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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Beneficial Life Insurance Company, Inc.
Beneficial Life Building
166 Salcedo Street
Legaspi Village, Makati City

Opinion

We have audited the accompanying consolidated financial statements of Beneficial Life Insurance Company, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2019, 2018 and 2017, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its cash flows for the years ended December 31, 2019, 2018 and 2017 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A for the year ended December 31, 2019 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA 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, these could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 audits.

REYES TACANDONG & CO.

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CAROLINA P. ANGELES
Partner
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Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 86981-SEC Group A
Valid until March 23, 2025
IC Accreditation No. 86981-IC Group A
Valid until March 4, 2025
BIR Accreditation No. 08-005144-007-2019
Valid until October 16, 2022
PTR No. 8116476
Issued January 6, 2020, Makati City

June 10, 2020
Makati City, Metro Manila

BENEFICIAL LIFE INSURANCE COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2019	2018
ASSETS			
Cash and cash equivalents	4	**₱1,225,127,871**	₱967,649,509
Short-term investments	4	**60,500,000**	50,734,990
Insurance receivables	5	**89,693,714**	23,030,539
Investment securities	6	**4,578,348,114**	4,442,042,121
Loans receivables	7	**1,663,800,927**	1,901,911,397
Accrued income	6	**63,641,862**	68,775,534
Property and equipment:	8		
At revalued amount		**654,555,000**	390,521,532
At cost		**34,259,175**	43,564,096
Deferred tax assets	23	**248,089**	44,512
Other assets		**84,380,490**	63,459,610
		₱8,454,555,242	₱7,951,733,840

	Note	2019	2018
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities	9	**₱4,097,224,154**	₱3,665,664,763
Policyholders' dividends payable	10	**133,430,815**	99,030,379
Premium deposit fund	11	**307,169,452**	290,132,406
Insurance payables	12	**90,978,607**	110,715,969
Loans payable	13	**31,081,586**	351,570,855
Accounts payable and accrued expenses	14	**131,663,238**	210,975,266
Retirement liability	22	**133,313,696**	112,899,225
Deferred tax liabilities	23	**130,470,731**	59,967,801
Income tax payable		**9,810,535**	7,843,903
Other liabilities	15	**216,639,049**	187,713,650
Total Liabilities		**5,281,781,863**	5,096,514,217
Equity			
Capital stock		**626,756,494**	626,756,494
Additional paid-in capital		**489,265,675**	489,265,675
Retained earnings:	16		
Unappropriated		**1,480,482,230**	1,390,529,020
Appropriated		**80,623,116**	112,561,902
Other comprehensive income		**495,645,864**	236,106,532
Total Equity		**3,172,773,379**	2,855,219,623
		₱8,454,555,242	₱7,951,733,840

See accompanying Notes to Consolidated Financial Statements.

