	**–**	**–**	**–**	**108,338,869**
AFS financial assets					
Debt securities	**685,109,779**	**1,386,618,209**	**11,338,752,615**	**–**	**13,410,480,603**
Equity securities	**–**	**–**	**–**	**505,693,911**	**505,693,911**
Seed capital in segregated funds	**–**	**–**	**–**	**229,772,786**	**229,772,786**
Loans and receivables					
Due from related parties and GEM Trust Fund	**27,308,831**	**19,833,335**	**–**	**–**	**47,142,166**
Due from agents	**1,405,269**	**–**	**–**	**–**	**1,405,269**
Policy loans	**675,600,848**	**–**	**–**	**–**	**675,600,848**
Short term investments	**22,286,605**	**–**	**–**	**–**	**22,286,605**
Others - net	**27,594,294**	**13,903,920**	**–**	**–**	**41,498,214**
Accrued income	**205,335,769**	**–**	**–**	**–**	**205,335,769**
Other assets - refundable deposits	**34,299,674**	**–**	**–**	**12,377,153**	**46,676,827**
Total financial assets	**₱3,787,030,872**	**₱1,420,355,464**	**₱11,338,752,615**	**₱747,843,850**	**₱17,293,982,801**
Financial liabilities:					
Policy and contract claims	**₱523,667,971**	**₱265,123,342**	**₱133,777,846**	**₱–**	**₱922,569,159**
Premium deposit fund	**281,387,807**		**–**	**–**	**281,387,807**
Insurance payables	**324,269,033**	**–**	**–**	**–**	**324,269,033**
Policyholders' dividend	**207,524,059**	**–**	**–**	**–**	**207,524,059**
Lease contract liabilities	**31,967,844**	**81,209,128**	**–**	**–**	**113,176,972**
Accounts payable and accrued expenses **	**261,566,006**	**–**	**–**	**–**	**261,566,006**
Total financial liabilities	**₱1,630,382,720**	**₱346,332,470**	**₱133,777,846**	**₱–**	**₱2,110,493,036**

**Maturities up to a year are all commitments which are either due within the time frame or are payable on demand.*

	2018				
	Up to a year*	1- 5 years	Over 5 years	No maturity date	Total
Financial assets:					
Cash and cash equivalents	₱1,331,424,203	₱–	₱–	₱–	1,331,424,203
Insurance receivables					
Premiums due and uncollected	134,515,670	–	–	–	134,515,670
AFS financial assets	58,769	–	–	–	58,769
Equity securities				482,680,926	482,680,926
Debt securities	522,681,641	1,872,027,995	9,137,523,892		11,532,233,528
Seed capital in segregated funds	–	–	–	183,002,615	183,002,615
GAMC mutual funds	–	–	–	604,818,527	604,818,527
Loans and receivables					
Due from related parties and GEM Trust Fund	86,758,114	19,833,335	–	–	106,591,449
Due from agents	1,601,292	–	–	–	1,601,292
Policy loans	742,520,600	–	–	–	742,520,600
Short term investments	17,628,961	–	–	–	17,628,961
Others - net	21,575,515	13,717,057	–	–	35,292,572
Accrued income	210,852,429	–	–	–	210,852,429
Other assets - refundable deposits	30,383,673	–	–	19,556,023	49,939,696
Total financial assets	₱3,100,000,867	₱1,905,578,387	₱9,137,523,892	₱1,290,058,091	15,433,161,237

	2018				
	Up to a year*	1- 5 years	Over 5 years	No maturity date	Total
Financial liabilities:					
Policy and contract claims	₱529,562,230	₱239,311,819	₱138,598,039	₱–	₱907,472,088
Premium deposit fund	269,841,834	–	–	–	269,841,834
Insurance payables	142,595,591	–	–	–	142,595,591
Policyholders' dividend	192,908,989	–	–	–	192,908,989
Lease contract liabilities	–	–	–	–	–
Accounts payable and accrued expenses **	273,055,728	–	–	–	273,055,728
Total financial liabilities	₱1,407,964,372	₱239,311,819	₱138,598,039	₱–	₱1,785,874,230

**Maturities up to a year are all commitments which are either due within the time frame or are payable on demand.*

The Company manages its liquid assets and investment positions to meet its obligations arising from its insurance contracts and other financial liabilities. In addition, the Company is required to maintain a certain margin of solvency under IC regulations. The estimated timing of net cash outflows for legal policy reserves included in the insurance contract liabilities are mostly expected to be settled beyond one year.

The Company has an Asset Liability Committee ("ALCO"), which is composed of the CEO, CFO/Head of Finance, Chief Actuary, CIO and ALM Director, and has ultimate responsibility for the ALM operations of SLGFI. It is accountable for the regular reporting and monitoring of ALM performance, and the development of ALM tactics and strategies. The functions of the SLGFI ALCO include the review of the annual investment plan, review of the asset and liability segmentation, and annual review of the Portfolio Policies and Parameters for each segment. SLGFI ALCO monitors ALM matching positions and overall compliance with the specific portfolio policies and limits as well as other policies and limits applicable to SLGFI. The compliance results are summarized and provided to the SLF Asia Chief Risk Officer on a quarterly basis.

Entities within the Sun Life Financial Group are required to have appropriate liquidity. This means having sufficient liquidity to be able to meet all obligations promptly under foreseeable adverse circumstances, whilst not having excessive liquidity that entails an opportunity cost in terms of product competitiveness and asset yields.

Market risk
Market risk is the risk of change in fair value of financial instruments from fluctuations in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The following processes and procedures are in place to mitigate the Company's exposure to market risk:

- The Company's market risk process which sets out the assessment and determination of what constitutes market risk for the Company. Compliance with this is monitored and exposures and breaches are reported to the Company risk committee. This is reviewed regularly for pertinence and for changes in the risk environment.

- Setting guidelines on asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with expectations of the policyholders.

- Stipulated diversification benchmarks by type of instrument, as the Company is exposed to guaranteed bonuses, cash and annuity options when interest rates fall.

Currency risk
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's principal transactions are carried out in Philippine Peso and its foreign exchange risk arises primarily with respect to the U.S. Dollar, where some of its products are denominated.

The Company's financial assets are primarily denominated in the same currencies as its insurance contracts, which mitigate the foreign exchange rate risk. Thus, the main foreign exchange risk arises from recognized assets and liabilities denominated in currencies other than in which the insurance contracts are expected to be settled.

The following table shows the details of the Company's foreign currency denominated monetary assets and liabilities and their Philippine Peso equivalents.

