

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

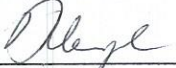
The management of **SUN LIFE GREPA FINANCIAL, INC.** (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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


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

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

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.



HELEN Y. DEE
Chairman of the Board



RICHARD S. LIM
President









CANDY S. ESTEBAN
Treasurer

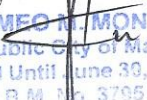
Signed this 24th day of March 2022

APR 11 2022

Subscribed and sworn to before me this _____ day of _____ 2022 at **MAKATI CITY**, affiants exhibiting to me competent evidence of identity, as follows:

Name	Government ID	Place of Issue
Helen Y. Dee	Driver's License 	
Richard S. Lim	Passport No. 	
Candy S. Esteban	Driver's License. 	

Doc. No. 364 ;
Page No. 74 ;
Book No. 76 ;
Series of 2022


ATTY. ROMEO M. MONFORT
Notary Public City of Makati
Extended Until June 30, 2022
Per B.M. No. 3795
RPN No. 8862608 Jan. 3, 2022 Makati City
Appointment No. M-133 (2020-2024)
BP No. 1062634- Jan. 3, 2018
MCLE NO. VI-0023417 Roll No. 27932
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Sun Life Grepa Financial, Inc.
6th Floor, Grepalife Building
221 Senator Gil J. Puyat Avenue
Makati City

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, 2021 and 2020, and the statements of income, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, 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. When such use is inappropriate and management uses an alternative basis of accounting, we conclude on the appropriateness of management's use of the alternative basis of accounting. We also evaluate the adequacy of the disclosures describing the alternative basis of accounting and reasons for its use. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- 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

Tax Identification No. [REDACTED]

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 88118-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-046-2020, December 3, 2020, valid until December 2, 2023

PTR No. 8853480, January 3, 2022, Makati City

April 5, 2022



SUN LIFE GREPA FINANCIAL, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Cash and cash equivalents (Notes 6 and 31)	₱1,548,571,604	₱1,207,543,291
Insurance receivables (Notes 7 and 31)	228,559,008	169,127,597
Financial assets (Notes 8, 18 and 31)		
Available-for-sale financial assets - net	14,352,214,373	15,622,763,048
Loans and receivables - net	715,813,495	767,155,688
Investments in subsidiaries (Note 9)	1,076,092,200	1,076,092,200
Accrued income (Notes 10 and 31)	195,234,986	192,901,301
Segregated fund assets (Note 18)	32,858,422,660	29,504,745,224
Property and equipment - net (Note 11)	127,761,354	147,846,070
Deferred tax assets - net (Note 28)	114,294,575	-
Right-of-use assets - net (Notes 11 and 33)	63,867,542	87,736,682
Other assets (Note 12)	76,432,498	65,388,160
	₱51,357,264,295	₱48,841,299,261
LIABILITIES AND EQUITY		
Liabilities		
Segregated fund liabilities (Note 18)	₱32,858,422,660	₱29,504,745,224
Insurance contract liabilities		
Legal policy reserves - net (Notes 13 and 31)	10,509,773,238	12,159,541,816
Policy and contract claims payable (Notes 14 and 31)	1,422,650,978	1,283,588,915
Policyholders' dividends (Notes 15 and 31)	241,734,032	222,981,341
Premium deposit fund (Notes 16 and 31)	369,336,415	310,137,777
Insurance payables (Notes 17 and 31)	308,691,736	340,202,466
Accounts payable and accrued expenses (Notes 19 and 31)	352,562,662	298,657,505
Net pension liability (Note 27)	101,324,500	120,651,400
Lease liabilities (Note 33)	63,171,066	86,132,149
Other liabilities	180,391,956	99,596,094
	46,408,059,243	44,426,234,687
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)	892,906,856	2,255,258,675
Actuarial losses on retirement benefit plan (Note 27)	(114,063,300)	(167,429,100)
Remeasurement on legal policy reserves (Note 13)	(1,858,523,837)	(3,153,088,310)
Retained earnings (Note 21)	5,677,791,788	5,129,229,764
	4,949,205,052	4,415,064,574
	₱51,357,264,295	₱48,841,299,261

See accompanying Notes to Financial Statements.



SUN LIFE GREPA FINANCIAL, INC.**STATEMENTS OF INCOME**

	Years Ended December 31	
	2021	2020
REVENUE		
Gross earned premiums on insurance contracts	₱9,620,920,998	₱6,462,395,128
Reinsurers' share of gross premiums on insurance contracts	(24,554,586)	(21,942,771)
Insurance premiums net of reinsurance (Note 22)	9,596,366,412	6,440,452,357
Investment income - net (Note 23)	2,568,703,531	405,782,988
Fee income (Note 24)	1,200,010,499	1,046,501,950
Foreign exchange gain (loss) - net	130,959,419	(131,226,650)
Other income	15,606,872	20,876,182
Investment and other income	3,915,280,321	1,341,934,470
Total revenue	13,511,646,733	7,782,386,827
BENEFITS AND EXPENSES		
Insurance benefits and claims incurred (Notes 14 and 25)	7,262,379,762	6,337,385,604
Reinsurers' share in insurance benefits and claims incurred (Note 25)	(4,478,317)	(2,399,332)
Gross change in legal policy reserves (Notes 13 and 25)	(355,204,105)	(1,361,687,168)
Change in variable unit-linked segregated fund liabilities (Note 18)	3,346,441,663	(69,821,728)
Net insurance benefits and claims	10,249,139,003	4,903,477,376
Commissions and other direct expenses (Note 26)	1,387,688,433	1,010,023,754
General and administrative expenses (Note 26)	900,014,201	846,899,152
Insurance taxes	64,479,745	61,475,096
Interest expense (Note 26)	22,753,528	21,198,802
Expenses	2,374,935,907	1,939,596,804
Total benefits and expenses	12,624,074,910	6,843,074,180
INCOME BEFORE INCOME TAX	887,571,823	939,312,647
PROVISION FOR INCOME TAX (Note 28)	39,009,799	140,556,281
NET INCOME	₱848,562,024	₱798,756,366

See accompanying Notes to Financial Statements.



SUN LIFE GREPA FINANCIAL, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	2020
NET INCOME	₱848,562,024	₱798,756,366
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Item that will be reclassified to profit or loss:</i>		
Fair value gain (loss) on available-for-sale financial assets (Note 8)	(1,341,008,106)	1,004,311,181
Transfers to profit or loss (Note 8)	(21,343,713)	47,065,223
	(1,362,351,819)	1,051,376,404
<i>Item that will not be reclassified to profit or loss:</i>		
Remeasurements of legal policy reserves (Note 13)	1,294,564,473	(1,911,605,410)
Net remeasurement gain (loss) on defined benefit plan (Note 27)	15,344,700	(33,441,500)
Tax effect on actuarial losses on retirement liability	38,021,100	–
	1,347,930,273	(1,945,046,910)
	(14,421,546)	(893,670,506)
TOTAL COMPREHENSIVE INCOME (LOSS)	₱834,140,478	(₱94,914,140)

See accompanying Notes to Financial Statements.



SUN LIFE GREPA FINANCIAL, INC.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Capital Stock (Note 20)	Contributed Surplus	Revaluation Reserve on Available-for-sale Financial Assets (Note 8)	Actuarial Gains (Losses) on Retirement Benefit Plan (Note 27)	Remeasurement on Legal Policy Reserves (Note 13)	Retained Earnings (Note 21)	Total
As at January 1, 2021	₱350,000,000	₱1,093,545	₱2,255,258,675	(₱167,429,100)	(₱3,153,088,310)	₱5,129,229,764	₱4,415,064,574
Net income	-	-	-	-	-	848,562,024	848,562,024
Other comprehensive income (loss)	-	-	(1,362,351,819)	53,365,800	1,294,564,473	-	(14,421,546)
Total comprehensive income (loss)	-	-	(1,362,351,819)	53,365,800	1,294,564,473	848,562,024	834,140,478
Cash dividends (Note 21)	-	-	-	-	-	(300,000,000)	(300,000,000)
As at December 31, 2021	₱350,000,000	₱1,093,545	₱892,906,856	(₱114,063,300)	(₱1,858,523,837)	₱5,677,791,788	₱4,949,205,052
As at January 1, 2020	₱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
Net income	-	-	-	-	-	798,756,366	798,756,366
Other comprehensive income (loss)	-	-	1,051,376,404	(33,441,500)	(1,911,605,410)	-	(893,670,506)
Total comprehensive income (loss)	-	-	1,051,376,404	(33,441,500)	(1,911,605,410)	798,756,366	(94,914,140)
Cash dividends (Note 21)	-	-	-	-	-	(300,000,000)	(300,000,000)
As at December 31, 2020	₱350,000,000	₱1,093,545	₱2,255,258,675	(₱167,429,100)	(₱3,153,088,310)	₱5,129,229,764	₱4,415,064,574

See accompanying Notes to Financial Statements.



SUN LIFE GREPA FINANCIAL, INC.**STATEMENTS OF CASH FLOWS**

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱887,571,823	₱939,312,647
Adjustments for:		
Interest income (Note 23)	(750,688,669)	(756,880,825)
Changes in legal policy reserves (Note 13)	(355,204,105)	(1,361,687,168)
Unrealized foreign exchange (gain) loss - net (Note 8)	(257,666,220)	160,023,102
Depreciation and amortization (Notes 11 and 26)	92,875,871	84,858,629
Amortization of bond premium on available-for-sale financial assets (Note 8)	61,737,893	50,649,294
Loss/(gain) on:		
Sale of available-for-sale financial assets (Note 23)	(23,355,932)	(11,071,898)
Sale of property and equipment (Note 11)	(223,688)	75,455
Liquidation of investment in subsidiary (Note 23)	–	(5,358,888)
Dividend income (Note 23)	(9,264,178)	(7,825,673)
Interest expense on lease liabilities (Note 26)	5,036,716	5,887,183
Provision for impairment loss on available-for-sale financial asset (Notes 8 and 23)	2,012,219	58,137,121
Operating loss before changes in working capital	(347,168,270)	(843,881,021)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Insurance receivables	(59,431,411)	(60,788,728)
Loans and receivables	51,342,193	20,777,414
Segregated fund assets	(3,353,677,436)	61,260,682
Other assets	(11,044,338)	4,981,167
Increase (decrease) in:		
Segregated fund liabilities	3,353,677,436	(61,260,682)
Policy and contract claims payable	139,062,063	361,019,756
Policyholders' dividends	18,752,691	15,457,282
Premium deposit fund	59,198,638	28,749,970
Insurance payables	(31,510,730)	15,933,433
Accounts payable and accrued expenses	53,905,157	37,091,499
Net pension liability	(3,982,200)	18,032,500
Other liabilities	80,795,862	33,851,467
Net cash flows generated used in operations	(50,080,345)	(368,775,261)
Income tax paid (Note 28)	(115,283,273)	(140,556,281)
Interest payment on lease liabilities (Note 26)	(5,036,716)	(5,887,183)
Net cash flows used in operating activities	(170,400,334)	(515,218,725)

(Forward)



	Years Ended December 31	
	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Available-for-sale financial assets (Note 8)	(₱1,719,083,563)	(₱1,763,454,240)
Property and equipment (Note 11)	(33,970,157)	(46,117,128)
Proceeds from sale/maturities of:		
Available-for-sale financial assets (Note 8)	1,844,552,459	1,080,277,277
Investment in subsidiary (Note 9)	-	5,358,887
Property and equipment (Note 11)	1,416,018	480,193
Interest received	748,351,557	769,263,432
Dividends received	9,267,605	7,877,535
Net cash flows provided by investing activities	850,533,919	53,685,956
CASH FLOWS FROM A FINANCING ACTIVITIES		
Dividends paid to stockholders (Note 21)	(300,000,000)	(300,000,000)
Payments of principal portion of lease liabilities (Note 33)	(39,105,272)	(30,674,874)
Cash flows used in financing activities	(339,105,272)	(330,674,874)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	341,028,313	(792,207,643)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,207,543,291	1,999,750,934
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱1,548,571,604	₱1,207,543,291

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 April 5, 2022.

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.

Statement of Compliance

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 adoption of new standards effective in 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Company.

- **Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021***

The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

- **Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2***

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Company shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and



- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The Company adopted the amendments beginning January 1, 2021.

Standards and Interpretations Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Parent Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
 - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
 - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
 - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

Effective beginning on or after January 1, 2025

- 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

The standard is effective for annual periods beginning on or after 1 January 2023. Early application is permitted, provided the entity also applies PFRS 9 and PFRS 15 on or before the date it first applies PFRS 17. On May 18, 2020, the Insurance Commission issued circular



2021-62 which defers the implementation of PFRS 17 in the Philippines to 1 January 2025 or for an additional two (2) years from the date of global adoption.

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.

Accounting Standard Effective but not yet Adopted

• 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 Company 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, 2021 and 2020, 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).

	2021			
	SPPI financial assets		Other financial assets	
	Fair value	Fair value change	Fair value	Fair value change
AFS financial assets				
Debt securities	₱13,094,519,490	(₱1,358,146,430)	₱-	₱-
Equity securities	-	-	759,135,196	6,766,164
Seed capital in variable unit-linked segregated funds	-	-	498,021,572	10,372,160
Mutual funds	-	-	538,115	-
Cash and cash equivalents	1,547,173,104	-	-	-
Loans and receivables - net	715,813,495	-	-	-
Insurance receivables	228,559,008	-	-	-
Accrued income	195,234,986	-	-	-
Segregated fund assets	-	-	32,858,422,660	1,151,244,692
	₱15,781,300,083	(₱1,358,146,430)	₱34,116,117,543	₱1,168,383,016



	2020			
	SPPI financial assets		Other financial assets	
	Fair value	Fair value change	Fair value	Fair value change
AFS financial assets				
Debt securities	₱14,215,440,861	₱1,040,685,902	₱-	₱-
Equity securities	-	-	462,652,062	(42,714,161)
Seed capital in variable unit-linked segregated funds	-	-	306,205,725	6,339,440
Mutual funds	-	-	638,464,400	-
Cash and cash equivalents	1,205,799,791	-	-	-
Loans and receivables - net	767,155,688	-	-	-
Insurance receivables	169,127,597	-	-	-
Accrued income	192,901,301	-	-	-
Segregated fund assets	-	-	29,504,745,224	(867,769,872)
	₱16,550,425,238	₱1,040,685,902	₱30,912,067,411	(₱904,144,593)

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.