BENEFICIAL LIFE INSURANCE COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2019**	2018	2017
REVENUES				
Gross premiums on insurance contracts	18	**₱1,668,843,509**	₱1,349,120,419	₱1,017,983,992
Reinsurer's share of gross premiums on insurance contracts	18	**(16,953,935)**	(27,519,621)	(16,767,053)
Net insurance premiums		**1,651,889,574**	1,321,600,798	1,001,216,939
Interest income	4	**431,700,468**	432,576,304	459,540,814
Net fair value gain on financial assets at fair value through profit or loss (FVPL)	6	**41,548,414**	–	15,756,823
Dividend income	6	**20,584,189**	22,521,215	23,521,203
Gain on sale of investment securities	6	**18,618,469**	12,537,487	38,406,705
Rental income	24	**4,563,986**	4,500,278	4,482,991
Other income		**17,071,220**	10,278,301	32,123,726
		2,185,976,320	1,804,014,383	1,575,049,201
BENEFITS, CLAIMS AND EXPENSES				
Net benefits and claims incurred on insurance contracts	19	**822,912,977**	807,739,675	758,727,590
Net change in legal policy reserves	19	**297,728,566**	114,759,843	46,071,156
Net insurance benefits and claims		**1,120,641,543**	922,499,518	804,798,746
General and administrative expenses	20	**465,778,035**	425,690,505	347,140,189
Commission and other direct expenses	21	**274,292,132**	215,716,142	151,905,403
Finance costs	21	**35,910,878**	25,057,969	44,414,257
Insurance taxes		**31,340,762**	26,289,319	21,874,456
Net fair value loss on financial assets at FVPL	6	**–**	22,261,505	–
		1,927,963,350	1,637,514,958	1,370,133,051
INCOME BEFORE FOREIGN EXCHANGE CHANGES AND IMPAIRMENT LOSSES		**258,012,970**	166,499,425	204,916,150
NET FOREIGN EXCHANGE GAIN (LOSS)		**(83,119,139)**	106,401,016	31,052,365
PROVISION FOR (REVERSAL OF) IMPAIRMENT LOSSES				
Loans receivables	7	**35,541,595**	93,930,036	47,805,808
Investment securities	6	**(9,045,552)**	5,978,230	52,471,261
		26,496,043	99,908,266	100,277,069
INCOME BEFORE INCOME TAX		**148,397,788**	172,992,175	135,691,446
INCOME TAX EXPENSE (BENEFIT)	23			
Final		**24,657,771**	14,086,597	9,003,580
Current		**14,926,388**	10,772,738	6,965,371
Deferred		**(521,827)**	(682,091)	6,371,250
		39,062,332	24,177,244	22,340,201
NET INCOME		**₱109,335,456**	₱148,814,931	₱113,351,245

(Forward)

	Note	**2019**	2018	2017
			Years Ended December 31	
NET INCOME		**₱109,335,456**	₱148,814,931	₱113,351,245
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified to profit or loss in subsequent periods:				
Change in revaluation reserves on investment securities (debt instruments classified as financial assets at fair value through other comprehensive income (FVOCI))	6	**269,667,728**	(60,624,834)	107,886,208
Cumulative translation adjustment		**(5,598,080)**	5,616,736	531,669
		264,069,648	(55,008,098)	108,417,877
Items that will not be reclassified to profit or loss in subsequent periods:				
Remeasurement gain (loss) on legal policy reserves	9	**(112,342,032)**	224,296,576	24,008,792
Change in revaluation reserves on investment securities (equity securities classified as financial assets at FVOCI)	6	**(57,437,705)**	(72,753,892)	–
Remeasurement gain (loss) on retirement liability - net of deferred tax	22	**(14,302,087)**	8,844,543	7,866,427
Increase in revaluation surplus - net of deferred tax	8	**184,222,750**	–	–
		140,926	160,387,227	31,875,219
		264,210,574	105,379,129	140,293,096
TOTAL COMPREHENSIVE INCOME		**₱373,546,030**	₱254,194,060	₱253,644,341

See accompanying Notes to Consolidated Financial Statements.

BENEFICIAL LIFE INSURANCE COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2019**	2018	2017
CAPITAL STOCK - ₱1 par value				
Authorized - 1,000,000,000 shares				
Issued and outstanding - 626,756,494 shares		**₱626,756,494**	₱626,756,494	₱626,756,494
ADDITIONAL PAID-IN CAPITAL		**489,265,675**	489,265,675	489,265,675
RETAINED EARNINGS				
Appropriation for negative legal policy reserves	16			
Balance at beginning of year		**112,561,902**	110,755,783	224,194,188
Additional (reversal of) appropriation for negative legal policy reserves		**(31,938,786)**	1,806,119	(113,438,405)
Balance at end of year		**80,623,116**	112,561,902	110,755,783
Unappropriated				
Balance at beginning of year, as previously reported		**1,390,529,020**	1,203,015,810	1,072,479,231
Adjustment arising from transition to PFRS 9	6	**–**	137,207,469	–
Balance at beginning of year, as adjusted		**1,390,529,020**	1,340,223,279	1,072,479,231
Net income		**109,335,456**	148,814,931	113,351,245
Reversal of (additional) appropriation for negative legal policy reserves	16	**31,938,786**	(1,806,119)	113,438,405
Dividend declaration	16	**(29,457,555)**	(100,281,039)	(100,281,039)
Transfer from revaluation reserves on investment securities	6	**(28,536,680)**	–	–
Transfer of revaluation surplus	8	**6,673,203**	3,577,968	4,027,968
Balance at end of year		**1,480,482,230**	1,390,529,020	1,203,015,810
		1,561,105,346	1,503,090,922	1,313,771,593
OTHER COMPREHENSIVE INCOME (LOSS)				
Revaluation reserves on investment securities				
Balance at beginning of year, as previously reported		**(336,785,754)**	24,701,383	(83,184,825)
Adjustments arising from transition to PFRS 9	6	–	(228,108,411)	–
Balance at beginning of year, as adjusted		**(336,785,754)**	(203,407,028)	(83,184,825)
Change in revaluation reserves	6	**212,230,023**	(133,378,726)	107,886,208
Balance at end of year		**(₱124,555,731)**	(₱336,785,754)	₱24,701,383