	2019*	
	US$	**PHP**
Assets		
Cash and cash equivalents	**$11,250,507**	**₱569,669,416**
AFS financial assets	**61,319,414**	**3,104,908,541**
Accrued income	**1,070,169**	**54,188,028**
	73,640,090	**3,728,765,985**
Liabilities		
Legal policy reserves	**41,150,443**	**2,083,652,692**
Premium deposit fund	**4,095,242**	**207,362,582**
	45,245,685	**2,291,015,274**
	$28,394,405	**₱1,437,750,711**

**The exchange rate used in 2019 was ₱50.64 to US$1.*

	2018	
	US$	PHP
Assets		
Cash and cash equivalents	$3,248,137	₱171,254,771
AFS financial assets	67,298,933	3,548,063,090
Accrued income	1,328,654	70,051,937
	71,875,724	3,789,369,798
Liabilities		
Legal policy reserves	50,573,442	2,665,232,870
Premium deposit fund	4,141,015	218,330,870
	54,714,457	2,883,563,740
	$17,161,267	₱905,806,058

**The exchange rate used in 2018 was ₱52.72 to US$1.*

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on income before income tax (due to changes in fair value of currency sensitive monetary assets and liabilities). There is no other impact on the Company's equity other than those already affecting the statement of income.

	Currency	Change in variable	Impact on income before income tax
2019	**USD**	**0.60%**	**8,660,294**
	USD	**-0.60%**	**(8,660,294)**
2018	USD	+3.51%	41,099,652
	USD	-3.51%	(41,099,652)

Reasonably possible movements in foreign exchange rates are computed based on average percentage changes in the Philippine Dealing & Exchange Corporation (PDEx) closing rate for the past three (3) years.

Interest rate risk
Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company's fixed rate investments classified as AFS financial assets are particularly exposed to such risk.

The tables below summarize the range of interest rate on the financial assets at AFS financial assets.

	2019				
	Range of Interest Rate	**Up to a year***	**1- 5 years**	**Over 5 years**	**Total**
AFS financial assets					
Debt securities	**3.62% to 11.25%**	**₱685,109,779**	**₱1,386,618,209**	**₱11,338,752,615**	**₱13,410,480,603**
Loans and receivables					
Policy loans	**6.00% to 10.00%**	**675,600,848**	**–**	**–**	**675,600,848**
		₱1,360,710,627	**₱1,386,618,209**	**₱11,338,752,615**	**₱14,086,081,451**

**Maturities up to a year are all commitments which are either due within the time frame or are payable on demand.*

	2018				
	Range of Interest Rate	Up to a year*	1- 5 years	Over 5 years	Total
AFS financial assets					
Debt securities	3.62% to 11.25%	₱522,681,641	₱1,872,027,995	₱9,137,523,892	₱11,532,233,528
Loans and receivables					
Policy loans	6.00% to 10.00%	742,520,600	–	–	742,520,600
		₱1,265,202,241	₱1,872,027,995	₱9,137,523,892	₱12,274,754,128

**Maturities up to a year are all commitments which are either due within the time frame or are payable on demand.*

The Company's investment policy requires it to buy and hold AFS financial assets, unless the need to sell arises, and to reduce the duration gap between financial assets and financial liabilities to minimize interest rate risk.

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on equity, due to changes in fair value of fixed rate classified as AFS financial assets.

	Currency	Change in variable	Impact on OCI
2019	**Peso**	**+20 bps**	**(₱5,484,640)**
	Peso	**-20 bps**	**5,488,716**
	USD	**+20 bps**	**(₱3,229,482)**
	USD	**-20 bps**	**3,233,726**
2018	Peso	+20 bps	(₱2,660,772)
	Peso	-20 bps	2,662,109
	USD	+20 bps	(₱2,598,135)
	USD	-20 bps	2,600,471

The sensitivity rate used for reporting fair value interest rate risk internally to key management personnel represents management's assessment of the reasonably possible change in its fair value using the percentage changes in weighted average yield rates.

Equity price risk
The Company's equity price risk exposure at year-end relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as AFS financial assets. The Company's price risk exposure relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit linked business.

The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are nonlinear.

The Company is exposed to equity price risk arising from its significant investments in unquoted equity investments carried at fair value.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on other comprehensive income (that reflects changes in fair value of AFS financial assets).

	Change in variable	Impact on OCI
2019	**+2%**	**₱9,978,433**
	-2%	**(9,978,433)**
2018	+2%	₱9,497,538
	-2%	(9,497,538)

The Company determined the reasonably possible change in equity pricing using percentage changes in the Philippine Stock Exchange (PSE) composite index for the past three (3) years. The sensitivity analysis includes the Company's stock portfolio with amounts adjusted by the specific beta for these investments as at reporting date.

The Company measures the sensitivity of its investments in mutual funds through fluctuations in the net asset value per share (NAVPS). Since the Group's investments in mutual funds is limited only to seed capital in VUL segregated funds as of December 31, 2019 and with GAMC mutual funds) as of

December 31, 2018, the sensitivity analysis on the reasonably possible movements of NAVPS and its impact to the net income is not material to the financial statements.

32. Related Party Transactions

Transactions between related parties are based on terms similar to those offered to nonrelated parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions; and the parties are subject to common control or common significant influence (referred to as affiliates). Related parties include subsidiaries, affiliates, directors, officers & stockholders (DOS), close family members of DOS, related interests, and any person or juridical entity whose interests may pose potential conflict with the interest of the Company.