	2021					
	Total	AAA	Credit Rating			Unrated
			AA/A	BBB	BB/B	
AFS financial assets						
Debt securities	₱13,094,519,490	₱13,094,519,490	₱-	₱-	₱-	₱-
Cash and cash equivalents	1,547,173,104	1,547,173,104	-	-	-	-
Loans and receivables - gross	720,864,875	-	-	-	-	720,864,875
Insurance receivables	228,559,008	-	-	-	-	228,559,008
Accrued income	195,234,986	195,234,986	-	-	-	-
	₱15,786,351,463	₱14,836,927,580	₱-	₱-	₱-	₱949,423,883

	2020					
	Total	AAA	Credit Rating			Unrated
			AA/A	BBB	BB/B	
AFS financial assets						
Debt securities	₱14,215,440,861	₱14,215,440,861	₱-	₱-	₱-	₱-
Cash and cash equivalents	1,205,799,791	1,205,799,791	-	-	-	-
Loans and receivables - gross	771,609,856	-	-	-	-	771,609,856
Insurance receivables	169,127,597	-	-	-	-	169,127,597
Accrued income	192,901,301	192,901,301	-	-	-	-
	₱16,554,879,406	₱15,614,141,953	₱-	₱-	₱-	₱940,737,453

Financial assets that passed the SPPI test have low credit risk as of December 31, 2021 and 2020.

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, 2021 and 2020, 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.

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).

As of December 31, 2021 and 2020, the Company's financial assets designated at FVPL include investments in government, 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.

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 or 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 or loss.

This accounting policy applies primarily to the Company’s policy and contract claims payable, policyholders’ dividends, 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, 2021 and 2020, 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 or 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 or loss - is removed from OCI and recognized in profit or 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 or 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 or 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 or 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 or 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.

The Company's policy to present right-of-use assets separately in 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 or loss in the year the asset is derecognized.

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Company's property and equipment and right-of-use assets. At each reporting date, the Company assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists 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 or 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 contract liabilities are recognized when the contracts are entered into and the premiums are recognized. The provision for life insurance contracts and riders for variable unit-linked are 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.

Insurance payable and Other liabilities

These accounts 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 or 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 or 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 or 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 or 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 under 'Legal policy reserves' 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 consist 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

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 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 Company'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.

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 or 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. 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. The risk-free discount rate shall be the equivalent zero-coupon spot and forward yield of the yield curve with matching duration for durations less than or equal to 20 years. 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:

	2021	2020
Legal policy reserves (Note 13)	₱10,509,773,238	₱12,159,541,816
Policy and contract claims payable (Note 14)	1,422,650,978	1,283,588,915
Policyholders' dividends (Note 15)	241,734,032	222,981,341
	₱12,174,158,248	₱13,666,112,072

(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 or loss and equity.

The carrying values AFS financial assets were ₱14.35 billion and ₱15.62 billion as of December 31, 2021 and 2020, 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 ₱2.01 million and ₱58.14 million in 2021 and 2020, 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 ₱0.60 million and ₱0.72 million in 2021 and 2020, 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, 2021 and 2020, the carrying amount of property and equipment were ₱127.76 million and ₱147.85 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, 2021 and 2020, 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.

The Company started to recognized the deferred tax assets of ₱114.29 million as of December 31, 2021 (see Note 28).



(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 ₱63.17 million and ₱86.13 million in 2021 and 2020, respectively (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:

	2021	2020
Cash on hand		
Petty cash funds and revolving funds	₱1,398,500	₱1,743,500
Cash in banks		
Commercial banks and trust companies	44,112,264	150,017,962
Thrift and rural banks	5,192,233	4,710,736
Cash equivalents	1,497,868,607	1,051,071,093
	₱1,548,571,604	₱1,207,543,291

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 0.65% in 2021 and 0.01% to 2.25% in 2020. Interest income earned from cash and cash equivalents amounted to ₱2.78 million and ₱11.70 million in 2021 and 2020, respectively (see Note 23).

7. Insurance Receivables

This account consists of:

	2021	2020
Premiums due and uncollected	₱228,559,008	₱169,111,458
Reinsurance recoverable on paid losses	-	16,139
	₱228,559,008	₱169,127,597

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:

	2021	2020
AFS financial assets - net	₱14,352,214,373	₱15,622,763,048
Loans and receivables - net	715,813,495	767,155,688
	₱15,068,027,868	₱16,389,918,736



AFS financial assets

This account consists of:

	Cost		Fair Value	
	2021	2020	2021	2020
At fair value				
Government debt securities:				
Local currency	₱9,728,036,866	₱9,688,355,092	₱10,295,948,168	₱11,500,993,756
Foreign currency	2,297,921,664	2,220,440,835	2,434,367,621	2,487,021,355
Corporate debt securities:				
Local currency	372,206,004	235,000,000	364,203,701	227,425,750
Foreign currency	–	–	–	–
Equity securities:				
Common shares	598,413,996	304,496,861	757,772,998	461,289,864
Preferred shares	138,759	138,759	147,198	147,198
Seed capital in variable unit-linked segregated funds (Note 18)				
Local currency	333,347,426	179,937,609	349,566,033	197,205,521
Foreign currency	127,497,500	99,455,817	148,455,539	109,000,204
SLAMCI Mutual funds				
Local currency	530,302	504,000,000	538,115	504,000,000
Foreign currency	–	134,464,400	–	134,464,400
	13,458,092,517	13,366,289,373	14,350,999,373	15,621,548,048
At cost				
Equity securities- common shares	1,215,000	1,215,000	1,215,000	1,215,000
	₱13,459,307,517	₱13,367,504,373	₱14,352,214,373	₱15,622,763,048

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

	2021	2020
At January 1	₱162,983,598	₱104,846,477
Provision for impairment loss (Note 23)	2,012,219	58,137,121
At December 31	₱164,995,817	₱162,983,598

In 2021 and 2020, 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:

	2021	2020
At January 1	₱15,622,763,048	₱14,145,947,300
Additions	1,719,083,563	1,763,454,240
Maturities and disposals	(1,844,552,459)	(1,080,277,277)
Amortization of premium	(61,737,893)	(50,649,294)
Fair value gains (losses)	(1,341,008,106)	1,004,311,181
Foreign exchange adjustments	257,666,220	(160,023,102)
At December 31	₱14,352,214,373	₱15,622,763,048

Interest income from AFS financial assets amounted ₱696.63 million and ₱681.97 million, in 2021 and 2020, respectively (see Note 23).

Dividend income from AFS financial assets amounted to ₱9.26 million and ₱7.83 million in 2021 and 2020, respectively (see Note 23).



The government securities maintained at the Bureau of Treasury - Registry of Scripless Securities (BTR-Ross) amounted to ₱403.75 million in 2021 and ₱526.25 million in 2020. From these securities, ₱225.00 million were earmarked as non-tradable both in 2021 and 2020, pursuant to Section 203 in relation to Section 192 of the Insurance Code.

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

	2021	2020
At January 1	₱2,255,258,675	₱1,203,882,271
Fair value gains (losses)	(1,341,008,106)	1,004,311,181
Transferred to profit or loss (Note 23)		
Provision for impairment loss	2,012,219	58,137,121
Gain on sale of AFS financial assets	(23,355,932)	(11,071,898)
At December 31	₱892,906,856	₱2,255,258,675

“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

	2021	2020
Policy loans	₱573,185,173	₱609,874,173
Due from:		
Related parties (Note 32)	17,209,253	44,102,936
Employees	14,835,120	16,419,977
GEM trust fund (Notes 18 and 32)	2,144,209	5,336,870
Agents	1,661,108	1,825,812
Short-term investments	31,202,411	21,896,646
Others	80,627,601	72,153,442
	720,864,875	771,609,856
Less allowance for impairment losses	5,051,380	4,454,168
	₱715,813,495	₱767,155,688

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 8% and 6% per annum on Peso and US Dollar loans, respectively, equivalent to the ceiling rates mandated by the IC.

Interest earned on policy loans amounted to ₱51.27 million and ₱63.21 million in 2021 and 2020, respectively (see Note 23).

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

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 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 include investments receivable and receivable from hospital charges which represents excess in the hospital benefit limit. These are non-interest-bearing receivables which are due and demandable.

Movements in the allowance for impairment losses follow:

	2021	2020
At January 1	₱4,454,168	₱3,733,964
Provision for impairment loss (Note 26)	597,212	720,204
At December 31	₱5,051,380	₱4,454,168

9. Investments in Subsidiaries

This account consists of:

	2021	2020
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	
	2021	2020
GRHC	51%	51%
GAMC	100%	100%

All subsidiaries were incorporated in the Philippines.

	Principal Activities	Principal Address
Grepa Realty Holdings Corporation (GRHC)	Engaged in owning and managing building units	Makati, Philippines
Grepalife Asset Management Corporation (GAMC)	Provide management and technical advice and services to mutual fund companies	Makati, 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 and was approved on March 16, 2018. On March 9, 2018, GLFAC declared liquidating dividends of ₱590.87 million. The Company recognized a gain of nil in 2021 and ₱5.36 million in 2020 from the liquidation of GLFAC (see Note 23).



As of and for the periods ended December 31, 2021 and 2020, financial information of GLFAC are as follows:

	2021	2020
Total assets	₱7,302,273	₱6,002,225
Total liabilities	-	-
Total revenues	60	130
Net income	48	104

On December 6, 2018, the BOD of GAMC approved the shortening of its corporate life until December 31, 2020. 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.

On February 13, 2020, the Makati City local government unit has issued the Certificate of Business Retirement to GAMC. On March 11, 2020, GAMC submitted its application for business retirement with the Bureau of Internal Revenue (BIR). On December 3, 2020, the BIR advised that GAMC's tax returns were end-dated in the BIR's system effective November 20, 2020. On December 16, 2020, SEC approved GAMC's application to withdraw its Investment Company Adviser (ICA) license. To date, GAMC is awaiting the letter of authority from the BIR for the final submission of short-period tax returns and financial statements. Likewise, GAMC is yet to submit its application for the amendment of its Articles of Incorporation to the SEC for the shortening of its corporate life.

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, 2021 and 2020.

Financial information of significant investments in subsidiaries follows:

GRHC

	2021	2020
Total assets	₱1,693,175,946	₱1,595,971,343
Total liabilities	45,148,381	65,497,576
Total revenues	131,359,602	137,383,030
Net income	48,645,380	50,550,853

GAMC

	2021	2020
Total assets	₱59,423,486	₱59,423,608
Total liabilities	674,378	617,191
Total revenues	635,712	1,202,675
Net loss	(57,309)	(1,193,583)



10. Accrued Income

This account consists of:

	2021	2020
Interest	₱195,019,116	₱192,682,004
Dividend	215,870	219,297
	₱195,234,986	₱192,901,301

Interest receivable includes interest accrued arising from cash in banks, cash equivalents, AFS debt securities and policy loans.

Interest receivable rates from cash and cash equivalents ranges from 0.01% to 0.65% in 2021 and 0.01% to 2.25% in 2020. AFS debt securities have interest rates ranging from 2.63% to 12.50% in 2021 and 3.62% to 11.25% in 2020. Interest receivable rates from policy loans ranges from 6% to 8% in 2021 and 2020.

Dividend receivable represents dividends accrued arising from AFS equity securities.

11. Property and Equipment and Right-of-use Assets

The rollforward analyses of this account follow:

	2021					
	Building and Leasehold Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total Property and Equipment	Right-of-use Assets - Building	Total – Property and Equipment and Right -of-use Assets
Cost						
At January 1	₱193,345,128	₱68,459,958	₱435,012,167	₱696,817,253	₱152,676,099	₱849,493,352
Additions	14,336,334	6,353,600	13,280,223	33,970,157	16,144,189	50,114,346
Disposals	–	(1,199,778)	(1,699,051)	(2,898,829)	–	(2,898,829)
At December 31	207,681,462	73,613,780	446,593,339	727,888,581	168,820,288	896,708,869
Accumulated Depreciation						
At January 1	122,494,019	55,461,108	371,016,056	548,971,183	64,939,417	613,910,600
Depreciation	17,340,343	8,814,491	26,707,708	52,862,542	40,013,329	92,875,871
Disposals	–	(1,100,048)	(606,450)	(1,706,498)	–	(1,706,498)
At December 31	139,834,362	63,175,551	397,117,314	600,127,227	104,952,746	705,079,973
Net Book Value	₱67,847,100	₱10,438,229	₱49,476,025	₱127,761,354	₱63,867,542	₱191,628,896

	2020					
	Building and Leasehold Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total Property and Equipment	Right-of-use Assets - Building	Total – Property and Equipment and Right -of-use Assets
Cost						
At January 1	₱192,856,248	₱61,700,655	₱398,010,138	₱652,567,041	₱149,046,048	₱801,613,089
Additions	488,880	8,569,219	37,059,029	46,117,128	3,630,051	49,747,179
Disposals	–	(1,809,916)	(57,000)	(1,866,916)	–	(1,866,916)
At December 31	193,345,128	68,459,958	435,012,167	696,817,253	152,676,099	849,493,352
Accumulated Depreciation						
At January 1	109,653,883	47,607,645	341,206,206	498,467,734	31,895,504	530,363,238
Depreciation	16,666,545	9,164,731	30,313,360	56,144,636	33,043,913	89,188,549
Adjustments	(3,826,409)	–	(503,510)	(4,329,919)	–	(4,329,919)
Disposals	–	(1,311,268)	–	(1,311,268)	–	(1,311,268)
At December 31	122,494,019	55,461,108	371,016,056	548,971,183	64,939,417	613,910,600
Net Book Value	₱70,851,109	₱12,998,850	₱63,996,111	₱147,846,070	₱87,736,682	₱235,582,752



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

	2021	2020
General and administrative expenses (Note 26)	₱78,003,901	₱74,282,523
Commissions and other direct expenses (Note 26)	14,871,970	14,906,026
	₱92,875,871	₱89,188,549

The disposal of assets resulted to ₱0.22 million gain and ₱0.08 million loss in 2021 and 2020, respectively.

12. Other Assets

This account consists of:

	2021	2020
Refundable deposits	₱47,139,765	₱46,100,643
Creditable withholding taxes	14,283,105	-
Prepaid expenses	13,764,058	12,165,869
Input VAT	1,245,570	996,782
Deferred input VAT	-	6,124,866
	₱76,432,498	₱65,388,160

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.

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.

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

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

Deferred input VAT pertains to input VAT on policy admin fees payable to Sun Life of Canada, Philippines.

13. Legal Policy Reserves

Insurance contract liabilities may be analyzed as follows:

	2021			2020		
	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
Ordinary life	₱10,257,269,020	₱3,146,152	₱10,254,122,868	₱11,819,832,454	₱2,746,002	₱11,817,086,452
Group life	540,055,611	2,416,846	537,638,765	569,421,723	2,876,730	566,544,993
Accident and health	71,774,871	-	71,774,871	64,998,002	-	64,998,002
Variable life	(349,107,449)	4,655,817	(353,763,266)	(285,370,640)	3,716,991	(289,087,631)
	₱10,519,992,053	₱10,218,815	₱10,509,773,238	₱12,168,881,539	₱9,339,723	₱12,159,541,816



The insurance contract liabilities include unearned premium reserves (UPR) which amounted to ₱261.66 million and ₱241.57 million as of December 31, 2021 and 2020, respectively.