(Forward)

	Note	Years Ended December 31 2019	2018	2017
Revaluation surplus on property and equipment - net of deferred tax	8			
Balance at beginning of year		**₱153,792,736**	₱156,297,314	₱159,116,892
Appraisal increase		**184,222,750**	–	–
Transfer of revaluation surplus		**(4,671,242)**	(2,504,578)	(2,819,578)
Balance at end of year		**333,344,244**	153,792,736	156,297,314
Cumulative remeasurement of legal policy reserves	9			
Balance at beginning of year		**392,457,655**	168,161,079	144,152,287
Remeasurement gain (loss) on legal policy reserves		**(112,342,032)**	224,296,576	24,008,792
Balance at end of year		**280,115,623**	392,457,655	168,161,079
Cumulative remeasurement of retirement liability - net of deferred tax	22			
Balance at beginning of year		**5,732,274**	(3,112,269)	(10,978,696)
Remeasurement gain (loss) on retirement liability		**(14,302,087)**	8,844,543	7,866,427
Balance at end of year		**(8,569,813)**	5,732,274	(3,112,269)
Cumulative translation adjustment				
Balance at beginning of year		**20,909,621**	15,292,885	14,761,216
Translation adjustment		**(5,598,080)**	5,616,736	531,669
Balance at end of year		**15,311,541**	20,909,621	15,292,885
		495,645,864	236,106,532	361,340,392
		₱3,172,773,379	₱2,855,219,623	₱2,791,134,154

See accompanying Notes to Consolidated Financial Statements.

BENEFICIAL LIFE INSURANCE COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2019**	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱148,397,788**	₱172,992,175	₱135,691,446
Adjustments for:				
Interest income	4	**(431,700,468)**	(432,576,304)	(459,540,814)
Unrealized foreign exchange loss (gain)		**71,600,123**	(72,759,670)	5,627,143
Net fair value loss (gain) on financial assets at FVPL	6	**(41,548,414)**	22,261,505	(15,756,823)
Provision for (reversal of) impairment losses on:				
Loans receivables	7	**35,541,595**	93,930,036	47,805,808
Investment securities	6	**(9,045,552)**	5,978,230	52,471,261
Depreciation and amortization	20	**28,455,993**	24,338,609	24,451,116
Finance cost	21	**25,652,335**	15,288,840	34,901,538
Dividend income	6	**(20,584,189)**	(22,521,215)	(23,521,203)
Gain on sale of:				
Investment securities	6	**(18,618,469)**	(12,537,487)	(38,406,705)
Property and equipment	8	**–**	–	(6,612,774)
Retirement benefits cost	22	**18,186,486**	15,705,389	17,195,447
Other assets written-off		**–**	–	34,338
Operating loss before working capital changes		**(193,662,772)**	(189,899,892)	(225,660,222)
Decrease (increase) in:				
Loans receivables		**202,568,875**	96,315,606	(131,268,242)
Insurance receivables		**(66,663,175)**	(6,771,965)	4,824,326
Short-term investments		**(9,765,010)**	1,603,599	(43,275,976)
Increase (decrease) in:				
Insurance contract liabilities		**319,217,359**	249,955,970	339,316,870
Policyholders' dividends payable		**34,400,436**	(18,538,366)	(30,195,738)
Insurance payables		**(19,737,362)**	17,233,030	(46,387,824)
Premium deposit fund		**4,569,876**	(7,676,308)	(20,210,631)
Accounts payable and accrued expenses		**(79,312,028)**	168,748,581	5,421,218
Other liabilities		**27,129,182**	4,647,556	35,023,872
Net cash generated from (used for) operations		**218,745,381**	315,617,811	(112,412,347)
Interest paid		**(13,185,165)**	(6,053,149)	(592,162)
Contributions to plan assets	22	**(15,000,000)**	(15,000,000)	–
Income tax paid		**(12,862,113)**	(21,157,552)	(16,763,135)
Benefits paid by the Group	22	**(3,203,568)**	(1,246,689)	(456,776)
Net cash provided by (used in) operating activities		**₱174,494,535**	₱272,160,421	(₱130,224,420)