A. Related party transactions consist mainly of the following:

	2019			
Category	Amount	Outstanding Balances	Terms	Conditions
Subsidiaries				
Grepa Realty Holdings Corporation				
Rent expense	**₱48,746,833**	**₱–**	Non-interest-bearing, due and demandable	Unsecured
Shared expenses (a)	–	**19,833,335**	Non-interest-bearing, due and demandable	Unsecured, no impairment
Clinic procedures	**27,514**	–	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	**34,024**	–	Non-interest-bearing, due and demandable	Unsecured
Grepalife Asset Management Corp				
Shared expenses (a)	**4,573**	**5,498**	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures	**18,816**	**1,319**	Non-interest-bearing, due and demandable	Unsecured
Grepalife Balance Fund				
Purchase of Equity Securities	**21,000,000**	–	Valued at NAV, Mutual fund investment	Unsecured, no impairment
Sale of Investment Securities	**127,345,351**	–	Valued at NAV, Mutual fund investment	Unsecured, no impairment
Grepalife Fixed Income Fund				
Purchase of Equity Securities	**47,000,000**	–	Valued at NAV, Mutual fund investment	Unsecured, no impairment
Sale of Investment Securities	**302,372,514**	–	Valued at NAV, Mutual fund investment	Unsecured, no impairment
Grepalife Dollar Bond Fund				
Sale of Investment Securities	**364,352,361**		Valued at NAV, Mutual fund investment	Unsecured, no impairment
Great Life Financial Assurance Corp.				
Purchase of Investment Securities	**42,768,064**		Non-interest-bearing, due and demandable	Unsecured
Dividend Income	**14,295,858**	–	Non-interest-bearing, due and demandable	Unsecured
Other related parties				
Annabelle Yuchengco				
Daily newspaper delivery	**22,223**	–	Non-interest-bearing, due and demandable	Unsecured
AY Foundation Inc.				
Clinic procedures	**30,106**	–	Non-interest-bearing, due and demandable	Unsecured
Donation	**5,155,951**	–	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	**88,650**	–	Non-interest-bearing, due and demandable	Unsecured
Ayala Land, Inc.				
Purchase of Equity Securities	**285,202,531**	**1,430,367,530**	Valued at Market, AFS security investment	Secured
Sale of Equity Securities	**541,312,194**	–	Valued at Market, AFS security investment	Secured
Sale of Fixed Income securities	**48,711,361**	**19,476,113**		
Dividend	**17,457,317**	–	Non-interest-bearing, due and demandable	Unsecured

Category	2019 Amount	Outstanding Balances	Terms	Conditions
Bankers Assurance Corporation.				
Clinic procedures	**₱1,176**	**₱–**	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	**145,227**	**–**	Non-interest-bearing, due and demandable	Unsecured
Blackhounds Security.				
Clinic procedures	**78,832**	**24,730**	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	**2,868,058**	**–**	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	**1,031**	**–**	Non-interest-bearing, due and demandable	Unsecured
Bluehounds Security And Investigation Agency Inc.				
Clinic procedures	**4,600**	**5,850**	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	**547,105**	**–**	Non-interest-bearing, due and demandable	Unsecured
EEI Corporation				
Purchase of equity securities	**35,583,319**	**75,084,444**	Valued at Market, AFS security investment	Secured
Sale of Equity Securities	**7,034,894**	**–**	Valued at Market, AFS security investment	Secured
Dividend	**1,626,876**	**–**	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	**64,790,814**	**–**	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	**9,550**	**–**	Non-interest-bearing, due and demandable	Unsecured
First Nationwide Assurance Corp.				
Clinic procedures	**52,033**	**–**	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	**3,641,482**	**–**	Non-interest-bearing, due and demandable	Unsecured
First Philippine Holdings Co..				
Purchase of Equity Securities	**3,940,763**	**33,121,512**	Valued at Market, AFS security investment	Secured
Sale of Equity Securities	**7,311,014**	**–**	Valued at Market, AFS security investment	Secured
Dividend	**1,033,810**	**–**	Non-interest-bearing, due and demandable	Unsecured
Greyhounds Security and Investigation Agency Inc.				
Clinic procedures	**109,600**	**46,400**	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	**1,939,329**	**–**	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	**3,074**	**–**	Non-interest-bearing, due and demandable	Unsecured
HI-Eisai Pharmaceutical Inc.				
Clinic procedures	**12,348**	**704**	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	**629,315**	**–**	Non-interest-bearing, due and demandable	Unsecured
Honda Cars Kalookan Inc.				
Insurance premium	**768,499**	**–**	Non-interest-bearing, due and demandable	Unsecured
Purchases of company vehicles	**7,038,571**	**–**	Non-interest-bearing, due and demandable	Unsecured
Honda Cars Manila				
Purchases of company vehicles	**827,693**	**–**	Non-interest-bearing, due and demandable	Unsecured
Honda Cars Quezon City				
Insurance premium	**1,091,749**	**–**	Non-interest-bearing, due and demandable	Unsecured
House Of Investment				
Clinic procedures	**32,743**	**107,088**	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	**1,152,650**	**–**	Non-interest-bearing, due and demandable	Unsecured
ISUZU Manila				
Insurance premium	**388,295**	**–**	Non-interest-bearing, due and demandable	Unsecured
Purchases/maintenance of company vehicles	**1,582,410**	**–**	Non-interest-bearing, due and demandable	Unsecured

Category	2019 Amount	Outstanding Balances	Terms	Conditions
Key Management Personnel				
Reimbursement of expenses	**₱2,539,927**	**₱–**	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	**83,474**	**–**	Non-interest-bearing, due and demandable	Unsecured
La Funeraria Paz - Sucat Inc.				
Insurance premium	**934,517**	**–**	Non-interest-bearing, due and demandable	Unsecured
Landev Corporation				
Clinic procedures	**23,730**	**8,980**	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	**208,441**	**–**	Non-interest-bearing, due and demandable	Unsecured
Malayan Colleges Laguna				
Clinic procedures	**2,216,932**	**2,772,815**	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	**1,331,222**	**–**	Non-interest-bearing, due and demandable	Unsecured
Malayan Colleges Mindanao				
Clinic procedures	**2,155,465**	**980,277**	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	**413,475**	**–**	Non-interest-bearing, due and demandable	Unsecured
Malayan High School of Science				
Insurance premium	**53,875**	**–**	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures	**37,040**	**–**	Non-interest-bearing, due and demandable	Unsecured
Malayan Insurance Co Inc.				
Clinic procedures	**1,404,428**	**759,420**	Non-interest-bearing, due and demandable	Unsecured
Insurance cost	**3,093,028**	**–**	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	**6,665,453**	**–**	Non-interest-bearing, due and demandable	Unsecured
Rental	**568,111**	**–**	Non-interest-bearing, due and demandable	Unsecured
Refund of premium	**6,944,563**	**–**	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	**497,353**	**–**	Non-interest-bearing, due and demandable	Unsecured
Manila Memorial Park				
Insurance premium	**7,089,477**	**–**	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures	**127,138**	**–**	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	**83,412**	**–**	Non-interest-bearing, due and demandable	Unsecured
Mapua Institute of Technology				
Clinic procedures	**1,160,633**	**–**	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	**2,723,919**	**–**	Non-interest-bearing, due and demandable	Unsecured
Reimbursement of expenses	**14,520**	**–**	Non-interest-bearing, due and demandable	Unsecured
MICO Equities Inc.				
Clinic procedures	**4,729**	**–**	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	**436,178**	**–**	Non-interest-bearing, due and demandable	Unsecured
Mitsubishi Corporation				
Insurance premium	**3,058,242**	**–**	Non-interest-bearing, due and demandable	Unsecured
MJ88 Corporation.				
Clinic procedures	**1,350**	**–**	Non-interest-bearing, due and demandable	Unsecured
National Reinsurance Corporation of the Philippines				
Reinsurance	**2,809,529**	**–**	Non-interest-bearing, due and demandable	Unsecured
Refund of premium	**9,326,331**	**–**	Non-interest-bearing, due and demandable	Unsecured