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

	2021	2020
At January 1	₱12,159,541,816	₱11,609,623,574
Due to change in discount rates	(1,294,564,473)	1,911,605,410
Due to change in policies and assumptions	(355,204,105)	(1,361,687,168)
At December 31	₱10,509,773,238	₱12,159,541,816

The movements in UPR are included in due to changes in policies and assumptions.

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:

	2021	2020
At January 1	(₱3,153,088,310)	(₱1,241,482,900)
Net increase due to change in discount rate	1,294,564,473	(1,911,605,410)
At December 31	(₱1,858,523,837)	(₱3,153,088,310)

14. Policy and Contract Claims Payable

This account consists of:

	2021	2020
Claims payable	₱861,160,352	₱727,300,891
Maturities and surrenders payable	561,490,626	556,288,024
	₱1,422,650,978	₱1,283,588,915

The rollforward analysis of policy and contract claims payable follow:

	2021	2020
At January 1	₱1,283,588,915	₱922,569,159
Arising during the year (Note 25)	7,236,421,138	6,315,213,420
Paid during the year	(7,097,359,075)	(5,954,193,664)
At December 31	₱1,422,650,978	₱1,283,588,915

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 provision for IBNR claims amounted to ₱172.28 million and ₱145.55 million as of December 31, 2021 and 2020, 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:

	2021	2020
At January 1	₱222,981,341	₱207,524,059
Accrual (Note 25)	25,958,624	22,172,183
Interest (Note 26)	6,802,207	6,480,221
Payment	(14,008,140)	(13,195,122)
At December 31	₱241,734,032	₱222,981,341

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 ₱6.80 million and ₱6.48 million in 2021 and 2020, 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 2021 and 2020. Interest expense of the Company related to premium deposit fund amounted to ₱10.91 million and ₱8.83 million in 2021 and 2020, respectively (see Note 26).

17. Insurance Payables

This account consists of:

	2021	2020
Life insurance deposits	₱241,761,817	₱223,986,994
Subscriptions to variable unit-linked funds (Note 18)	59,341,703	106,173,021
Due to reinsurers	7,588,216	10,042,451
	₱308,691,736	₱340,202,466

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:

	2021	2020
Variable-unit linked fund	₱32,769,706,843	₱29,423,265,180
GEM trust fund	88,715,817	81,480,044
	₱32,858,422,660	₱29,504,745,224



Variable-Unit Linked (VUL) Fund

This fund consists of:

	2021	2020
Net asset value of segregated funds	₱33,267,728,415	₱29,729,470,905
Seed capital in segregated funds (Note 8)	(498,021,572)	(306,205,725)
	₱32,769,706,843	₱29,423,265,180

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

	2021	2020
At January 1	₱29,423,265,180	₱29,493,086,908
Subscriptions allocated to unit-linked funds (Note 22)	6,903,277,118	4,328,355,304
Investment income (loss) - net (Note 23)	1,787,406,971	(317,217,175)
Withdrawals and redemptions (Note 25)	(5,344,242,426)	(4,080,959,857)
Net change in variable unit-linked	3,346,441,663	(69,821,728)
At December 31	₱32,769,706,843	₱29,423,265,180

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:

	2021	2020
Fair value gains (losses)	₱1,151,244,692	(₱867,769,872)
Dividend income	444,776,832	329,174,245
Interest income	197,088,733	225,980,345
Investment expense	(5,703,286)	(4,601,893)
Investment income (loss) - net	₱1,787,406,971	(₱317,217,175)

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-linked 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 available in Philippine Peso and US Dollar currencies. Money Market Fund is designed to maximize yields on short to medium-term placements while ensuring adequate liquidity for the policy owners.

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.

Opportunity Tracker Fund

The Fund provides a middle ground between equity and fixed income asset classes by utilizing an indexing strategy, which tracks the performance of the Philippine Stock Exchange Index (PSEi) and the portfolio duration of the Bloomberg Phil Sovereign Bond Index AI (BPHILR).

Global Opportunity Payout

The Fund gain convenient access to a mix of equity-centric and fixed income-centric global funds that may not be readily available to retail client.



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

	2021												
	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	₱79,206,952	₱250,949,065	₱41,641,070	₱31,081,968	₱50,860,475	₱-	₱490,935	₱-	₱5,187,072	(₱2,359,209)	₱457,058,328	(₱881,256)	₱456,177,072
Balanced Fund	11,744,292	335,728,992	941,525,589	53,937,112	77,508,254	-	1,229,816	1,223,751	8,447,265	(11,923,000)	1,419,422,071	(3,289,974)	1,416,132,097
Equity Fund	59,727,314	-	985,035,701	-	-	-	1,582,612	9,738,770	629,105	(12,715,000)	1,043,998,502	(15,665,707)	1,028,332,795
Growth Fund	52,538,497	-	1,227,456,103	-	-	-	(104,249)	8,345,017	793,661	(12,576,000)	1,276,453,029	(12,227,797)	1,264,225,232
Opportunity Fund	56,579,309	669,957,172	2,302,023,281	223,342,371	302,171,468	-	8,005,707	-	23,023,651	(12,370,000)	3,572,732,959	(39,939,501)	3,532,793,458
Income Fund	43,148,419	422,972,798	77,225,817	124,318,503	187,789,011	-	-	601,886	11,049,531	(2,376,824)	864,729,141	(1,812,189)	862,916,952
Dynamic	94,750,072	196,690,940	1,383,236,149	-	-	-	(55,918)	41,653,346	4,018,846	(9,205,000)	1,711,088,435	(65,740,360)	1,645,348,075
Index	45,826,795	-	5,060,506,135	-	-	-	23,459,530	-	1,900,036	(8,407,000)	5,123,285,496	(12,885,698)	5,110,399,798
Captains	36,043,853	-	1,305,689,693	-	-	-	4,388,097	6,644,810	1,759,211	(9,428,000)	1,345,097,664	(14,077,690)	1,331,019,974
Money Market	832,788	-	23,900,809	-	-	-	(490)	-	-	(10,303,000)	14,430,107	(11,980)	14,418,127
My Future 2025	1,090,825	457,659,265	159,945,458	-	-	-	(393,472)	-	7,629,020	(10,318,000)	615,613,096	(2,763,233)	612,849,863
My Future 2030	11,843,762	62,194,416	116,428,101	-	-	-	163,591	-	1,045,165	(9,658,000)	182,017,035	(578,076)	181,438,959
My Future 2035	2,409,276	14,533,463	66,411,123	-	-	-	100,741	-	150,763	(9,309,000)	74,296,366	(193,052)	74,103,314
My Future 2040	3,311,261	15,437,844	83,950,596	-	-	-	33,708	-	286,031	(9,481,000)	93,538,440	(255,727)	93,282,713
Growth Plus	292,493,789	-	7,032,318,668	-	-	-	5,253,433	-	1,602,786	(9,152,000)	7,322,516,676	(14,936,398)	7,307,580,278
MyFuture 2045	908,340	6,824,004	44,158,085	-	-	-	(516)	-	176,807	(51,775,000)	291,720	(135,897)	155,823
MyFuture 2050	862,765	6,824,004	44,073,523	-	-	-	-	-	176,769	(51,775,000)	162,061	(135,640)	26,421
MyFuture 2055	989,885	6,824,004	44,103,546	-	-	-	(100)	-	177,047	(51,825,000)	269,382	(135,861)	133,521
Global Opportunity	144,039,601	99,855,292	2,452,251,819	-	-	-	2,095,364	-	461,002	(34,885,866)	2,663,817,212	(35,733,509)	2,628,083,703
Global Income	22,927,019	50,151,933	736,336,185	-	-	-	(5,933)	-	337,112	(25,976,341)	783,769,975	(1,415,159)	782,354,816
Global Growth Fund	47,236,136	-	2,136,556,673	-	-	-	502,701	-	13	(36,349,537)	2,147,945,986	(4,170,568)	2,143,775,418
Global Asset Builder - PriMO	-	-	-	-	-	763,233,399	(4,583,790)	-	-	-	758,649,609	-	758,649,609
Peso Asset Builder - PriMO	-	-	-	-	-	386,631,280	-	-	-	-	386,631,280	-	386,631,280
Dollar Money Market	442,213	-	28,732,526	-	-	-	-	-	-	(25,575,999)	3,598,740	(14,312)	3,584,428
Opportunity Tracker	11,311,239	151,288,779	138,308,842	-	-	-	2,683,360	-	1,681,691	(54,610,000)	250,663,911	(924,342)	249,739,569
Global Opportunity Payout	16,155,308	-	882,090,005	-	-	-	14,496,576	-	4	(25,667,796)	887,074,096	(1,520,548)	885,553,548
	₱1,036,419,710	₱2,747,891,971	₱27,313,905,497	₱432,679,954	₱618,329,208	₱1,149,864,679	₱59,341,703	₱68,207,580	₱70,532,588	(₱498,021,572)	₱32,999,151,317	(₱229,444,474)	₱32,769,706,843



	2020												
	Cash and cash equivalents	Government debt securities	Equity securities	Corporate loans	Private peso bonds	Structured notes	Subscriptions receivable/ payable (Note 17)	Investment receivable	Accrued income	Seed capital	Total Assets	Accounts payable and accrued expenses	Net Assets
Bond Fund	₱3,767,301	₱347,975,870	₱21,935,938	₱33,740,930	₱53,924,335	₱-	₱708,892	₱81,055	₱6,170,047	(₱2,467,840)	₱465,836,528	(₱1,163,703)	₱464,672,825
Balanced Fund	13,545,917	436,349,057	876,301,489	58,322,544	82,991,168	-	8,706,325	138,694	9,157,578	(12,438,000)	1,473,074,772	(4,968,193)	1,468,106,579
Equity Fund	12,361,971	14,058,890	811,267,603	-	7,968,000	-	4,216,717	3,028,702	565,620	(12,376,000)	841,091,503	(6,524,765)	834,566,738
Growth Fund	45,779,444	19,091,520	1,115,039,346	-	4,980,000	-	4,304,339	2,316	665,628	(12,236,000)	1,177,626,593	(31,048,055)	1,146,578,538
Opportunity Fund	13,139,234	984,222,211	2,331,557,506	238,784,158	325,152,490	-	1,777,065	727,667	28,900,386	(12,907,000)	3,911,353,717	(13,007,920)	3,898,345,797
Income Fund	11,125,012	649,009,115	6,295,222	132,585,842	202,171,271	-	2,369,783	410,742	16,714,558	(2,475,681)	1,018,205,864	(2,681,996)	1,015,523,868
Dynamic Fund	76,847,564	214,466,240	1,451,774,003	-	-	-	(13,925)	-	6,339,559	(8,832,000)	1,740,581,441	(32,609,278)	1,707,972,163
Index Fund	49,762,556	-	3,875,805,961	-	-	-	38,713,363	-	2,007,109	(8,355,000)	3,957,933,989	(19,998,394)	3,937,935,595
Captains Fund	37,159,467	-	863,570,350	-	-	-	8,171,428	-	992,095	(9,605,000)	900,288,340	(1,894,764)	898,393,576
Money Market Fund	2,380,056	-	43,014,651	-	-	-	-	6	(10,170,000)	35,224,713	(27,174)	35,197,539	
My Future 2025	15,926,859	543,469,917	185,573,711	-	-	-	(1,296,062)	-	8,284,945	(10,633,000)	741,326,370	(3,231,785)	738,094,585
My Future 2030	4,610,576	61,464,796	118,497,961	-	-	-	282,938	-	884,742	(9,992,000)	175,749,013	(558,860)	175,190,153
My Future 2035	2,368,764	16,194,536	65,972,293	-	-	-	110,883	-	137,724	(9,480,000)	75,304,200	(197,932)	75,106,268
My Future 2040	3,351,569	14,616,250	81,059,103	-	-	-	22,911	-	233,058	(9,623,000)	89,659,891	(245,061)	89,414,830
Growth Plus	408,495,925	-	6,208,058,693	-	-	-	11,885,302	-	4,620,006	(8,705,000)	6,624,354,926	(14,018,318)	6,610,336,608
Global Opportunity	32,706,736	48,229,249	2,167,374,482	-	-	-	5,518,281	-	123,774	(29,997,567)	2,223,954,955	(4,613,514)	2,219,341,441
Global Income	16,436,627	57,802,148	599,033,457	-	-	-	(17,829)	-	147,050	(25,713,915)	647,687,538	(1,222,510)	646,465,028
Global Growth Fund	25,899,868	-	900,404,488	-	-	-	25,986,838	-	4	(29,274,821)	923,016,377	(8,537,130)	914,479,247
Global Asset Builder – Emerging Asia 2	-	-	-	-	-	834,167,348	(1,469,552)	-	-	-	832,697,796	-	832,697,796
Global Asset Builder – Emerging Asia 3	-	-	-	-	-	447,322,460	(1,544,578)	-	-	-	445,777,882	-	445,777,882
Global Asset Builder – PriMO	-	-	-	-	-	805,494,628	(4,316,306)	-	-	-	801,178,322	-	801,178,322
Peso Asset Builder - PriMO	-	-	-	-	-	422,034,690	-	-	-	-	422,034,690	-	422,034,690
Dollar Money Market	1,234,161	-	22,793,221	-	-	-	-	-	-	(24,013,901)	13,481	(12,490)	991
Opportunity Tracker	6,990,743	29,147,634	67,698,469	-	-	-	2,056,208	-	444,397	(56,910,000)	49,427,451	(3,573,330)	45,854,121
	₱783,890,350	₱3,436,097,433	₱21,813,027,947	₱463,433,474	₱677,187,264	₱2,509,019,126	₱106,173,021	₱4,389,176	₱86,388,286	(₱306,205,725)	₱29,573,400,352	(₱150,135,172)	₱29,423,265,180



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 2021 and 2020, respectively.

Equity securities

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

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.

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.