(Forward)

	Note	Years Ended December 31 **2019**	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale/maturities of:				
Investment securities	6	**₱1,706,679,648**	₱824,724,999	₱828,106,294
Property and equipment	8	**–**	–	10,800,000
Acquisitions of:				
Investment securities	6	**(1,684,627,404)**	(1,950,786,519)	(1,284,725,003)
Property and equipment	8	**(20,009,183)**	(23,217,861)	(23,678,402)
Other assets		**(20,920,880)**	(17,791,228)	(10,717,121)
Interest received		**424,128,929**	443,402,603	476,146,519
Dividends received		**24,451,216**	22,521,220	23,521,198
Net cash provided by (used in) investing activities		**429,702,326**	(701,146,786)	19,453,485
CASH FLOWS FROM FINANCING ACTIVITIES				
Loan payments	13	**(4,202,823,099)**	(1,951,743,832)	(255,815,735)
Loan availments	13	**3,883,765,938**	2,298,842,831	225,105,377
Cash dividends paid	13	**(27,661,338)**	(93,887,619)	(93,722,398)
Net cash provided by (used in) financing activities		**(346,718,499)**	253,211,380	(124,432,756)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**257,478,362**	(175,774,985)	(235,203,691)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**967,649,509**	1,143,424,494	1,378,628,185
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱1,225,127,871**	₱967,649,509	₱1,143,424,494

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Beneficial Life Insurance Company, Inc. (the Parent Company) was incorporated and registered with the Philippines Securities and Exchange Commission (SEC) on March 16, 1960 to engage and carry on the business of life insurance. The Parent Company extended its corporate life for another 50 years commencing on March 16, 2010. Also, the Parent Company is licensed to engage in the reinsurance business. The Parent Company's Certificate of Authority issued by the Insurance Commission (IC) is valid until December 31, 2021.

The Parent Company is 81%-owned by FMF Development Corporation (FMF or Ultimate Parent Company), a company incorporated in the Philippines engaged primarily to own, invest or manage properties such as buildings or other structures and shares of stock and other types of securities.

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries (collectively referred to as the Group), as follows:

Name of Subsidiaries	Country of Incorporation	Nature of Business	Effective Percentage of Ownership
Solana Investment Holdings Corporation (SIHC)	British Virgin Islands	Investment	100%
Beneficial Financial Advisors, Inc. (BFAI)	Philippines	Consultancy and leasing	100%

The registered office address of the Parent Company is 7th Floor Beneficial Life Building, 166 Salcedo Street, Legaspi Village, Makati City.

The consolidated financial statements as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 were approved and authorized for issuance by the Board of Directors (BOD) on June 10, 2020.