Category	Amount	Outstanding Balances	Terms	Conditions
	2019			
Pan Malayan Express Inc				
Clinic procedures	**₱3,716**	**₱–**	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	**25,145**	**–**	Non-interest-bearing, due and demandable	Unsecured
Travel/plane fare	**20,155,302**	**–**	Non-interest-bearing, due and demandable	Unsecured
Others	**14,355**	**–**	Non-interest-bearing, due and demandable	Unsecured
Pan Malayan Management And Investment Corporation				
Clinic procedures	**131,546**	**13,450**	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	**452,315**	**–**	Non-interest-bearing, due and demandable	Unsecured
Reimbursement of expenses	**1,519,044**	**–**	Non-interest-bearing, due and demandable	Unsecured
Rent expense	**180,075**	**–**	Non-interest-bearing, due and demandable	Unsecured
Philippine Integrated Advertising Agency, Inc.				
Insurance premium	**334,302**	**–**	Non-interest-bearing, due and demandable	Unsecured
Advertising	**1,138,789**	**–**	Non-interest-bearing, due and demandable	Unsecured
Philippine Long Distance Telephone Company				
Insurance premium	**46,488**	**–**	Non-interest-bearing, due and demandable	Unsecured
Communication service	**3,582,531**	**–**	Non-interest-bearing, due and demandable	Unsecured
Purchase of Equity Securities	**262,771,706**	**544,225,968**	Valued at Market, AFS security investment	Secured
Sale of Equity Securities	**110,682,659**	**–**	Valued at Market, AFS security investment	Secured
Dividend	**29,520,252**	**–**	Non-interest-bearing, due and demandable	Unsecured
RCBC Bankard Inc.				
Clinic procedures	**916,844**	**272,622**	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	**54,236,727**	**–**	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	**298,885**	**–**	Non-interest-bearing, due and demandable	Unsecured
RCBC Capital Corporation				
Clinic procedures	**66,665**	**3,750**	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	**202,871**	**–**	Non-interest-bearing, due and demandable	Unsecured
RCBC E-Woman				
Insurance premium	**21,548,570**	**–**	Non-interest-bearing, due and demandable	Unsecured
RCBC Leasing & Finance Corporation				
Clinic procedures	**450**	**1,980**	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	**1,414,500**	**–**	Non-interest-bearing, due and demandable	Unsecured
RCBC Realty Corp.				
Clinic procedures	**47,675**	**23,905**	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	**448,945**	**–**	Non-interest-bearing, due and demandable	Unsecured
Rental fee – branches	**4,336,798**	**–**	Non-interest-bearing, due and demandable	Unsecured
RCBC Savings Bank				
Policy benefit	**54,404,462**	**–**	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures	**3,006,081**	**–**	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	**89,988,959**	**–**	Non-interest-bearing, due and demandable	Unsecured

Category	Amount	Outstanding Balances	Terms	Conditions
			2019	
RCBC Securities				
Purchase of investment securities	**₱127,658,459,209**	**₱–**	Non-interest-bearing, due and demandable	Unsecured
Sale of investment securities	**37,178,616**	**–**	Non-interest-bearing, due and demandable	Unsecured
Maturity of investment securities	**126,051,886,085**	**–**	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures	**56,884**	**2,800**	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	**53,610**	**–**	Non-interest-bearing, due and demandable	Unsecured
Rizal Commercial Banking Corporation				
Bank deposits	**183,740,471,151**	**2,281,553,642**	Interest-bearing at 0.01% to 2.25%, due and demandable	Secured up to ₱500,000
Bank withdrawals	**185,342,094,450**		Non-interest-bearing, due and demandable	Unsecured
Bank fees	**190,214,022**	**–**	Non-interest-bearing, due and demandable	Unsecured
Purchase of investment securities	**57,803,007,242**	**–**	Non-interest-bearing, due and demandable	Unsecured
Sale of investment securities	**90,000,000**	**–**	Non-interest-bearing, due and demandable	Unsecured
Maturity of investment securities	**57,681,230,206**	**–**	Non-interest-bearing, due and demandable	Unsecured
Purchase of Equity Securities	**95,366,853**	**15,364,000**	Non-interest-bearing, due and demandable	Unsecured
Sale of Equity Securities	**93,584,468**		Non-interest-bearing, due and demandable	Unsecured
Retirement Fund (Contribution)	**23,276,600**	**24,171,788**	Non-interest-bearing, due and demandable	Unsecured
GEM Trust (Collection)	**15,787,789**	**3,131,545**	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures	**1,371,655**	**–**	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	**80,424,458**	**–**	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	**16,402,627**	**–**	Non-interest-bearing, due and demandable	Unsecured
Reimbursement of expenses	**8,000**	**–**	Non-interest-bearing, due and demandable	Unsecured
Rental	**1,220,615**	**–**	Non-interest-bearing, due and demandable	Unsecured
Dividend	**356,934**	**–**	Non-interest-bearing, due and demandable	Unsecured
Rizal Microbank (An Affiliate Of RCBC)				
Insurance premium	**5,052,968**	**–**	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	**3,355**	**–**	Non-interest-bearing, due and demandable	Unsecured
St. Lukes Medical Center, Inc.				
Medical Services	**693,338**	**–**	Non-interest-bearing, due and demandable	Unsecured
Sun Life Financial Philippines Foundation, Inc.				
Donation	**240,000**	**–**	Non-interest-bearing, due and demandable	Unsecured
Sun Life Of Canada, Phils.				
Clinic procedures	**34,496**	**3,340**	Non-interest-bearing, due and demandable	Unsecured
Service level agreement fees (b)	**352,790,087**	**28,002,581**	Non-interest-bearing, due and demandable	Unsecured
Purchase of investment securities	**2,568,122,931**	**–**	Non-interest-bearing, due and demandable	Unsecured
Sale of investment securities	**11,368,799,332**	**–**	Non-interest-bearing, due and demandable	Unsecured
Sun Life Of Canada Prosperity Balance Fund.				
Purchase of investment securities	**44,857,433**	**–**	Non-interest-bearing, due and demandable	Unsecured
Sale of investment securities	**16,756,444,056**	**–**	Non-interest-bearing, due and demandable	Unsecured