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:

	2021			Total
	Level 1	Level 2	Level 3	
Segregated fund assets				
Government debt securities	P-	P2,747,891,971	P-	P2,747,891,971
Equity securities	27,313,905,497	-	-	27,313,905,497
Private peso bonds	-	618,329,208	-	618,329,208
Corporate loans	-	-	432,679,954	432,679,954
Structured notes	-	-	1,149,864,679	1,149,864,679
	P27,313,905,497	P2,749,139,582	P2,199,626,230	P32,262,671,309



	2020			Total
	Level 1	Level 2	Level 3	
Segregated fund assets				
Government debt securities	₱-	₱3,436,097,433	₱-	₱3,436,097,433
Equity securities	21,813,027,947	-	-	21,813,027,947
Private peso bonds	-	677,187,264	-	677,187,264
Corporate loans	-	-	463,433,474	463,433,474
Structured notes	-	-	2,509,019,126	2,509,019,126
	₱21,813,027,947	₱4,113,284,697	₱2,972,452,600	₱28,898,765,244

Following are the stress testing schedules of the unit-linked financial assets classified as level 3 as of December 31, 2021:

1. Sun Grepa Global Asset Builder - PriMO

Bloomberg ISIN	XS1792287267		
Maturity	17-Dec-25		
Valuation Date	31-Dec-21		
Note Provider	Goldman Sachs		
Remaining Time to Maturity	3.96		
	<i>assume this is duration factor for the scenario/stress testing, given ZCB duration = remaining tenor</i>		
Option Value	3.10%		
Fixed Income Value	97.50%		
Total	100.60%		
	<i>figures as disclosed by counterparty as of end-2021</i>		
	Scenario 1	Scenario 2	Scenario 3
Current Value	100.60%	100.60%	100.60%
USD IRS	-0.04%	-0.04%	-0.02%
ROP CDS	-1.17%	-0.67%	-0.20%
GS CDS	-0.65%	-0.24%	-0.23%
Fixed Income Level	98.74%	99.65%	100.15%
Option Sensitivity	-3.10%	-3.10%	-3.10%
MTM Level	95.64%	96.55%	97.05%

2. Sun Grepa Peso Asset Builder - PriMO

Bloomberg ISIN	XS1934993764		
Maturity	04-Mar-26		
Valuation Date	31-Dec-21		
Note Provider	Goldman Sachs		
Remaining Time to Maturity	4.18		
	<i>assume this is duration factor for the scenario/stress testing, given ZCB duration = remaining tenor</i>		
Option Value	2.60%		
Fixed Income Value	96.40%		
Total	99.00%		
	<i>figures as disclosed by counterparty as of end-2021</i>		
	Scenario 1	Scenario 2	Scenario 3
Current Value	99.00%	99.00%	99.00%
PHP NDS	-0.08%	-0.08%	-0.04%
ROP CDS	-1.24%	-0.70%	-0.21%
GS CDS	-0.68%	-0.26%	-0.25%
Fixed Income Level	97.00%	97.96%	105.75%
Option Sensitivity	-2.60%	-2.60%	-2.00%
MTM Level	94.40%	95.36%	103.75%



Following are the stress testing schedules of the unit-linked financial assets classified as level 3 as of December 31, 2020:

3. Sun Grepa Global Asset Builder - Emerging Asia 2

Bloomberg ISIN	XS1062046161		
Maturity	29-Apr-21		
Valuation Date	31-Dec-20		
Note Provider	ING Bank N.V.		
Remaining Time to Maturity	0.33		<i>assume this is duration factor for the scenario/stress testing, given ZCB duration = remaining tenor</i>
Option Value	0.00%		
Fixed Income Value	99.84%		
Total	99.84%		<i>figures as disclosed by counterparty as of end-2020</i>
	Scenario 1	Scenario 2	Scenario 3
Current Value	99.84%	99.84%	99.84%
USD IRS	0.00%	0.00%	0.00%
ROP CDS	-0.47%	0.00%	0.08%
ING CDS	-0.17%	0.02%	0.04%
Fixed Income Level	99.19%	99.85%	99.96%
Option Sensitivity	0.00%	0.00%	0.00%
MTM Level	99.19%	99.85%	99.96%

4. Sun Grepa Global Asset Builder - Emerging Asia 3

Bloomberg ISIN	XS1112847766		
Maturity	29-Sep-21		
Valuation Date	31-Dec-20		
Note Provider	ING Bank N.V.		
Remaining Time to Maturity	0.76		<i>assume this is duration factor for the scenario/stress testing, given ZCB duration = remaining tenor</i>
Option Value	0.00%		
Fixed Income Value	97.14%		
Total	97.14%		<i>figures as disclosed by counterparty as of end-2020</i>
	Scenario 1	Scenario 2	Scenario 3
Current Value	97.14%	97.14%	97.14%
USD IRS	-0.01%	-0.01%	-0.01%
ROP CDS	-1.14%	-0.02%	0.19%
ING CDS	-0.01%	-0.01%	-0.01%
Fixed Income Level	95.98%	97.10%	97.32%
Option Sensitivity	0.00%	0.00%	0.00%
MTM Level	95.98%	97.10%	97.32%

5. Sun Grepa Global Asset Builder - PriMO

Bloomberg ISIN	XS1792287267		
Maturity	17-Dec-25		
Valuation Date	31-Dec-20		
Note Provider	Goldman Sachs		
Remaining Time to Maturity	4.96		<i>assume this is duration factor for the scenario/stress testing, given ZCB duration = remaining tenor</i>
Option Value	2.20%		
Fixed Income Value	106.40%		
Total	108.60%		<i>figures as disclosed by counterparty as of end-2020</i>
	Scenario 1	Scenario 2	Scenario 3
Current Value	108.60%	108.60%	108.60%
USD IRS	-0.07%	-0.06%	-0.05%
ROP CDS	-7.47%	-0.16%	1.27%
GS CDS	-8.06%	-0.02%	0.91%
Fixed Income Level	92.99%	108.37%	110.73%
Option Sensitivity	-2.20%	-2.20%	-2.20%
MTM Level	90.79%	106.17%	108.53%



6. Sun Grepa Peso Asset Builder - PriMO

Bloomberg ISIN	XS1934993764	
Maturity	04-Mar-26	
Valuation Date	31-Dec-20	
Note Provider	Goldman Sachs	
Remaining Time to Maturity	5.18	<i>assume this is duration factor for the scenario/stress testing, given ZCB duration = remaining tenor</i>
Option Value	2.00%	
Fixed Income Value	101.50%	
Total	103.50%	<i>figures as disclosed by counterparty as of end-2020</i>

	Scenario 1	Scenario 2	Scenario 3
Current Value	103.50%	103.50%	103.50%
PHP NDS	-0.10%	-0.01%	-0.03%
ROP CDS	-7.79%	-0.16%	1.32%
GS CDS	-8.41%	0.02%	0.95%
Fixed Income Level	87.19%	103.31%	105.75%
Option Sensitivity	-2.00%	-2.00%	-2.00%
MTM Level	85.19%	101.31%	103.75%

The rollforward analysis of structured notes follows:

	Structured notes - ING Bank N.V.		Structured notes - Goldman Sachs	
	2021	2020	2021	2020
Beginning balance	₱1,281,489,808	₱2,230,182,979	₱1,227,529,319	₱1,239,005,348
Disposals/maturities	(1,281,489,808)	(18,644,187)	(140,802,372)	(266,390)
Fair value gains/(losses)	-	(930,048,984)	63,137,732	(11,209,640)
Ending balance	₱-	₱1,281,489,808	₱1,149,864,679	₱1,227,529,318

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, 2021 and 2020, the Company recognized the net assets of the GEM trust fund on its books amounting to ₱88.72 million and ₱81.48 million, respectively. The same amount is recorded as part of the segregated fund liabilities.

The details of the GEM trust fund are presented below:

	2021	2020
Assets		
Cash and cash equivalents	₱16,649,616	₱15,157,762
Investment in equity securities	60,614,823	47,661,806
Investment in government securities	6,839,655	14,089,015
Investment in mutual fund	5,539,451	5,539,451
Investment receivables	49,871	66,447
	89,693,416	82,514,481
Liabilities		
Accounts payable and accrued expenses	977,599	1,034,437
	₱88,715,817	₱81,480,044



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.

	2021	2020
Net Liabilities		
Accounts payable and accrued expenses	(₱1,166,610)	(₱4,302,433)
Due to general fund (Note 8)	2,144,209	5,336,870
	₱977,599	₱1,034,437

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:

	2021	2020
Accrued expenses	₱204,477,349	₱148,234,425
Due to a related party (Note 32)	75,033,770	99,765,519
Taxes payable	40,682,544	37,971,896
Accounts payable	32,368,999	12,685,665
	₱352,562,662	₱298,657,505

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, 2021, and 2020, 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

On March 10, 2021, the Company has declared cash dividends amounting to ₱8.571 per share totaling to ₱300.00 million in favor of the stockholders of record as of December 31, 2020. The dividend was paid on April 15, 2021.

On March 4, 2020, the Company has declared cash dividends amounting to ₱8.571 per share totaling to ₱300.00 million in favor of the stockholders of record as of December 31, 2019. The dividend was paid on May 27, 2020.

The retained earnings available for dividend declaration amounted to ₱4.90 billion and ₱4.64 billion as of December 31, 2021 and 2020, respectively.

Under IC Circular Letter 2016-66, for traditional life insurance policy where the calculation based on the gross premium valuation results in a negative reserve, the Company shall appropriate from the unassigned surplus an amount equal to the aggregate of the negative reserves calculated on a per policy basis. The total amount of negative reserves is ₱672.20 million and ₱487.23 million as of December 31, 2021 and 2020, respectively. The appropriated surplus on account of the negative reserves are not available for dividend declaration. On March 10, 2021, the BOD approved the appropriation of the retained earnings for negative reserves amounting to ₱487.23 million as of December 31, 2020. As per Board Resolution dated March 10, 2021, the BOD delegated / authorized the President or the Treasurer to make annual appropriation of retained earnings on account of negative reserves. The appropriation for December 31, 2021 negative reserves was approved by the Treasurer on January 20, 2022 while the negative reserves as of December 31, 2020 was approved by the BOD on March 10, 2021.

22. Net Insurance Premiums

Gross earned premiums on insurance contracts:

	2021	2020
Variable life (Note 18)	₱6,903,277,118	₱4,328,355,304
Group life insurance	1,825,033,003	1,372,673,297
Ordinary life insurance	892,391,228	758,913,520
Reinsurance assumed	219,649	2,453,007
	₱9,620,920,998	₱6,462,395,128

Reinsurers' share of gross premiums on insurance contracts:

	2021	2020
Ordinary life insurance	₱16,710,936	₱10,533,016
Group life insurance	7,843,650	11,409,755
	₱24,554,586	₱21,942,771



23. Investment Income (Loss) - net

Investment income (loss) - net account consists of:

	2021	2020
Interest income on:		
AFS financial assets (Note 8)	₱696,633,240	₱681,974,198
Policy loans (Note 8)	51,274,887	63,211,595
Cash and cash equivalents (Note 6)	2,780,542	11,695,032
	750,688,669	756,880,825
Gain on sale of AFS financial assets (Note 8)	23,355,932	11,071,898
Dividend income (Note 8)	9,264,178	7,825,673
Gain on liquidation of Investment in subsidiary (Note 9)	-	5,358,888
Impairment loss on AFS financial assets (Note 8)	(2,012,219)	(58,137,121)
General fund	781,296,560	723,000,163
Segregated funds (Note 18)	1,787,406,971	(317,217,175)
Total	₱2,568,703,531	₱405,782,988

24. Fee Income

This account consists of:

	2021	2020
Management fees	₱566,131,296	₱464,399,944
Cost of insurance	330,790,914	290,327,267
Periodic charges	280,279,252	282,979,296
Policy administration fees	22,809,037	8,795,443
	₱1,200,010,499	₱1,046,501,950

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.

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

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.

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:

	2021	2020
Claims	₱1,222,494,898	₱681,311,908
Maturities and surrenders	654,132,132	1,532,765,226
Policyholder's dividends	25,958,624	22,172,183
Experience refunds	15,551,682	20,176,430
General fund	1,918,137,336	2,256,425,747
Segregated funds (Note 18)	5,344,242,426	4,080,959,857
Insurance contract benefits and claims incurred (Notes 14 and 15)	7,262,379,762	6,337,385,604
Reinsurers' share	(4,478,317)	(2,399,332)
	₱7,257,901,445	₱6,334,986,272

Gross insurance contract benefits and claims paid arise from:

	2021	2020
Ordinary life insurance	₱1,106,824,324	₱1,731,150,010
Group life insurance	811,313,012	525,275,737
	₱1,918,137,336	₱2,256,425,747

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

	2021	2020
Ordinary life insurance	₱4,196,317	₱1,987,250
Group life insurance	282,000	412,082
	₱4,478,317	₱2,399,332

The changes in legal policy reserves follow:

	2021		
	Gross change in legal policy reserves	Reinsurers' share of change in legal policy reserves	Net
Ordinary life insurance	(₱1,562,563,434)	₱400,150	(₱1,562,963,584)
Group life insurance	(29,366,112)	(459,884)	(28,906,228)
Accident and health	6,776,869	–	6,776,869
Variable unit-linked policies	(63,736,809)	938,826	(64,675,635)
Sub-total	(1,648,889,486)	879,092	(1,649,768,578)
Net decrease due to change in discount rate	1,294,564,473	–	1,294,564,473
	(₱354,325,013)	₱879,092	(₱355,204,105)



	2020		Net
	Gross change legal policy reserves	Reinsurers' share of change in legal policy reserves	
Ordinary life insurance	₱706,566,306	(₱243,139)	₱706,809,445
Group life insurance	(64,911,455)	(1,851,749)	(63,059,706)
Accident and health	3,181,643	(583,412)	3,765,055
Variable unit-linked policies	(97,596,552)	–	(97,596,552)
Sub-total	547,239,942	(2,678,300)	549,918,242
Net increase due to change in discount rate	(1,911,605,410)	–	(1,911,605,410)
	(₱1,364,365,468)	(₱2,678,300)	(₱1,361,687,168)

26. Expenses

Commissions and other direct expenses consist of:

	2021	2020
Commissions	₱1,033,216,455	₱671,505,603
Salaries, wages and benefits (Note 27)	205,954,367	203,880,125
Trainings, conventions and meetings	51,368,009	41,756,867
Contracted services (Note 32)	49,981,278	44,913,206
Rent	20,898,172	13,989,599
Depreciation and amortization (Note 11)	14,871,970	14,906,026
Office supplies	6,451,569	5,553,327
Others	4,946,613	13,519,001
	₱1,387,688,433	₱1,010,023,754

General and administrative expenses consist of:

	2021	2020
Contracted services (Note 32)	₱307,470,928	₱283,074,211
Salaries, wages and benefits (Note 27)	221,419,297	197,678,677
Depreciation and amortization (Note 11)	78,003,901	74,282,523
EDP expenses	37,449,949	45,092,998
Professional fees	33,340,316	28,816,371
Office supplies	31,371,252	23,848,251
Taxes and licenses	29,552,969	30,450,076
Membership fees	22,894,861	21,443,811
Trainings, conventions and meetings	19,733,176	28,459,506
Rent	19,480,892	27,626,940
Communication	16,124,947	14,234,280
Transportation and travel	10,922,906	17,970,644
Advertising	8,971,536	7,179,029
Bank service fees	8,033,021	6,652,451
Utilities	4,410,275	3,506,702
Repairs and maintenance	3,109,941	2,029,995
Insurance cost	1,773,680	4,912,283