Events After the Reporting Period

The country is currently experiencing a pandemic crisis due to COVID-19 virus resulting in a slowdown in the Philippine economy because of mandated lockdowns all over the country. While the financial impact is considered a non-adjusting subsequent event as at December 31, 2019, the effect on the Group's operations and financial performance, however, cannot be reasonably determined as at report date.

Notwithstanding the situation, the Management believes that the Group has strong financial condition and has the ability to continue as a going concern.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council (FRSC) and adopted by the SEC, including SEC pronouncements.

Measurement Bases
The consolidated financial statements are presented in Philippine Peso, the Group's functional currency. All values represent absolute amounts unless otherwise stated.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for certain components of financial assets which are carried at fair values and certain components of property and equipment which are carried at revalued amounts. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and consideration received for incurring a liability.

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 transaction date. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 − Quoted (unadjusted) market prices in active market for identical assets or liabilities.

Level 2 − Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 − Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Further information about the assumptions made in measuring fair value is included in the following notes:

- Note 3: Significant Judgments, Accounting Estimates and Assumptions
- Note 6: Investment Securities
- Note 8: Property and Equipment
- Note 26: Risk Management Objectives and Policies

Adoption of New and Amended PFRS
The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended PFRS which the Group adopted beginning January 1, 2019:

Effective for annual periods beginning January 1, 2019 -

- PFRS 16, *Leases* – PFRS 16 replaced PAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, Standard Interpretations Committee (SIC)-15, *Operating Leases-Incentives,* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard provides two recognition exemptions for lessees from this PFRS – leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less).

  At the commencement date of a lease, the lessee shall recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The lessee is required to recognize the interest on the lease liability and to depreciate the right-of-use (ROU) asset.

  The lease liability shall be reviewed when there are changes in the lease term and other events affecting the lease, such as future lease payments resulting from a change in the index or rate used to determine those payments. The remeasurement of the lease liability should be recognized as an adjustment to the ROU asset.

  Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. The lessor shall continue to classify leases using the same classification principle as in PAS 17 to distinguish the two types of leases: operating and finance leases.

  Subsequent to adoption of PFRS 16, the Philippine Interpretations Committee (PIC) Q&A No. 2019-12, *Determining Lease Term under PFRS 16*, and PIC Q&A No. 2019-13, *Determining the Lease Term of Leases that are Renewable Subject to Mutual Agreement of the Lessor and the Lessee*, have been issued. The interpretations provide implementation guidance on the determination of lease term under the new standard for lease contracts that (1) contain an option to either extend or terminate the lease and (2) are renewable subject to mutual agreement of the parties, respectively. Accordingly, an entity should not include as part of the lease term, any optional or extended lease terms that are not enforceable beyond the non-cancellable period.

  The Group adopted PFRS 16 in full retrospectively. For the Company's lease commitments, the Group assessed that these arrangements qualify as leases of low value assets or short-term leases under PFRS 16, thus, did not have a significant impact on the amounts recognized in the Group's financial statements.

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes,* in particular (i) matters to be considered in accounting for uncertain tax treatments separately, (ii) assumptions for taxation authorities' examinations, (iii) determinants of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments clarify that a financial asset passes the "solely payments of principal and interest" criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Consequently, financial assets with termination provisions can now be measured at amortized cost (or, depending on the business model, at fair value through other comprehensive income).

- Annual Improvements to PFRS 2015 to 2017 Cycle -

  - Amendments to PAS 12, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity* – The amendments require entities to recognize the income tax consequences of dividends as defined in PFRS 9 when the liability to pay dividends are recognized. The income tax consequences of dividends are recognized either in profit or loss, other comprehensive income or equity, consistently with the transactions that generated the distributable profits. This requirement applies to all income tax consequences of dividends, such as withholding taxes.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS did not have any material effect on the consolidated financial statements of the Group. Additional disclosures were included in the consolidated financial statements, as applicable.

New and Amended PFRS in Issue But Not Yet Effective
Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2019 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of "material" and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is "material" if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements, as applicable.

Basis of Consolidation

Subsidiaries. Subsidiaries are entities controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- power over 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.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases.