Category	Amount	Outstanding Balances	Terms	Conditions
		2019		
Sun Life Of Canada Prosperity Bond Fund.				
Sale of investment securities	**₱59,174,129**	**₱–**	Non-interest-bearing, due and demandable	Unsecured
Sun Life Of Canada Prosperity Dollar Starter Fund.				
Purchase of investment securities	**12,467,714**	**–**	Non-interest-bearing, due and demandable	Unsecured
Subscription in Mutual Fund	**155,152,701**	**66,056,859**	Non-interest-bearing, due and demandable	Unsecured
Redemption in Mutual Fund	**130,075,534**	**–**	Non-interest-bearing, due and demandable	Unsecured
Sun Life Of Canada Prosperity Dynamic Fund.				
Purchase of investment securities	**32,766,826**	**–**	Non-interest-bearing, due and demandable	Unsecured
Sale of investment securities	**87,688,745**	**–**	Non-interest-bearing, due and demandable	Unsecured
Sun Life Of Canada Prosperity Achiever 2048 Fund.				
Purchase of investment securities	**2,286,715**	**–**	Non-interest-bearing, due and demandable	Unsecured
Sun Life Of Canada Prosperity Achiever 2038 Fund.				
Purchase of investment securities	**1,069,084**	**–**	Non-interest-bearing, due and demandable	Unsecured
Sun Life Prosperity Money Market Fund				
Sale of investment securities	**7,220,983,485**	**–**	Non-interest-bearing, due and demandable	Unsecured
YGC CSI				
Clinic procedures	**98,588**	**54,315**	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	**543,826**	**–**	Non-interest-bearing, due and demandable	Unsecured
Direct Marketing Services	**9,221,076**	**–**	Non-interest-bearing, due and demandable	Unsecured
Yuchengco Museum Inc.				
Clinic procedures	**–**	**500**	Non-interest-bearing, due and demandable	Unsecured

Category	Amount	Outstanding Balances	Terms	Conditions
		2018		
Subsidiaries				
Grepa Realty Holdings Corporation				
Rent expense	₱50,970,111	₱–	Non-interest-bearing, due and demandable	Unsecured
Shared expenses (a)	–	19,833,335	Non-interest-bearing, due and demandable	Unsecured, no impairment
Clinic procedures	27,002	–	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	34,024	–	Non-interest-bearing, due and demandable	Unsecured
Grepalife Asset Management Corp				
Shared expenses (a)	9,974	923	Non-interest-bearing, due and demandable	Unsecured
Purchase of Investment Securities	580,400,574	–	Valued at NAV, Mutual fund investment	Unsecured, no impairment
Sale of Investment Securities	1,066,321,939	–	Valued at NAV, Mutual fund investment	Unsecured, no impairment
Insurance premium	65,238	–	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures	18,816	261,743	Non-interest-bearing, due and demandable	Unsecured
Grepalife Balance Fund				
Subscription in Mutual Fund	50,000,000	–	Valued at NAV, Mutual fund investment	Unsecured, no impairment
Redemption in Mutual Fund	50,472,331	–	Valued at NAV, Mutual fund investment	Unsecured, no impairment

	2018			
Category	**Amount**	**Outstanding Balances**	**Terms**	**Conditions**
Grepalife Fixed Income Fund				
Subscription in Mutual Fund	₱800,000	₱–	Valued at NAV, Mutual fund investment	Unsecured, no impairment
Redemption in Mutual Fund	56,340,780	–	Valued at NAV, Mutual fund investment	Unsecured, no impairment
Grepalife Fixed Income Fund				
Subscription in Mutual Fund	156,000,000	93,452,775	Valued at NAV, Mutual fund investment	Unsecured, no impairment
Redemption in Mutual Fund	59,209,651	–	Valued at NAV, Mutual fund investment	Unsecured, no impairment
Agents' Benefit	7,764,420	–	Non-interest-bearing, due and demandable	Unsecured
Great Life Financial Assurance Corp.				
Return of Capital	504,988,100	69,658,778	Non-interest-bearing, due and demandable	Unsecured
Dividend Income	85,880,536	–	Non-interest-bearing, due and demandable	Unsecured
Other related parties				
Annabelle Yuchengco				
Daily newspaper delivery	141,407	–	Non-interest-bearing, due and demandable	Unsecured
A.T. Yuchengco, Inc.				
Insurance premium	12,199	–	Non-interest-bearing, due and demandable	Unsecured
AY Foundation Inc.				
Clinic procedures	32,467	–	Non-interest-bearing, due and demandable	Unsecured
Donation	7,029,793	–	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	174,428	–	Non-interest-bearing, due and demandable	Unsecured
Ayala Land, Inc.				
Purchase of Equity Securities	750,879,269	1,508,394,707	Valued at Market, AFS security investment	Secured
Sale of Equity Securities	531,291,626	–	Valued at Market, AFS security investment	Secured
Dividend	16,056,522	–	Non-interest-bearing, due and demandable	Unsecured
Bankers Assurance Corporation.				
Clinic procedures	8,110	450	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	120,670	236,034	Non-interest-bearing, due and demandable	Unsecured
Blackhounds Security.				
Clinic procedures	41,782	2,409,304	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	3,652,726	–	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	506	–	Non-interest-bearing, due and demandable	Unsecured
Bluehounds Security And Investigation Agency Inc.				
Clinic procedures	7,450	28,670	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	924,221	–	Non-interest-bearing, due and demandable	Unsecured
EEI Corporation				
Purchase of equity securities	52,330,181	466,628,625	Valued at Market, AFS security investment	Secured
Insurance premium	52,885,550	–	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	858,580	–	Non-interest-bearing, due and demandable	Unsecured
First Nationwide Assurance Corp.				
Clinic procedures	27,567	–	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	958,513	–	Non-interest-bearing, due and demandable	Unsecured
First Philippine Holdings Co..				
Purchase of Equity Securities	1,080,678	1,200,000	Valued at Market, AFS security investment	Secured
Sale of Equity Securities	1,249,242	–	Valued at Market, AFS security investment	Secured
Dividend	1,050,850	–	Non-interest-bearing, due and demandable	Unsecured