(Forward)



	2021	2020
Donation and dues	₱811,456	₱494,546
Provision for impairment losses (Note 8)	597,212	720,204
Entertainment, amusement and recreation	(943,245)	4,705,572
Others	45,484,931	23,720,082
	₱900,014,201	₱846,899,152

Interest expense arises from:

	2021	2020
Premium deposit fund (Note 16)	₱10,914,605	₱8,831,398
Policyholders' dividends (Note 15)	6,802,207	6,480,221
Interest accretion on lease liabilities (Note 33)	5,036,716	5,887,183
	₱22,753,528	₱21,198,802

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 (RCBC), 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:

	2021	2020
At January 1	(₱167,429,100)	(₱133,987,600)
Actuarial losses (gains) on:		
Experience adjustments	13,620,800	6,335,900
Change in financial assumptions changes	(29,571,300)	25,794,000
Actuarial losses (gains) during the period	(15,950,500)	32,129,900
Return on plan assets (excluding amount included in net interest cost)	605,800	1,311,600
Deferred tax impact	(38,021,100)	-
Remeasurement effects recognized in OCI	(53,365,800)	33,441,500
At December 31	(₱114,063,300)	(₱167,429,100)



Changes in net pension liability follow:

2021										
	Net benefit cost in statement of income				Benefits paid	Remeasurements in other comprehensive income			Contribution by employer	At December 31
	At January 1	Current service cost	Net interest	Subtotal		Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experiences and changes in financial assumptions	Subtotal		
Present value of defined benefit obligation	₱246,855,100	₱23,951,200	₱8,396,500	₱32,347,700	(₱5,696,200)	₱-	(₱15,950,500)	(₱15,950,500)	₱-	₱257,556,100
Fair value of plan assets	(126,203,700)	-	(4,726,700)	(4,726,700)	5,696,200	605,800	-	605,800	(31,603,200)	(156,231,600)
	₱120,651,400	₱23,951,200	₱3,669,800	₱27,621,000	₱-	₱605,800	(₱15,950,500)	(₱15,344,700)	(₱31,603,200)	₱101,324,500
2020										
	Net benefit cost in statement of income				Benefits paid	Remeasurements in other comprehensive income			Contribution by employer	At December 31
	At January 1	Current service cost	Net interest	Subtotal		Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experiences and changes in financial assumptions	Subtotal		
Present value of defined benefit obligation	₱198,854,900	₱18,896,100	₱8,696,200	₱27,592,300	(₱11,722,000)	₱-	₱32,129,900	₱32,129,900	₱-	₱246,855,100
Fair value of plan assets	(129,677,500)	-	(6,030,100)	(6,030,100)	34,288,300	1,311,600	-	1,311,600	(26,096,000)	(126,203,700)
	₱69,177,400	₱18,896,100	₱2,666,100	₱21,562,200	₱22,566,300	₱1,311,600	₱32,129,900	33,441,500	(₱26,096,000)	₱120,651,400



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

	2021	2020
Cash and cash equivalents	₱110,813,750	₱83,897,711
Investments in equity securities		
Services industry	14,331,133	14,196,900
Industrial companies	10,095,645	6,544,171
Mining industry	9,014,558	9,011,055
Financing industry	7,658,830	7,658,830
Holdings companies	379,146	574,963
Investments in government debt securities	15,677,113	26,176,219
Accrued income	108,962	267,584
Other receivables	1	1
Accounts payable	(11,847,538)	(22,123,734)
	₱156,231,600	₱126,203,700

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 70.93% of cash and cash equivalents, 26.55% of equities and 10.03% of government securities in 2021 and 66.48% of cash and cash equivalents, 30.10% of equities and 20.74% of government securities in 2020.

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
- Debt securities pertain to government peso denominated bonds

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	2021	2020
Equity securities			
IPeople	Affiliate	₱13,345,521	₱16,751,700
Petro Energy Resources Corp.	Affiliate	9,364,884	7,361,136
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	307,012	307,012
		₱30,676,247	₱32,078,678

Company contributions are agreed between the Plan Trustees and Company, in consideration of the contribution advice from the Plan Actuary. The expected contribution for 2022 is ₱36,702,100.



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

	2021	2020
Discount rate	4.75%	3.50%
Rate of salary increase	6.00%	6.00%
Average future working lives (in years)	8.57	8.55

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, 2021 and 2020, respectively, assuming all other assumptions were held constant:

	Increase (decrease)	Impact on present value of defined benefit plan	
		2021	2020
Discount rate	1%	(P20,140,887)	(P21,007,369)
	(1%)	23,205,805	24,364,598
Future salary increase rate	1%	22,716,448	23,525,291
	(1%)	(20,115,131)	(20,735,828)

The maturity analysis of the undiscounted benefit payments follows:

	2021	2020
Within 1 year	P15,832,300	P26,418,100
More than 1 year to 5 years	88,419,000	67,663,600
More than 5 years	166,827,100	133,604,300

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

	2021	2020
Salaries and wages	P343,409,675	P309,496,729
Net benefit expense	23,951,200	18,896,100
Net interest expense	3,669,800	2,666,100
Other employee benefits	56,342,989	70,499,873
	P427,373,664	P401,558,802

28. Income Tax

The provision for income tax consists of:

	2021	2020
Final	P120,919,432	P118,011,667
RCIT	29,186,973	-
MCIT, including CREATE impact	(5,636,159)	22,544,614
Current	144,470,246	140,556,281
Deferred	(105,460,447)	-
	P39,009,799	P140,556,281



The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30.00% to 25.00% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.00 million and with total assets not exceeding ₱100.00 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20.00%.
- Minimum corporate income tax (MCIT) rate reduced from 2.00% to 1.00% of gross income effective July 1, 2020 to June 30, 2023.

Applying the provisions of the CREATE Act, the Company is subjected to lower regular corporate income tax rate effective July 1, 2020.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. The current and deferred taxes as of and for the year ended December 31, 2020 were computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30.00% RCIT / 2.00% MCIT) for financial reporting purposes. The reduction in current income tax expense in 2020 amounting to ₱5.64 million is recognized in 2021.

The regulations also provide that the MCIT and net operating loss carryover (NOLCO) may be applied against the Group's income tax liability and taxable income, respectively, over a three-year period from the year of inception. However, on September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover as One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

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

	2021	2020
Provision for income tax at statutory tax rate	₱221,892,956	₱281,793,794
Tax effects of:		
Change in unrecognized deferred tax assets and others	(54,180,467)	5,106,270
Income subjected to final tax	(53,947,798)	(90,162,193)
Unrealized foreign exchange gain related to bonds - 2021	(34,944,660)	-
Applied excess MCIT	(29,186,973)	-
Nondeductible expenses, including PFRS 16 adjustments	14,492,501	36,172,947
Applied NOLCO	(11,324,575)	(86,685,265)
Income exempt from income tax	(8,155,027)	(5,669,272)
Effect of changes in enacted tax rate	(5,636,158)	-
Effective income tax	₱39,009,799	₱140,556,281



Deferred tax assets are recognized to the extent that realization of the related tax benefit is probable. The components of deferred tax assets recognized by the Company as of December 31, 2021 follow:

Affecting profit and loss:	
Deferred tax assets	
Accruals	₱57,024,954
MCIT	19,612,122
Lease liabilities	15,792,766
Unamortized past service cost	7,232,298
Unrealized foreign exchange loss	2,120,617
Allowance for impairment losses	1,262,845
Deferred tax liabilities	
Right-of-use assets	(14,082,152)
Net pension liability	(12,689,975)
	<u>76,273,475</u>
Affecting other comprehensive income:	
Actuarial losses on retirement benefit plan	38,021,100
	<u>₱114,294,575</u>

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.

	2021	2020
Remeasurement on legal policy reserves	₱1,858,523,937	₱3,153,088,310
Accruals	-	124,136,733
Unamortized past service cost	-	24,900,140
MCIT	-	54,435,270
Unrealized foreign exchange loss	-	131,226,650
Allowance for impairment	-	4,454,168
NOLCO	-	45,298,299
Pension liability	-	120,651,400

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

Inception Year	Beginning Balance	Used	Ending Balance	Expiry Year
2017	₱-	₱-	₱-	2020
2018	45,298,299	(45,298,299)	-	2021
	<u>₱45,298,299</u>	<u>(₱45,298,299)</u>	<u>₱-</u>	

	2021	2020
Balances at beginning of year	₱45,298,299	₱334,249,182
Utilization	(45,298,299)	(288,950,883)
Balances at end of year	₱-	₱45,298,299



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

Inception Year	Amount	Adjustment	Used	Expired	Balance	Expiry Year
2018	₱6,114,602	₱-	(₱6,114,602)	₱-	₱-	2021
2019	25,776,037	-	(23,072,371)	-	2,703,666	2022
2020	22,544,614	(5,636,158)	-	-	16,908,456	2023
	₱54,435,253	(₱5,636,158)	(₱29,186,973)	₱-	₱19,612,122	

	2021	2020
Balances at beginning of year	₱54,435,253	₱54,145,350
Addition	-	22,544,614
Adjustment	(5,636,158)	-
Utilization	(29,186,973)	(22,254,711)
Balances at end of year	₱19,612,122	₱54,435,253

29. Subsequent Events

On March 3, 2022, the Company declared cash dividend amounting to ₱300.00 million equivalent to ₱8.571 per share favor of the stockholders of record as of December 31, 2021.

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:

- Maintain the target level of financial strength;
- Achieve the target financial ratings; and
- 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:

	2021	2020
Equity	₱4,949,205,052	₱4,415,064,574
Total assets	51,357,264,295	48,841,299,261
Equity ratio	0.10:1	0.09:1

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:

<u>Minimum Networth</u>	<u>Compliance Date</u>
₱550,000,000	December 31, 2016
900,000,000	December 31, 2021
1,300,000,000	December 31, 2022

On January 14, 2022, the IC provided the result of the verification of the 2020 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 for 2021 and approve amounts by the IC for 2020 of the Company's non-admitted assets, as defined in the Code, are included in the accompanying statements of financial position as follows:

	2021	2020
Property and equipment - net	₱109,974,498	₱121,159,275
Cash in bank	-	287,227,960
Loans and receivables	100,552,101	125,069,085
Other assets	61,976,956	65,215,722
Right-of-use asset	1,145,932	2,015,201
	₱273,649,487	₱600,687,243

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, 2021 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

On 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.

Below is the estimated RBC ratio in 2021 and approved RBC ratio in 2020 (based on IC approved Synopsis):

	2021	2020
Total available capital	₱4,767,973,312	₱3,688,893,689
RBC requirement	100%	100%
	340%	303%

The RBC ratio in 2021 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 99.50% beginning 2020.

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, 2020. 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.

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:

	2021		2020	
	Number of Policies	Amount of Insurance	Number of Policies	Amount of Insurance
Group life	1,176	₱207,206,853,019	1,251	₱140,588,711,136
Whole life	44,422	19,316,078,033	43,883	18,043,891,248
Endowment	6,911	3,316,364,890	8,937	3,667,983,977
Term	15,551	11,408,991,268	16,777	9,396,707,227
Accident and health	244	83,251,509,973	211	19,404,863,665
Variable unit-linked	99,717	109,187,036,264	90,691	99,043,659,519
	168,021	₱433,686,833,447	161,750	₱290,145,816,772

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. The increase in mortality and morbidity rates will increase the legal policy reserves and result in a corresponding decrease in profit or loss.
- Discount rates
The risk-free discount rate provided by IC 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

The increase in discount rate will decrease the legal policy reserves and result in a corresponding increase in remeasurement on legal policy reserves in OCI.

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, premium deposit fund, 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):

	2021			Total
	Level 1	Level 2	Level 3	
Financial assets:				
AFS financial assets				
Equity securities	₱757,920,196	₱-	₱-	₱757,920,196
Debt securities	-	13,094,519,490	-	13,094,519,490
Seed capital in segregated funds	-	498,021,572	-	498,021,572
Mutual fund	-	538,115	-	538,115
	₱757,920,196	₱13,593,079,177	₱-	₱14,350,999,373

	2020			Total
	Level 1	Level 2	Level 3	
Financial assets:				
AFS financial assets				
Equity securities	₱461,437,062	₱-	₱-	₱461,437,062
Debt securities	-	14,215,440,861	-	14,215,440,861
Mutual fund	-	638,464,400	-	638,464,400
Seed capital in segregated funds	-	306,205,725	-	306,205,725
	₱461,437,062	₱15,160,110,986	₱-	₱15,621,548,048

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 mutual funds in which fair values are determined based on published net asset value per share (NAVPS). NAVPS is computed as total assets of the fund less total liabilities over the total shares outstanding as of the end of the reporting period. The funds are primarily invested in quoted securities in various industries and quoted government securities

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, 2021 and 2020, 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:

	2021				Total
	Investment Grade	Non-investment grade - Satisfactory	Past due but not impaired	Past due or impaired	
Cash and cash equivalents	₱1,547,173,104	₱1,398,500	₱-	₱-	₱1,548,571,604
Insurance receivables					
Premiums due and uncollected	-	228,559,008	-	-	228,559,008
AFS financial assets					
Debt securities	13,094,519,490	-	-	-	13,094,519,490
Equity securities	757,920,196	1,215,000	-	-	759,135,196
Seed capital in segregated funds	498,021,572	-	-	-	498,021,572
Mutual Fund	538,115	-	-	-	538,115
Segregated fund assets					
Cash and cash equivalents	1,036,419,710	-	-	-	1,036,419,710
Government debt securities	2,747,891,971	-	-	-	2,747,891,971
Corporate loans	432,679,954	-	-	-	432,679,954
Equity securities	27,313,905,497	-	-	-	27,313,905,497
Structured notes	1,149,864,679	-	-	-	1,149,864,679
Private peso bonds	618,329,208	-	-	-	618,329,208
Subscription receivable	-	59,341,703	-	-	59,341,703
Investment receivable	-	68,207,580	-	-	68,207,580
Accrued income	70,532,588	-	-	-	70,532,588
Loans and receivables					
Due from related parties and GEM Trust Fund	2,144,209	12,375,920	4,833,333	-	19,353,462
Due from agents	-	1,661,108	-	-	1,661,108
Policy loans	573,185,173	-	-	-	573,185,173
Short term investments	31,202,411	-	-	-	31,202,411
Others	75,406,895	15,004,446	-	5,051,380	95,462,721
Accrued income	195,234,986	-	-	-	195,234,986
Other assets - refundable deposits	-	47,139,766	-	-	47,139,766
	₱50,144,969,758	₱434,903,031	₱4,833,333	₱5,051,380	₱50,589,757,502



	2020				
	Investment Grade	Non-investment grade - Satisfactory	Past due but not impaired	Past due or impaired	Total
Cash and cash equivalents	₱1,205,799,791	₱1,743,500	₱-	₱-	₱1,207,543,291
Insurance receivables	-	169,111,458	-	-	169,111,458
Premiums due and uncollected	-	16,139	-	-	16,139
AFS financial assets					
Debt securities	14,215,440,861	-	-	-	14,215,440,861
Equity securities	462,652,062	-	-	-	462,652,062
Mutual Fund	306,205,725	-	-	-	306,205,725
Seed capital in segregated funds	638,464,400	-	-	-	638,464,400
Segregated fund assets					
Cash and cash equivalents	783,890,350	-	-	-	783,890,350
Government debt securities	3,436,097,433	-	-	-	3,436,097,433
Corporate loans	463,433,473	-	-	-	463,433,473
Equity securities	21,813,027,947	-	-	-	21,813,027,947
Structured notes	2,509,019,126	-	-	-	2,509,019,126
Private peso bonds	677,187,264	-	-	-	677,187,264
Subscription receivable	-	106,173,021	-	-	106,173,021
Investment receivable	-	4,389,176	-	-	4,389,176
Accrued income	86,388,286	-	-	-	86,388,286
Loans and receivables					
Due from related parties and GEM Trust Fund	5,336,870	22,402,803	19,833,335	-	47,573,008
Due from agents	-	1,825,812	-	-	1,825,812
Policy loans	609,874,173	-	-	-	609,874,173
Short term investments	21,896,646	-	-	-	21,896,646
Others	69,194,654	16,791,395	-	4,454,168	90,440,217
Accrued income	192,901,301	-	-	-	192,901,301
Other assets - refundable deposits	-	46,100,643	-	-	46,100,643
	₱47,496,810,362	₱368,553,946	₱19,833,335	₱4,454,168	₱47,889,651,812

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 that are likely to be impaired in adverse economic conditions.

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.

	2021						
	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	₱-	₱-	₱-	₱4,833,333	₱4,833,333	₱-	₱4,833,333
Others	-	-	-	-	-	5,051,380	5,051,380
Total	₱-	₱-	₱-	₱4,833,333	₱4,833,333	₱5,051,380	₱9,884,713

	2020						
	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	-	-	-	-	-	4,454,168	4,454,168
Total	₱-	₱-	₱-	₱19,833,335	₱19,833,335	₱4,454,168	₱24,287,503

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, 2021 and 2020.

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.

	2021				Total
	Up to a year*	1- 5 years	Over 5 years	No maturity date	
Financial assets:					
Cash and cash equivalents	₱1,548,571,604	₱-	₱-	₱-	₱1,548,571,604
Insurance receivables					
Premiums due and uncollected	228,559,008	-	-	-	228,559,008
Reinsurance recoverable	-	-	-	-	-
AFS financial assets					
Debt securities	-	1,011,280,463	12,083,239,027	-	13,094,519,490
Equity securities	-	-	-	759,135,196	759,135,196
Seed capital in segregated funds	-	-	-	498,021,572	498,021,572
Mutual funds	-	-	-	538,115	538,115
Loans and receivables					
Due from related parties and GEM					
Trust Fund	14,520,129	4,833,333	-	-	19,353,462
Due from agents	1,661,108	-	-	-	1,661,108
Policy loans	573,185,173	-	-	-	573,185,173
Short term investments	31,202,411	-	-	-	31,202,411
Others - net	82,006,567	13,456,154	-	-	95,462,721
Accrued income	195,234,986	-	-	-	195,234,986
Other assets - refundable deposits	-	47,139,766	-	-	47,139,766
Total financial assets	₱2,674,940,986	₱1,076,709,716	₱12,083,239,027	₱1,257,694,883	₱17,092,584,612
Financial liabilities:					
Policy and contract claims	561,490,626	688,884,572	172,275,780	-	1,422,650,978
Premium deposit fund	369,336,415	-	-	-	369,336,415
Insurance payables	308,691,736	-	-	-	308,691,736
Policyholders' dividend	241,734,032	-	-	-	241,734,032
Lease liabilities	33,998,728	29,172,337	-	-	63,171,065
Accounts payable and accrued expenses*	311,880,118	-	-	-	311,880,118
Other liabilities	180,391,956	-	-	-	180,391,956
Total financial liabilities	₱2,007,523,611	₱718,056,909	₱172,275,780	₱-	₱2,897,856,300

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

	2020				Total
	Up to a year*	1- 5 years	Over 5 years	No maturity date	
Financial assets:					
Cash and cash equivalents	₱1,207,543,291	₱-	₱-	₱-	₱1,207,543,291
Insurance receivables					
Premiums due and uncollected	169,111,458	-	-	-	169,111,458
Reinsurance recoverable	16,139	-	-	-	16,139
AFS financial assets					
Equity securities	779,321,273	521,616,255	12,914,503,333	-	14,215,440,861
Debt securities	-	-	-	462,652,062	462,652,062
Seed capital in segregated funds	-	-	-	306,205,725	306,205,725
Mutual funds	-	-	-	638,464,400	638,464,400
Loans and receivables					
Due from related parties and GEM Trust Fund	27,739,673	19,833,335	-	-	47,573,008
Due from agents	1,825,812	-	-	-	1,825,812
Policy loans	609,874,173	-	-	-	609,874,173
Short term investments	21,896,646	-	-	-	21,896,646
Others - net	71,938,296	14,047,753	-	-	85,986,049
Accrued income	192,901,301	-	-	-	192,901,301
Other assets - refundable deposits	-	46,100,643	-	-	46,100,643
Total financial assets	₱3,082,168,062	₱601,597,986	₱12,914,503,333	₱1,407,322,187	₱18,005,591,568



	2020				Total
	Up to a year*	1- 5 years	Over 5 years	No maturity date	
Financial liabilities:					
Policy and contract claims	₱556,288,024	₱581,749,070	₱145,551,821	₱-	₱1,283,588,915
Premium deposit fund	310,137,777	-	-	-	310,137,777
Insurance payables	340,202,466	-	-	-	340,202,466
Policyholders' dividend	222,981,341	-	-	-	222,981,341
Lease liabilities	33,702,231	52,429,918	-	-	86,132,149
Accounts payable and accrued expenses*	260,685,609	-	-	-	260,685,609
Other liabilities	99,596,094	-	-	-	99,596,094
Total financial liabilities	₱1,823,593,542	₱634,178,988	₱145,551,821	₱-	₱2,603,324,351

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

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.

	2021*	
	US\$	PHP
Assets		
Cash and cash equivalents	\$5,965,309	₱304,224,794
AFS financial assets	51,788,130	2,641,142,842
Accrued income	944,880	48,187,935
	\$58,698,319	2,993,555,571
Liabilities		
Legal policy reserves	25,051,539	1,277,603,437
Premium deposit fund	4,008,087	204,408,429
	29,059,626	1,482,011,866
	\$29,638,693	₱1,511,543,705

*The exchange rate used in 2021 was ₱50.999 to US\$1.

	2020*	
	US\$	PHP
Assets		
Cash and cash equivalents	\$5,781,165	₱277,628,878
AFS financial assets	51,788,130	2,487,021,355
Accrued income	890,904	42,783,859
	58,460,199	2,807,434,092
Liabilities		
Legal policy reserves	29,405,478	1,412,139,282
Premium deposit fund	4,083,700	196,111,537
	33,489,178	1,608,250,819
	\$24,971,021	₱1,199,183,273

*The exchange rate used in 2020 was ₱48.023 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
2021	USD	1.13%	₱17,042,248
	USD	-1.13%	(17,042,248)
2020	USD	1.32%	₱15,814,980
	USD	-1.32%	(15,814,980)

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.

	2021				Total
	Range of Interest Rate	Up to a year*	1- 5 years	Over 5 years	
AFS financial assets					
Debt securities	2.63% to 12.50%	₱-	₱1,011,280,463	₱12,083,239,027	₱13,094,519,490
Loans and receivables					
Policy loans	6.00% to 8.00%	573,185,173	-	-	573,185,173
		₱573,185,173	₱1,011,280,463	₱12,083,239,027	₱13,667,704,663

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

	2020				Total
	Range of Interest Rate	Up to a year*	1- 5 years	Over 5 years	
AFS financial assets					
Debt securities	3.62% to 12.50%	₱779,321,272	₱521,616,255	₱12,914,503,334	₱14,215,440,861
Loans and receivables					
Policy loans	6.00% to 8.00%	609,874,173	-	-	609,874,173
		₱1,389,195,445	₱521,616,255	₱12,914,503,334	₱14,825,315,034

*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
2021	Peso	+20 bps	(P5,366,832)
	Peso	-20 bps	5,370,724
	USD	+20 bps	(P3,733,162)
	USD	-20 bps	3,739,850
2020	Peso	+20 bps	(P8,949,895)
	Peso	-20 bps	8,958,469
	USD	+20 bps	(P8,776,292)
	USD	-20 bps	8,806,089

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
2021	+3%	P14,853,277
	-3%	(14,853,277)
2020	+4%	P9,085,988
	-4%	(9,085,988)

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 and SLAMCI mutual funds as of December 31, 2021, 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 and 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.

Related party transactions are settled in cash.

A. Related party transactions consist mainly of the following:

Category	2021			
	Amount	Outstanding Balances	Terms	Conditions
Parent Company				
<i>Grepalife Holdings, Inc.</i>				
Dividend distribution	₱153,000,000	₱-	Non-interest-bearing, due and demandable	Unsecured
<i>Sun Life Financial Philippine Holding Company</i>				
Dividend distribution	147,000,000	-	Non-interest-bearing, due and demandable	Unsecured
Subsidiaries				
<i>Grepa Realty Holdings Corporation</i>				
Rent expense	57,517,974	-	Non-interest-bearing, due and demandable	Unsecured
Shared expenses (a)	-	4,833,333	Non-interest-bearing, due and demandable	Unsecured, no impairment
Clinic procedures	23,448	960	Non-interest-bearing, due and demandable	Unsecured
<i>Grepalife Asset Management Corp</i>				
Dividend	-	-	Non-interest-bearing, due and demandable	Unsecured
Shared expenses (a)	155,000	155,000	Non-interest-bearing, due and demandable	Unsecured
Other related parties				
<i>AY Foundation Inc.</i>				
Donation	359,700	-	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	82,150	-	Non-interest-bearing, due and demandable	Unsecured
<i>Ayala Land, Inc.</i>				
Purchase of Equity Securities	1,029,216,845	1,553,990,165	Valued at Market, Segregated Funds and AFS security investment	Unsecured
Sale of Equity Securities	868,140,936	-	Valued at Market, Segregated Funds and AFS security investment	Unsecured
Sale of Fixed Income securities	137,947,300	-	Valued at Market, Segregated Funds and AFS security investment	Unsecured
Dividend	15,742,988	-	Non-interest-bearing, due and demandable	Unsecured

(Forward)



2021				
Category	Amount	Outstanding Balances	Terms	Conditions
<i>Blackhounds Security.</i>				
Clinic procedures	₱32,731	₱-	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	239,281	-	Non-interest-bearing, due and demandable	Unsecured
<i>Bluehounds Security And Investigation Agency Inc.</i>				
Clinic procedures	13,737	1,100	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	24,042	-	Non-interest-bearing, due and demandable	Unsecured
<i>EEl Corporation</i>				
Purchase of equity securities	18,422,099	22,397,050	Valued at Market, Segregated Funds and AFS security investment	Unsecured
Sale of Equity Securities	2,928,494	-	Valued at Market, Segregated Funds and AFS security investment	Unsecured
Refund of excess payment	5,072	-	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	11,283,618	-	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	346,159	-	Non-interest-bearing, due and demandable	Unsecured
<i>Greyhounds Security and Investigation Agency Inc.</i>				
Clinic procedures	87,781	550	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	14,956	-	Non-interest-bearing, due and demandable	Unsecured
<i>HI-Eisai Pharmaceutical Inc.</i>				
Clinic procedures	1,764	-	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	1,252,121	-	Non-interest-bearing, due and demandable	Unsecured
<i>Honda Cars Kalookan Inc.</i>				
Insurance premium	275,990	-	Non-interest-bearing, due and demandable	Unsecured
<i>Honda Cars Manila</i>				
Purchases of company vehicles	5,280,164	-	Non-interest-bearing, due and demandable	Unsecured
<i>Honda Cars Quezon City</i>				
Insurance premium	287,572	-	Non-interest-bearing, due and demandable	Unsecured
<i>House Of Investment</i>				
Clinic procedures	119,104	2,781	Non-interest-bearing, due and demandable	Unsecured
Purchases of company vehicles	3,362,530	-	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	520,537	-	Non-interest-bearing, due and demandable	Unsecured
<i>I-People</i>				
Insurance premium	46,839	-	Non-interest-bearing, due and demandable	Unsecured
<i>ISUZU Manila</i>				
Insurance premium	255,155	-	Non-interest-bearing, due and demandable	Unsecured
Purchases/maintenance of company vehicles	1,202,084	-	Non-interest-bearing, due and demandable	Unsecured
<i>Key Management Personnel</i>				
Reimbursement of expenses	9,889,140	-	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	240,374	-	Non-interest-bearing, due and demandable	Unsecured
Others	85,279	-	Non-interest-bearing, due and demandable	Unsecured
<i>La Funeraria Paz - Sucat Inc.</i>				
Insurance premium	735,534	-	Non-interest-bearing, due and demandable	Unsecured
<i>Landev Corporation</i>				
Clinic procedures	5,831	12,730	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	33,126	-	Non-interest-bearing, due and demandable	Unsecured

(Forward)