Category	Amount	Outstanding Balances	Terms	Conditions
			2018	
Greyhounds Security and Investigation Agency Inc.				
Clinic procedures	₱209,400	₱3,200	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	3,060,709	–	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	516	–	Non-interest-bearing, due and demandable	Unsecured
Hexagon Realty Corporation.				
Rent Expense	24,550	–	Non-interest-bearing, due and demandable	Unsecured
HI-Eisai Pharmaceutical Inc.				
Clinic procedures	3,528	29,300	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	576,942	–	Non-interest-bearing, due and demandable	Unsecured
Honda Cars Cebu				
Honda Cars Kalookan Inc.				
Insurance premium	800,117	–	Non-interest-bearing, due and demandable	Unsecured
Purchases of company vehicles	9,086,980	–	Non-interest-bearing, due and demandable	Unsecured
Honda Cars Manila				
Purchases of company vehicles	2,763,912	–	Non-interest-bearing, due and demandable	Unsecured
Honda Cars Quezon City				
Insurance premium	964,067	–	Non-interest-bearing, due and demandable	Unsecured
Purchases/maintenance of company vehicles	41,608	–	Non-interest-bearing, due and demandable	Unsecured
House Of Investment				
Clinic procedures	223,470	3,722	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	2,030,918	–	Non-interest-bearing, due and demandable	Unsecured
ISUZU Manila				
Insurance premium	353,885	–	Non-interest-bearing, due and demandable	Unsecured
Purchases/maintenance of company vehicles	2,373,616	–	Non-interest-bearing, due and demandable	Unsecured
Key Management Personnel				
Clinic procedures	3,380	479,676	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	21,430,403	–	Non-interest-bearing, due and demandable	Unsecured
Reimbursement of expenses	2,539,927	–	Non-interest-bearing, due and demandable	Unsecured
La Funeraria Paz - Sucat Inc.				
Insurance premium	774,321	–	Non-interest-bearing, due and demandable	Unsecured
Landev Corporation				
Clinic procedures	97,210	36,650	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	156,614	–	Non-interest-bearing, due and demandable	Unsecured
Malayan Colleges Laguna				
Clinic procedures	740,683	24,410	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	1,142,062	–	Non-interest-bearing, due and demandable	Unsecured
Sponsorship	49,106	–	Non-interest-bearing, due and demandable	Unsecured
Malayan High School of Science				
Insurance premium	42,111	–	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures	36,919	1,222,894	Non-interest-bearing, due and demandable	Unsecured

	2018			
Category	Amount	Outstanding Balances	Terms	Conditions
Malayan Insurance Co Inc.				
Clinic procedures	₱718,547	₱4,500	Non-interest-bearing, due and demandable	Unsecured
Insurance cost	14,361,526	–	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	6,340,802	–	Non-interest-bearing, due and demandable	Unsecured
Rental	529,577	–	Non-interest-bearing, due and demandable	Unsecured
Reimbursement of expenses	93,287	–	Non-interest-bearing, due and demandable	Unsecured
Manila Memorial Park				
Insurance premium	2,746,740	–	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	20,130	–	Non-interest-bearing, due and demandable	Unsecured
Mapua Institute of Technology				
Clinic procedures	3,143,130	5,120	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	2,746,740	–	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	33,969	–	Non-interest-bearing, due and demandable	Unsecured
MICO Equities Inc.				
Clinic procedures	31,875	–	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	292,853	–	Non-interest-bearing, due and demandable	Unsecured
Mitsubishi Corporation				
Insurance premium	2,944,749	–	Non-interest-bearing, due and demandable	Unsecured
MJ88 Corporation.				
Clinic procedures	4,440	–	Non-interest-bearing, due and demandable	Unsecured
National Reinsurance Corporation of the Philippines				
Reinsurance	457,246	–	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	3,586,216	–	Non-interest-bearing, due and demandable	Unsecured
Pan Malayan Express Inc				
Clinic procedures	1,954	–	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	586,225	–	Non-interest-bearing, due and demandable	Unsecured
Travel/plane fare	16,196,127	–	Non-interest-bearing, due and demandable	Unsecured
Reimbursement of expenses	5,547	–	Non-interest-bearing, due and demandable	Unsecured
Pan Malayan Management And Investment Corporation				
Clinic procedures	95,346	7,004	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	337,631	–	Non-interest-bearing, due and demandable	Unsecured
Reimbursement of expenses	607,612	–	Non-interest-bearing, due and demandable	Unsecured
Philippine Integrated Advertising Agency, Inc.				
Clinic procedures	16,500	24,240	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	599,952	–	Non-interest-bearing, due and demandable	Unsecured
Advertising	607,966	–	Non-interest-bearing, due and demandable	Unsecured
Philippine Long Distance Telephone Company				
Clinic procedures	550	8,635	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	57,944	–	Non-interest-bearing, due and demandable	Unsecured
Communication service	3,520,294	–	Non-interest-bearing, due and demandable	Unsecured
Purchase of Equity Securities	348,509,311	36,949,215	Valued at Market, AFS security investment	Secured
Sale of Equity Securities	207,612,325	–	Valued at Market, AFS security investment	Secured

	2018			
Category	**Amount**	**Outstanding Balances**	**Terms**	**Conditions**
Dividend	₱18,555,944	₱–	Non-interest-bearing, due and demandable	Unsecured
RCBC Bankard Inc.				
Clinic procedures	534,442	–	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	68,942,265	–	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	157,334	–	Non-interest-bearing, due and demandable	Unsecured
RCBC Capital Corporation				
Clinic procedures	38,357	1,119,187	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	226,835	–	Non-interest-bearing, due and demandable	Unsecured
RCBC E-Woman				
Insurance premium	22,925,827	–	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	100	–	Non-interest-bearing, due and demandable	Unsecured
RCBC Leasing & Finance Corporation				
Clinic procedures	–	500	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	1,452,564	–	Non-interest-bearing, due and demandable	Unsecured
RCBC Realty Corp.				
Clinic procedures	49,994	–	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	740,017	–	Non-interest-bearing, due and demandable	Unsecured
Rental fee – branches	4,993,041	–	Non-interest-bearing, due and demandable	Unsecured
RCBC Savings Bank				
Bank deposits/Withdrawals	1,846,321	1,215,270	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	49,399,811	–	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures	621,122	–	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	131,798,046	–	Non-interest-bearing, due and demandable	Unsecured
RCBC Securities				
Clinic procedures	34,212		Non-interest-bearing, due and demandable	Unsecured
Insurance premium	57,924	–	Non-interest-bearing, due and demandable	Unsecured
Rizal Commercial Banking Corporation				
Bank deposits	60,059,351	227,604,417	Interest-bearing at 0.01% to 2.25%, due and demandable	Secured up to ₱500,000
Bank fees	218,232,490	–	Non-interest-bearing, due and demandable	Unsecured
Purchase of investment securities	161,540,455,303	–	Non-interest-bearing, due and demandable	Unsecured
Sale of investment securities	192,318,682	–	Non-interest-bearing, due and demandable	Unsecured
Maturity of investment securities	161,489,479,268	–	Non-interest-bearing, due and demandable	Unsecured
Purchase of Equity Securities	21,193,431	21,451,950	Non-interest-bearing, due and demandable	Unsecured
Retirement Fund (Contribution)	22,003,800	2,908,978	Non-interest-bearing, due and demandable	Unsecured
GEM Trust (Collection)	–	14,329,121	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures	1,430,105	–	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	23,481,467	–	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	617,410	–	Non-interest-bearing, due and demandable	Unsecured
Reimbursement of expenses	25,153	–	Non-interest-bearing, due and demandable	Unsecured
Rental	1,080,862	–	Non-interest-bearing, due and demandable	Unsecured