2021				
Category	Amount	Outstanding Balances	Terms	Conditions
<i>Malayan Colleges Laguna</i>				
Clinic procedures	₱40,562	₱-	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	1,327,955	-	Non-interest-bearing, due and demandable	Unsecured
<i>Malayan Colleges Mindanao</i>				
Clinic procedures	-	-	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	381,753	-	Non-interest-bearing, due and demandable	Unsecured
<i>Malayan High School of Science</i>				
Insurance premium	11,954	-	Non-interest-bearing, due and demandable	Unsecured
<i>Malayan Insurance Co Inc.</i>				
Clinic procedures	1,336,188	349,686	Non-interest-bearing, due and demandable	Unsecured
Insurance cost	3,295,633	-	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	24,680,832	-	Non-interest-bearing, due and demandable	Unsecured
Rental	666,932	-	Non-interest-bearing, due and demandable	Unsecured
Refund of premium	14,696,514	-	Non-interest-bearing, due and demandable	Unsecured
Others	820,296	-	Non-interest-bearing, due and demandable	Unsecured
<i>Manila Memorial Park</i>				
Insurance premium	6,388,965	-	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	80,132	-	Non-interest-bearing, due and demandable	Unsecured
<i>Mapua Institute of Technology</i>				
Clinic procedures	60,995	74,328	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	2,470,043	-	Non-interest-bearing, due and demandable	Unsecured
<i>Mitsubishi Corporation</i>				
Insurance premium	22,050	-	Non-interest-bearing, due and demandable	Unsecured
<i>National Reinsurance Corporation of the Philippines</i>				
Reinsurance	3,808,574	-	Non-interest-bearing, due and demandable	Unsecured
Refund of premium	11,714,019	-	Non-interest-bearing, due and demandable	Unsecured
<i>Pan Malayan Express Inc</i>				
Clinic procedures	540	-	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	132,254	-	Non-interest-bearing, due and demandable	Unsecured
Travel/plane fare	90,435	-	Non-interest-bearing, due and demandable	Unsecured
<i>Pan Malayan Management And Investment Corporation</i>				
Clinic procedures	110,768	55,220	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	837,533	-	Non-interest-bearing, due and demandable	Unsecured
Reimbursement of expenses	1,535,282	-	Non-interest-bearing, due and demandable	Unsecured
<i>Philippine Integrated Advertising Agency, Inc.</i>				
Insurance premium	148,512	-	Non-interest-bearing, due and demandable	Unsecured
Advertising	300,985	-	Non-interest-bearing, due and demandable	Unsecured
<i>Philippine Long Distance Telephone Company</i>				
Insurance premium	22,712	-	Non-interest-bearing, due and demandable	Unsecured
Communication service	2,938,805	-	Non-interest-bearing, due and demandable	Unsecured
Purchase of Equity Securities	778,678,766	994,537,944	Valued at Market, Segregated Funds and AFS security investment	Unsecured

(Forward)



2021				
Category	Amount	Outstanding Balances	Terms	Conditions
Sale of Equity Securities	₱722,729,431	₱-	Valued at Market, Segregated Funds and AFS security investment	Unsecured
Dividend <i>RCBC Bankard Inc.</i>	44,260,504	-	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures	1,934,613	348,600	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	43,748,694	-	Non-interest-bearing, due and demandable	Unsecured
Policy benefit <i>RCBC Capital Corporation</i>	333,792	-	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures	81,889	20,900	Non-interest-bearing, due and demandable	Unsecured
Insurance premium <i>RCBC E-Woman</i>	50,814	-	Non-interest-bearing, due and demandable	Unsecured
Insurance premium <i>RCBC Leasing & Finance Corporation</i>	5,033,676	-	Non-interest-bearing, due and demandable	Unsecured
Insurance premium <i>RCBC Realty Corp.</i>	1,253,406	-	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures	2,901	-	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	167,284	-	Non-interest-bearing, due and demandable	Unsecured
Rental fee – branches <i>RCBC Savings Bank</i>	4,243,272	-	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	3,666,851	-	Non-interest-bearing, due and demandable	Unsecured
Policy benefit <i>RCBC Securities</i>	1,833,295	-	Non-interest-bearing, due and demandable	Unsecured
Purchase of investment securities	121,845,828,335	-	Non-interest-bearing, due and demandable	Unsecured
Maturity of investment securities	122,052,870,604	-	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures	26,254	-	Non-interest-bearing, due and demandable	Unsecured
Insurance premium <i>Rizal Commercial Banking Corporation</i>	443,295	-	Non-interest-bearing, due and demandable	Unsecured
Bank deposits	301,259,237,968	2,377,945,199	Interest-bearing at 0.01% to 2.25%, due and demandable	Secured up to ₱500,000
Bank withdrawals	300,945,767,889	-	Non-interest-bearing, due and demandable	Unsecured
Bank fees	266,569,600	-	Non-interest-bearing, due and demandable	Unsecured
Purchase of investment securities	179,333,832,480	-	Non-interest-bearing, due and demandable	Unsecured
Agents' benefit	8,147,331	-	Non-interest-bearing, due and demandable	Unsecured
Maturity of investment securities Retirement Fund (Contribution) (a)	179,204,884,154	-	Non-interest-bearing, due and demandable	Unsecured
	31,603,200	12,220,920	Non-interest-bearing, due and demandable	Unsecured
GEM Trust (Collection)	7,144,150	2,311,800	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures	1,256,443	136,091	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	202,972,764	-	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	88,230,786	-	Non-interest-bearing, due and demandable	Unsecured
Refund of premium	120,494	-	Non-interest-bearing, due and demandable	Unsecured
Reimbursement of expenses	2,539,732	-	Non-interest-bearing, due and demandable	Unsecured
Rental	1,153,558	-	Non-interest-bearing, due and demandable	Unsecured

(Forward)



2021				
Category	Amount	Outstanding Balances	Terms	Conditions
<i>Rizal Microbank (An Affiliate Of RCBC)</i>				
Insurance premium	₱2,102,861	₱–	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	935,359	–	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures <i>St. Lukes Medical Center, Inc.</i>	1,324	–	Non-interest-bearing, due and demandable	Unsecured
Medical Services <i>Sun Life Financial Philippines Foundation, Inc.</i>	1,661,448	–	Non-interest-bearing, due and demandable	Unsecured
Donation <i>Sun Life Asset Management</i>	460,000	–	Non-interest-bearing, due and demandable	Unsecured
Rebates of transaction fees <i>Sun Life Of Canada, Phils.</i>	730,750	–	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures	9,176	3,670	Non-interest-bearing, due and demandable	Unsecured
Service level agreement fees (b)	351,186,571	75,033,770	Non-interest-bearing, due and demandable	Unsecured
Purchase of investment securities	375,904,958	–	Non-interest-bearing, due and demandable	Unsecured
Sale of investment securities <i>Sun Life Of Canada Prosperity Dollar Starter Fund.</i>	363,003,020	–	Non-interest-bearing, due and demandable	Unsecured
Subscription in Mutual Fund	148,576,575	139,900,430	Non-interest-bearing, due and demandable	Unsecured
Redemption in Mutual Fund <i>Sun Life Of Canada Prosperity Balanced Fund.</i>	202,758,432	–	Non-interest-bearing, due and demandable	Unsecured
Purchase of investment securities <i>Sun Life Prosperity Money Market Fund</i>	686,574	–	Non-interest-bearing, due and demandable	Unsecured
Sale of investment securities	10,286,333	–	Non-interest-bearing, due and demandable	Unsecured
Subscription in Mutual Fund	1,000,000,002	253,078,065	Non-interest-bearing, due and demandable	Unsecured
Redemption in Mutual Fund <i>YGC CSI</i>	1,366,974,539	–	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures	20,459	9,501	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	608,520	–	Non-interest-bearing, due and demandable	Unsecured
Direct Marketing Services <i>Yuchengco Museum Inc.</i>	3,993,846	–	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures	2,303	–	Non-interest-bearing, due and demandable	Unsecured
2020				
Category	Amount	Outstanding Balances	Terms	Conditions
<i>Subsidiaries</i>				
<i>Grepa Realty Holdings Corporation</i>				
Rent expense	₱41,616,539	₱–	Non-interest-bearing, due and demandable	Unsecured
Shared expenses (a)	–	19,833,335	Non-interest-bearing, due and demandable	Unsecured, no impairment
Clinic procedures <i>Grepalife Asset Management Corp</i>	17,924	–	Non-interest-bearing, due and demandable	Unsecured
Dividend	5,358,887	–	Non-interest-bearing, due and demandable	Unsecured
Shared expenses (a)	92,316	97,813	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures	1,882	1,287	Non-interest-bearing, due and demandable	Unsecured

(Forward)



2020				
Category	Amount	Outstanding Balances	Terms	Conditions
Other related parties				
<i>AY Foundation Inc.</i>				
Clinic procedures	₱15,053	₱-	Non-interest-bearing, due and demandable	Unsecured
Donation	5,766,498	-	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	81,331	-	Non-interest-bearing, due and demandable	Unsecured
<i>Ayala Land, Inc.</i>				
Purchase of Equity Securities	891,321,285	1,537,579,614	Valued at Market, Segregated Funds and AFS security investment	Secured
Sale of Equity Securities	722,777,558	-	Valued at Market, Segregated Funds and AFS security investment	Secured
Sale of Fixed Income securities	19,812,028	-	Valued at Market, Segregated Funds and AFS security investment	Secured
Dividend	8,672,976	-	Non-interest-bearing, due and demandable	Unsecured
<i>Blackhounds Security.</i>				
Clinic procedures	25,150	52,740	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	1,356,860	-	Non-interest-bearing, due and demandable	Unsecured
<i>Bluehounds Security And Investigation Agency Inc.</i>				
Clinic procedures	10,200	22,200	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	203,575	-	Non-interest-bearing, due and demandable	Unsecured
<i>EEL Corporation</i>				
Purchase of equity securities	7,923,777	11,801,691	Valued at Market, Segregated Funds and AFS security investment	Secured
Sale of Equity Securities	41,442,521	-	Valued at Market, Segregated Funds and AFS security investment	Secured
Dividend	767,236	-	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	8,622,541	-	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	262,118	-	Non-interest-bearing, due and demandable	Unsecured
<i>First Nationwide Assurance Corp.</i>				
Clinic procedures	13,558	-	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	104,318	-	Non-interest-bearing, due and demandable	Unsecured
<i>First Philippine Holdings Co..</i>				
Purchase of Equity Securities	1,777,426	-	Valued at Market, AFS security investment	Secured
Sale of Equity Securities	30,572,901	-	Valued at Market, AFS security investment	Secured
<i>Greyhounds Security and Investigation Agency Inc.</i>				
Clinic procedures	43,500	78,960	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	742,351	-	Non-interest-bearing, due and demandable	Unsecured
<i>HI-Eisai Pharmaceutical Inc.</i>				
Clinic procedures	441	254	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	73,447	-	Non-interest-bearing, due and demandable	Unsecured
<i>Honda Cars Kalookan Inc.</i>				
Insurance premium	504,426	-	Non-interest-bearing, due and demandable	Unsecured
<i>Honda Cars Manila</i>				
Purchases of company vehicles	5,462,437	-	Non-interest-bearing, due and demandable	Unsecured
<i>Honda Cars Quezon City</i>				
Insurance premium	226,031	-	Non-interest-bearing, due and demandable	Unsecured

(Forward)



2020				
Category	Amount	Outstanding Balances	Terms	Conditions
<i>House Of Investment</i>				
Clinic procedures	₱1,323	₱115,948	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	565,000	–	Non-interest-bearing, due and demandable	Unsecured
<i>ISUZU Manila</i>				
Insurance premium	201,069	–	Non-interest-bearing, due and demandable	Unsecured
Purchases/maintenance of company vehicles	2,547,625	–	Non-interest-bearing, due and demandable	Unsecured
<i>Key Management Personnel</i>				
Reimbursement of expenses	2,229,222	–	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	310,834	–	Non-interest-bearing, due and demandable	Unsecured
Others	22,794	–	Non-interest-bearing, due and demandable	Unsecured
<i>La Funeraria Paz - Sucat Inc.</i>				
Insurance premium	791,665	–	Non-interest-bearing, due and demandable	Unsecured
<i>Landev Corporation</i>				
Clinic procedures	4,655	8,630	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	126,673	–	Non-interest-bearing, due and demandable	Unsecured
<i>Malayan Colleges Laguna</i>				
Clinic procedures	3,178,067	109,225	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	1,472,207	–	Non-interest-bearing, due and demandable	Unsecured
<i>Malayan Colleges Mindanao</i>				
Clinic procedures	30,195	2,282	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	330,014	–	Non-interest-bearing, due and demandable	Unsecured
<i>Malayan High School of Science</i>				
Insurance premium	4,698	–	Non-interest-bearing, due and demandable	Unsecured
<i>Malayan Insurance Co Inc.</i>				
Clinic procedures	742,884	535,741	Non-interest-bearing, due and demandable	Unsecured
Insurance cost	3,093,028	–	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	3,707,533	–	Non-interest-bearing, due and demandable	Unsecured
Rental	493,007	–	Non-interest-bearing, due and demandable	Unsecured
Refund of premium	5,543,097	–	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	95,000	–	Non-interest-bearing, due and demandable	Unsecured
<i>Manila Memorial Park</i>				
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
<i>Mapua Institute of Technology</i>				
Clinic procedures	1,160,633	–	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	4,703,570	–	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	20,000	–	Non-interest-bearing, due and demandable	Unsecured
<i>MICO Equities Inc.</i>				
Insurance premium	8,327	–	Non-interest-bearing, due and demandable	Unsecured
<i>Mitsubishi Corporation</i>				
Insurance premium	413,097	–	Non-interest-bearing, due and demandable	Unsecured
<i>National Reinsurance Corporation of the Philippines</i>				
Reinsurance	3,431,785	–	Non-interest-bearing, due and demandable	Unsecured
Refund of premium	20,848,129	–	Non-interest-bearing, due and demandable	Unsecured
<i>(Forward)</i>				



Category	Amount	2020		
		Outstanding Balances	Terms	Conditions
<i>Pan Malayan Express Inc</i>				
Clinic procedures	₱884	₱-	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	430,517	-	Non-interest-bearing, due and demandable	Unsecured
Travel/plane fare	14,092,871	-	Non-interest-bearing, due and demandable	Unsecured
Reimbursement of expenses	1,711,318	-	Non-interest-bearing, due and demandable	Unsecured
<i>Pan Malayan Management And Investment Corporation</i>				
Clinic procedures	53,469	45,392	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	2,095,337	-	Non-interest-bearing, due and demandable	Unsecured
Reimbursement of expenses	1,711,318	-	Non-interest-bearing, due and demandable	Unsecured
<i>Philippine Integrated Advertising Agency, Inc.</i>				
Insurance premium	152,819	-	Non-interest-bearing, due and demandable	Unsecured
Advertising	311,542	-	Non-interest-bearing, due and demandable	Unsecured
<i>Philippine Long Distance Telephone Company</i>				
Insurance premium	17,665	-	Non-interest-bearing, due and demandable	Unsecured
Communication service	3,405,304	-	Non-interest-bearing, due and demandable	Unsecured
Purchase of Equity Securities	419,696,593	657,574,180	Valued at Market, Segregated Funds and AFS security investment	Secured
Sale of Equity Securities	515,507,629	-	Valued at Market, Segregated Funds and AFS security investment	Secured
Dividend	42,832,061	-	Non-interest-bearing, due and demandable	Unsecured
<i>RCBC Bankard Inc.</i>				
Clinic procedures	230,814	790,699	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	29,088,541	-	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	488,384	-	Non-interest-bearing, due and demandable	Unsecured
<i>RCBC Capital Corporation</i>				
Clinic procedures	9,104	(50)	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	161,067	-	Non-interest-bearing, due and demandable	Unsecured
<i>RCBC E-Woman</i>				
Insurance premium	26,453,452	-	Non-interest-bearing, due and demandable	Unsecured
<i>RCBC Leasing & Finance Corporation</i>				
Clinic procedures	55,980	2,000	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	1,294,375	-	Non-interest-bearing, due and demandable	Unsecured
<i>RCBC Realty Corp.</i>				
Clinic procedures	9,978	(1,105)	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	123,353	-	Non-interest-bearing, due and demandable	Unsecured
Rental fee – branches	5,804,188	-	Non-interest-bearing, due and demandable	Unsecured
<i>RCBC Savings Bank</i>				
Insurance premium	2,745,785	-	Non-interest-bearing, due and demandable	Unsecured
<i>RCBC Securities</i>				
Purchase of investment securities	273,793,033,795	-	Non-interest-bearing, due and demandable	Unsecured
Maturity of investment securities	274,609,019,767	-	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures	36,338	1,350	Non-interest-bearing, due and demandable	Unsecured