Category	2018 Amount	Outstanding Balances	Terms	Conditions
Rizal Microbank (An Affiliate Of RCBC)				
Clinic procedures	₱1,764	₱7,490	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	623,356	–	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	76,749	–	Non-interest-bearing, due and demandable	Unsecured
St. Lukes Medical Center, Inc.				
Medical Services	220,018	–	Non-interest-bearing, due and demandable	Unsecured
Sun Life Asset Management Company, Inc.				
Rebates on Transaction Fees	33,214	–	Non-interest-bearing, due and demandable	Unsecured
Sun Life Financial Philippines Foundation, Inc.				
Purchase of Investment Securities	48,264,300	–	Non-interest-bearing, due and demandable	Unsecured
Sun Life Of Canada, Phils.				
Clinic procedures	45,228	29,200	Non-interest-bearing, due and demandable	Unsecured
Service level agreement fees (b)	337,243,426	29,416,797	Non-interest-bearing, due and demandable	Unsecured
Purchase of investment securities	24,708,337,688	–	Non-interest-bearing, due and demandable	Unsecured
Sale of investment securities	17,446,983,750	–	Non-interest-bearing, due and demandable	Unsecured
Sun Life Of Canada Prosperity Balance Fund.				
Purchase of investment securities	486,669,140	–	Non-interest-bearing, due and demandable	Unsecured
Sale of investment securities	64,979,873,727	–	Non-interest-bearing, due and demandable	Unsecured
Sun Life Of Canada Prosperity Bond Fund.				
Purchase of investment securities	1,078,476,539	–	Non-interest-bearing, due and demandable	Unsecured
Sale of investment securities	16,553,650,103	–	Non-interest-bearing, due and demandable	Unsecured
Sun Life Of Canada Prosperity Dollar Advantage Fund.				
Sale of investment securities	801,326	–	Non-interest-bearing, due and demandable	Unsecured
Sun Life Of Canada Prosperity Dollar Starter Fund.				
Purchase of investment securities	12,467,714	–	Non-interest-bearing, due and demandable	Unsecured
Subscription in Mutual Fund	11,862,900	205,564,036	Non-interest-bearing, due and demandable	Unsecured
Redemption in Mutual Fund	8,172,532	–	Non-interest-bearing, due and demandable	Unsecured
Sun Life Of Canada Prosperity Dynamic Fund.				
Purchase of investment securities	535,514,739	–	Non-interest-bearing, due and demandable	Unsecured
Sale of investment securities	7,872,419,693	–	Non-interest-bearing, due and demandable	Unsecured
Sun Life Of Canada Prosperity Government Securities Fund.				
Purchase of investment securities	31,574,101	–	Non-interest-bearing, due and demandable	Unsecured
Sale of investment securities	648,639,199	–	Non-interest-bearing, due and demandable	Unsecured
Sun Life Prosperity Money Market Fund				
Redemption in Mutual Fund	130,553,345	–	Non-interest-bearing, due and demandable	Unsecured
Sale of investment securities	8,213,228,504	–	Non-interest-bearing, due and demandable	Unsecured
Purchase of investment securities	92,692,807,031	–	Non-interest-bearing, due and demandable	Unsecured
Y Realty Corporation				
Rent Expense	786	–	Non-interest-bearing, due and demandable	Unsecured

Category	Amount	Outstanding Balances	Terms	Conditions
	2018			
YGC CSI				
Clinic procedures	₱86,770	₱122,600	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	198,365	–	Non-interest-bearing, due and demandable	Unsecured
Direct Marketing Services	8,003,283	–	Non-interest-bearing, due and demandable	Unsecured
Purchase of Equity Securities	–	1,200,000	Non-interest-bearing, due and demandable	Unsecured
Dividend	500,000	–	Non-interest-bearing, due and demandable	Unsecured
Yuchengco Family				
Insurance premium	2,268,956	–	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	7,764,420	–	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures	30,834	15,190	Non-interest-bearing, due and demandable	Unsecured
Yuchengco Museum Inc.				
Insurance premium	33,608	–	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures	441	–	Non-interest-bearing, due and demandable	Unsecured

a. Due from related parties (Note 8)

	2019	2018
Great Life Financial Assurance Corp.		
Return on capital	**₱–**	₱69,658,778
Grepa Realty Holdings Corp.		
Reimbursement	**19,833,335**	19,833,335
Grepalife Asset Management Corp.		
Reimbursement	**5,498**	923
RCBC Trust		
Retirement fund receivables	**24,171,788**	2,908,978
	₱44,010,621	₱92,402,014

b. Due to a related party (Note 19)

	2019	2018
Sun Life of Canada (Philippines) Inc.	**₱28,002,581**	₱29,416,797

B. Key management personnel of the Company include all officers with rank of Assistant Vice President and up. The summary of compensation of key management personnel follows:

	2019	2018
Salaries and other short-term employee benefits	**₱83,501,854**	₱70,522,717

33. **Leases**

Company as a lessee

The Company has lease contracts for its branch office premises for a period of 3 years renewable by mutual agreement of the parties at the end of term of the lease.

The following are the amounts recognized in the statements of income in 2019:

Depreciation expense of right-of-use assets included in property and equipment	₱31,895,504
Interest expense on lease liabilities	7,213,995
Expenses relating to short-term leases	44,959,032
Total amount recognized in the statements of income	₱84,068,531

The rollforward analysis of lease liabilities as of December 31, 2019 follows:

Balance at beginning of year	₱–
Effect of adoption of PFRS 16 (Note 3)	129,046,698
Additions	12,255,901
Interest expense	7,213,995
Payments	(35,339,622)
Balance at end of year	₱113,176,972

Shown below is the maturity analysis of the undiscounted lease payments:

	2019	2018
1 year	**₱35,659,892**	₱39,341,376
more than 1 year to 2 years	**32,526,711**	32,460,836
more than 2 years to 3 years	**31,255,294**	29,984,774
more than 3 years to 4 years	**33,105,899**	28,614,717
more than 4 years to 5 years	**1,210,742**	31,296,956
more than 5 years	–	195,443
	₱133,758,538	₱161,894,102

34. **Notes to Statements of Cash Flows**

The change in liabilities arising from the Company's financing activities in 2018 follows:

Dividends payable, January 1	₱–
Declaration	500,000,000
Payments	(500,000,000)
Dividends payable, December 31	₱–

The Company also had non-cash additions to ROU assets and lease liabilities of ₱136.59 million, net of non-cash addition of prepaid rent amounting to ₱7.55 million from other assets, and ₱129.05 million, respectively, as a result of PFRS 16 adoption effective January 1, 2019 (see Note 3).