(Forward)



Category	Amount	2020		
		Outstanding Balances	Terms	Conditions
Insurance premium <i>Rizal Commercial Banking Corporation</i>	₱69,404	₱-	Non-interest-bearing, due and demandable	Unsecured
Bank deposits	400,250,915,684	2,567,237,182	Interest-bearing at 0.01% to 2.25%, due and demandable	Secured up to ₱500,000
Bank withdrawals	399,765,419,034	-	Non-interest-bearing, due and demandable	Unsecured
Bank fees	179,468,814	-	Non-interest-bearing, due and demandable	Unsecured
Purchase of investment securities	57,803,007,242	-	Non-interest-bearing, due and demandable	Unsecured
Agents' benefit	4,097,266	-	Non-interest-bearing, due and demandable	Unsecured
Maturity of investment securities	125,637,022,694	-	Non-interest-bearing, due and demandable	Unsecured
Purchase of Equity Securities	1,000,000	-	Non-interest-bearing, due and demandable	Unsecured
Sale of Equity Securities	21,540,365	-	Non-interest-bearing, due and demandable	Unsecured
Retirement Fund (Contribution)	26,096,000	22,254,602	Non-interest-bearing, due and demandable	Unsecured
Retirement Fund (Collection)	12,033,651	-	Non-interest-bearing, due and demandable	Unsecured
GEM Trust (Collection)	2,499,186	5,336,870	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures	1,670,360	345,011	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	164,379,584	-	Non-interest-bearing, due and demandable	Unsecured
Policy benefit	30,861,382	-	Non-interest-bearing, due and demandable	Unsecured
Refund of premium	269,427	-	Non-interest-bearing, due and demandable	Unsecured
Reimbursement of expenses	314,839	-	Non-interest-bearing, due and demandable	Unsecured
Rental <i>Rizal Microbank (An Affiliate Of RCBC)</i>	1,049,120	-	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	1,680,553	-	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures <i>St. Lukes Medical Center, Inc.</i>	441	-	Non-interest-bearing, due and demandable	Unsecured
Medical Services <i>Sun Life Financial Philippines Foundation, Inc.</i>	1,189,647	-	Non-interest-bearing, due and demandable	Unsecured
Donation <i>Sun Life Asset Management</i>	360,000	-	Non-interest-bearing, due and demandable	Unsecured
Rebates of transaction fees <i>Sun Life Of Canada, Phils.</i>	78,826	-	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures	3,695	(1,420)	Non-interest-bearing, due and demandable	Unsecured
Service level agreement fees (b)	373,926,715	99,765,519	Non-interest-bearing, due and demandable	Unsecured
Purchase of investment securities	191,161,567	-	Non-interest-bearing, due and demandable	Unsecured
Sale of investment securities <i>Sun Life Of Canada Prosperity Dollar Starter Fund.</i>	536,998,382	-	Non-interest-bearing, due and demandable	Unsecured
Sale of investment securities	50,901,178	-	Non-interest-bearing, due and demandable	Unsecured
Subscription in Mutual Fund	200,447,983	181,766,992	Non-interest-bearing, due and demandable	Unsecured
Redemption in Mutual Fund <i>Sun Life Of Canada Prosperity Dynamic Fund.</i>	82,120,763	-	Non-interest-bearing, due and demandable	Unsecured
Purchase of investment securities	32,766,826	-	Non-interest-bearing, due and demandable	Unsecured

(Forward)



Category	Amount	Outstanding Balances	2020	
			Terms	Conditions
Sale of investment securities <i>Sun Life Of Canada Prosperity Achiever 2028 Fund.</i>	₱87,688,745	₱-	Non-interest-bearing, due and demandable	Unsecured
Sale of investment securities <i>Sun Life Of Canada Prosperity Achiever 2038 Fund.</i>	3,240,075	-	Non-interest-bearing, due and demandable	Unsecured
Sale of investment securities <i>Sun Life Prosperity Money Market Fund</i>	1,198,655	-	Non-interest-bearing, due and demandable	Unsecured
Sale of investment securities	621,170,208	-	Non-interest-bearing, due and demandable	Unsecured
Subscription in Mutual Fund	858,000,001	615,039,433	Non-interest-bearing, due and demandable	Unsecured
Redemption in Mutual Fund <i>YGC CSI</i>	255,000,049	-	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures	111,195	14,435	Non-interest-bearing, due and demandable	Unsecured
Insurance premium	545,659	-	Non-interest-bearing, due and demandable	Unsecured
Direct Marketing Services <i>Yuchengco Museum Inc.</i>	13,954,245	-	Non-interest-bearing, due and demandable	Unsecured
Clinic procedures	-	500	Non-interest-bearing, due and demandable	Unsecured

a. Due from related parties (Note 8)

	2021	2020
Grepa Realty Holdings Corp.		
Reimbursement	₱4,833,333	₱19,833,335
Grepalife Asset Management Corp.		
Reimbursement	155,000	97,813
RCBC Trust		
Retirement fund receivables	12,220,920	24,171,788
	₱17,209,253	₱44,102,936

In addition, the Company has outstanding receivable to GEM Trust Fund amounting to ₱2.14 million and ₱5.34 million as of December 31, 2021 and 2020, respectively (see Note 32).

b. Due to a related party (Note 19)

	2021	2020
Sun Life of Canada (Philippines) Inc.	₱75,033,770	₱99,765,519

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:

	2021	2020
Salaries and other short-term employee benefits	₱82,547,056	₱87,661,663
Post-employment and other long-term benefits	13,202,814	16,368,314
	₱95,749,870	₱104,029,977



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:

	2021	2020
Depreciation expense of right-of-use assets (Note 26)	₱40,013,329	₱33,043,913
Interest expense on lease liabilities	5,036,716	5,887,183
Expenses relating to short-term leases	40,379,064	41,616,540
Total amount recognized in the statements of income	₱85,429,109	₱80,547,636

The rollforward analysis of right-of-use assets follows:

	2021	2020
Balance at beginning of year	₱87,736,682	₱117,150,544
Additions	16,144,189	3,630,051
Depreciation (Note 26)	(40,013,329)	(33,043,913)
Balance at end of year	₱63,867,542	₱87,736,682

The rollforward analysis of lease liabilities follows:

	2021	2020
Balance at beginning of year	₱86,132,149	₱113,176,972
Additions	16,144,189	3,630,051
Interest expense	5,036,716	5,887,183
Payments	(44,141,988)	(36,562,057)
Balance at end of year	₱63,171,066	₱86,132,149

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

	2021	2020
1 year	₱36,588,932	₱33,702,231
more than 1 year to 2 years	35,765,158	32,200,570
more than 2 years to 3 years	1,659,994	33,555,150
more than 3 years to 4 years	-	1,659,994
more than 4 years to 5 years	-	-
more than 5 years	-	-
	₱74,014,084	₱101,117,945



34. Notes to Statements of Cash Flows

The change in liabilities arising from the Company's financing activities in 2021 follows:

Dividends payable, January 1	P-
Declaration	300,000,000
Payments	(300,000,000)
<u>Dividends payable, December 31</u>	<u>P-</u>

Refer to Note 33 for the movements of lease liabilities.

In 2021 and 2020, non-cash additions of ROU assets amounted to P16.14 million ROU assets and P3.63 million, respectively (see Note 11).

35. Current and Non-current Classification

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

	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
Cash and cash equivalents	P1,548,571,604	P-	P1,548,571,604	P1,207,543,291	P-	P1,207,543,291
Insurance receivables	228,559,008	-	228,559,008	169,127,597	-	169,127,597
Financial assets						
Available-for-sale financial assets	-	14,352,214,373	14,352,214,373	779,321,272	14,843,441,776	15,622,763,048
Loans and receivables	697,524,008	18,289,487	715,813,495	733,274,600	33,881,088	767,155,688
Investment in subsidiaries	-	1,076,092,200	1,076,092,200	-	1,076,092,200	1,076,092,200
Accrued income	195,234,986	-	195,234,986	192,901,301	-	192,901,301
Segregated fund assets	32,858,422,660	-	32,858,422,660	29,504,745,224	-	29,504,745,224
Property and equipment	-	127,761,354	127,761,354	-	147,846,070	147,846,070
Right-of-use assets	-	63,867,542	63,867,542	-	87,736,682	87,736,682
Deferred tax asset	-	114,294,575	114,294,575	-	-	-
Other assets	29,292,732	47,139,766	76,432,498	19,287,517	46,100,643	65,388,160
Total Assets	P35,557,604,998	P15,799,659,297	P51,357,264,295	P32,606,200,802	P16,235,098,459	P48,841,299,261
Liabilities						
Segregated fund liabilities	P32,858,422,660	P-	P32,858,422,660	P29,504,745,224	P-	P29,504,745,224
Legal policy reserves - net	261,657,891	10,248,115,347	10,509,773,238	241,574,891	11,917,966,925	12,159,541,816
Policy and contract claims	561,490,626	861,160,352	1,422,650,978	556,288,024	727,300,891	1,283,588,915
Policyholders' dividends	241,734,032	-	241,734,032	222,981,341	-	222,981,341
Premium deposit fund	369,336,415	-	369,336,415	310,137,777	-	310,137,777
Insurance payables	308,691,736	-	308,691,736	340,202,466	-	340,202,466
Accounts payable and accrued expenses	352,562,662	-	352,562,662	298,657,505	-	298,657,505
Lease liabilities	33,998,728	29,172,337	63,171,065	33,702,231	52,429,918	86,132,149
Net pension liability	-	101,324,500	101,324,500	-	120,651,400	120,651,400
Other liabilities	180,391,956	-	180,391,956	99,596,094	-	99,596,094
Total Liabilities	P35,168,286,706	P11,239,772,536	P46,408,059,242	P31,607,885,553	P12,818,349,134	P44,426,234,687

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 P62,518,074 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 ₱70,925,051 for the year based on the amount reflected in the Summary List of Sales and Purchases of ₱435,801,491. The Company has ₱3,141,636,912 VAT exempt sales and no zero-rated sales of goods and services in 2021.

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

Balance at beginning of the year	₱996,782
Current year's purchases:	
Services lodged under other accounts	10,831,970
	<hr/>
	11,828,752
Claims for tax credit/refund and other adjustments	10,583,182
	<hr/>
Balance at end of the year	₱1,245,570
	<hr/>

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

Balance at beginning of the year	₱6,124,866
Current year's purchases:	
Services lodged under other accounts	14,950,424
	<hr/>
	21,075,290
Claims for tax credit/refund and other adjustments	(21,075,290)
	<hr/>
Balance at end of the year	₱-
	<hr/>

Documentary Stamp Tax (DST)

The DST paid/accrued are the following:

Transaction	DST
Policies issued	₱1,961,622
Policy loans	376,201
Lease contracts	-
	<hr/>
	₱2,337,823
	<hr/>

Other Taxes and License Fees for 2021

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	₱24,366,940
Community tax certificate	10,500
	<hr/>
	24,377,440
National	
Fringe benefit taxes	1,657,173
IC certificate of authority/annual statements	225,150
BIR annual registration	43,500
Other taxes	376,201
	<hr/>
	2,302,024
	<hr/>
	₱26,679,464
	<hr/>



Insurance taxes

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

Premium taxes	₱62,518,074
Documentary stamp tax	2,337,823
	<u>₱64,855,897</u>

Importations

The Company did not incur any excise tax in 2021.

Withholding Taxes

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

Withholding taxes on compensation and benefits	₱67,045,463
Expanded withholding taxes	53,580,894
Final withholding taxes	1,618,854
	<u>₱122,245,211</u>

Tax Assessments and Cases

As of December 31, 2021, 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.



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Sun Life Grepa Financial, Inc.
6th Floor, Grepalife Building
221 Senator Gil J. Puyat Avenue
Makati City

We have audited the financial statements of Sun Life Grepa Financial, Inc. (the Company) as at and for the year ended December 31, 2021, on which we have rendered the attached report dated April 5, 2022.

In compliance with Securities Regulation Code Rule 68, we are stating that the Company has two (2) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Lucy L. Chan

Lucy L. Chan

Partner

CPA Certificate No. 88118

Tax Identification No. [REDACTED]

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 88118-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-046-2020, December 3, 2020, valid until December 2, 2023

PTR No. 8853480, January 3, 2022, Makati City

April 5, 2022



**INDEPENDENT AUDITOR'S REPORT
ON THE SCHEDULE OF RECONCILIATION
OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION**

The Stockholders and the Board of Directors
Sun Life Grepa Financial, Inc.
6th Floor, Grepalife Building
221 Senator Gil J. Puyat Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Sun Life Grepa Financial, Inc. as at and for the years ended December 31, 2021 and 2020 and have issued our report thereon dated April 5, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic financial statements. This has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein 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

Tax Identification No. 152-884-511

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 88118-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-046-2020, December 3, 2020, valid until December 2, 2023

PTR No. 8853480, January 3, 2022, Makati City

April 5, 2022



SUN LIFE GREPA FINANCIAL, INC.

**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2021**

Unappropriated retained earnings, as adjusted, beginning		₱4,641,997,426
Add:		
Net income during the period closed to retained earnings		848,562,024
Less:		
Dividend declaration during the year	(300,000,000)	
Retained earnings - appropriated for negative reserve	(184,969,493)	
Deferred tax benefit	(103,045,603)	(588,015,096)
Total retained earnings, end, available for dividend declaration		₱4,902,544,354