During the year 2019, non-cash additions to ROU assets and lease liabilities amounted to ₱12.45 million and ₱12.26 million, respectively.

35. Current and Non-current Classification

The following tables present the assets and liabilities by contractual maturity and settlement dates:

	2019			2018		
	Current	**Non-current**	**Total**	Current	Non-current	Total
Cash and cash equivalents	**₱1,999,750,934**	**₱–**	**₱1,999,750,934**	₱1,331,424,203	₱–	₱1,331,424,203
Insurance receivables	**108,338,869**	**–**	**108,338,869**	134,574,439	–	134,574,439
Financial assets						
Available-for-sale financial assets	**685,109,779**	**13,460,837,521**	**14,145,947,300**	522,681,641	12,280,053,955	12,802,735,596
Loans and receivables	**754,195,847**	**33,737,255**	**787,933,102**	870,084,482	33,550,392	903,634,874
Investment in subsidiaries	**–**	**1,076,092,200**	**1,076,092,200**	–	1,076,092,200	1,076,092,200
Accrued income	**205,335,769**	**–**	**205,335,769**	210,852,429	–	210,852,429
Segregated fund assets	**29,566,005,906**	**–**	**29,566,005,906**	29,004,578,276	–	29,004,578,276
Property and equipment	**–**	**271,249,850**	**271,249,850**	–	127,076,155	127,076,155
Other assets	**57,992,174**	**12,377,153**	**70,369,327**	54,071,429	19,556,023	73,627,452
Total Assets	**₱33,376,729,278**	**₱14,854,293,979**	**₱48,231,023,257**	₱32,128,266,899	₱13,536,328,725	₱45,664,595,624
Liabilities						
Segregated fund liabilities	**₱29,566,005,906**	**₱–**	**₱29,566,005,906**	₱29,004,578,276	₱–	₱29,004,578,276
Legal policy reserves – net	**1,586,009,960**	**10,023,613,614**	**11,609,623,574**	1,080,149,167	10,420,991,848	11,501,141,015
Policy and contract claims	**523,667,971**	**398,901,188**	**922,569,159**	529,562,230	377,909,858	907,472,088
Policyholders' dividends	**207,524,059**	**–**	**207,524,059**	192,908,989	–	192,908,989
Premium deposit fund	**281,387,807**	**–**	**281,387,807**	269,841,834	–	269,841,834
Insurance payables	**324,269,033**		**324,269,033**	142,595,591	–	142,595,591
Accounts payable and accrued expenses	**261,566,006**	**–**	**261,566,006**	273,055,728	–	273,055,728
Lease contract liabilities	**31,967,844**	**81,209,128**	**113,176,972**	–	–	–
Net pension liability	**–**	**69,177,400**	**69,177,400**	–	53,056,900	53,056,900
Other liabilities	**65,744,627**	**–**	**65,744,627**	61,773,103	–	61,773,103
Total Liabilities	**₱32,848,143,213**	**₱10,572,901,330**	**₱43,421,044,543**	₱31,554,464,918	₱10,851,958,606	₱42,406,423,524

36. Supplementary Tax Information under Revenue Regulations 15-2010

In compliance with the requirements set forth by RR 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

Percentage Tax
The Company is engaged in the business of life insurance and paid the amount of ₱44,735,398 as percentage tax pursuant to the provisions of Sec. 244 of the National Internal Revenue Code of 1997, as last amended by Revenue Memorandum Circular No. 22-2010.

VAT
The Company had VAT output tax declaration of ₱64,021,150 for the year based on the amount reflected in the Summary List of Sales and Purchases of ₱533,509,584. The Company has no zero-rated and VAT exempt sales of goods and services in 2019.

The amount of VAT Input taxes claimed are broken down as follows:

Balance at beginning of the year	₱2,579,845
Current year's purchases:	
Services lodged under other accounts	30,260,351
	32,840,196
Claims for tax credit/refund and other adjustments	30,071,400
Balance at end of the year	₱2,768,796

The amount of Deferred Input VAT Input taxes claimed are broken down as follows:

Balance at beginning of the year	₱3,004,350
Current year's purchases:	
Services lodged under other accounts	36,152,280
	39,156,630
Claims for tax credit/refund and other adjustments	(36,308,736)
Balance at end of the year	₱2,847,894

Documentary Stamp Tax (DST)
The DST paid/accrued are the following:

Transaction	DST
Policies issued	₱2,102,510
Policy loans	653,877
Lease contracts	29,607
	₱2,785,994

Other Taxes and License Fees for 2019

This includes all other taxes, local and national, including real estate taxes, license and permit fees. Details consist of the following:

Local	
Business and mayor's permit	₱24,264,726
Community tax certificate	10,500
	24,275,226
National	
Fringe benefit taxes	833,393
IC certificate of authority/annual statements	348,950
BIR annual registration	43,000
Other taxes	1,345,761
	2,571,104
	₱26,846,330

Insurance taxes
This includes all premium taxes and documentary stamp taxes. Details consist of the following:

Premium taxes	₱43,917,815
Documentary stamp tax	2,785,994
	₱46,703,809

Importations
The Company did not incur any excise tax in 2019.

Withholding Taxes
The amount of withholding taxes paid and accrued for the year amounted to:

Withholding taxes on compensation and benefits	₱56,900,491
Expanded withholding taxes	53,046,396
Final withholding taxes	799,069
	₱110,745,956

Tax Assessments and Cases
As of December 31, 2019, the Company has outstanding tax case with Court of Tax Appeal for a tax assessment covering taxable year 2008 amounting to ₱11.45 million. Management believes that it is not liable to pay any deficiency taxes and has a strong position on the tax assessment, and if decided adversely, will not have a material effect on the Company's financial statements. Aside from the foregoing, the Company has not received any final assessment notices from the BIR and it has no tax cases, litigation and/or prosecution in court or bodies outside BIR.