The financial statements of the subsidiaries are prepared using the same reporting period of the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in full.

A change in ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognized in profit or loss. If the Group retains interest in the previous subsidiary, then such interest is measured at fair value at the date control is lost. Subsequently, it is accounted for as an equity-accounted investee or as financial assets at FVPL or FVOCI, depending on the level of influence retained.

Current and Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on liquidity. The current portion is presented in Note 27.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when it is:

- Expected to be settled in its normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Financial Assets and Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at FVPL, includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Financial Assets
In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Classification and Measurement
The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at FVOCI, and (c) financial assets at FVPL. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

a. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b. the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process.

The Group's cash and cash equivalents, short-term investments, insurance receivables, government securities assigned as investment deposit with the IC, private debt securities which are held primarily to collect contractual cash flows until maturity included under "Investment Securities" account in consolidated statements of financial position, loans receivables and accrued income are classified under this category.

Debt Securities at FVOCI. Debt securities shall be measured at FVOCI if both of the following conditions are met:

a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

b. the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt securities measured at FVOCI are recognized directly in profit or loss. Changes in the fair value of these securities are recognized in other comprehensive income and accumulated in equity. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

The Group's investments in private and government debt securities which are denominated in foreign currencies are classified under this category.

Equity Securities at FVOCI. On initial recognition, equity securities that are not held for trading may be irrevocably designated as a financial asset to be measured at FVOCI.

Dividends from equity securities held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment.

Changes in the fair value of these securities including those arising from foreign currency changes are recognized in other comprehensive income and presented in the equity section of the consolidated statements of financial position. The cumulative gains or losses will not be reclassified to profit or loss on disposal of the equity securities, instead, these will be transferred to retained earnings.

The Group's investments in quoted equity securities which are irrevocably designated as financial assets at FVOCI at initial recognition are included under this category.

Financial Assets at FVPL. Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if these are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless these are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt securities to be classified at amortized cost or at FVOCI, debt securities may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are measured at fair value at each reporting date, with any fair value gains or losses recognized in profit or loss to the extent these are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset.

The Group's investments in private debt securities held for trading and quoted equity securities are classified under this category.

Impairment
The Group recognizes an allowance for expected credit losses (ECL) for all debt securities not measured at FVPL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

The Group's financial assets at amortized cost and debt securities at FVOCI are subject to ECL model. For these debt securities, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date.

However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Reclassification
The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in other comprehensive income, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

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

- the right to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flows from the financial 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 Group has transferred its right to receive cash flows from the financial 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 Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities

Classification and Measurement
The Group classifies its financial liabilities at initial recognition under the following categories: (a) financial liabilities at amortized cost, and (b) financial liabilities at FVPL.

As at December 31, 2019 and 2018, the Group does not have financial liabilities measured at FVPL.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group 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 its own equity securities.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

The Group's insurance contract liabilities, policyholders' dividends payable, premium deposit fund, insurance payables, loans payable, accounts payable and accrued expenses (excluding statutory payables) and other liabilities are classified under this category.

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy 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.

If the Group 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.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When 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.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in profit or loss.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Insurance Contracts

Product Classification
Insurance contracts are defined as those contracts under which the Group (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 Group 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. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variables.

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 a certain period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if the insurance risk becomes significant.

Insurance contracts are classified with and without Discretionary Participation Features (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 following:
  - performance of a specified pool of contracts or a specified type of contract;
  - realized and/or unrealized investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the Group, fund or other entity that issues the contract.

Conventional Long-term Insurance Contracts
These contracts ensure events associated with human life (for example, death or survival) over a long duration. Premiums are recognized as revenue when they become payable by the contract holder. Benefits are recognized as expense when they are incurred or when the policies reach maturity.

A liability for contractual benefits that is expected to be incurred in the future is recognized for policies that are in-force as at the reporting date. The liability is determined as the expected future discounted value of the benefit payments that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefit expenses based on the valuation assumptions used. The liability is based on assumptions as to mortality, reserve method, and interest rate approved by the IC.

Reinsurance Contracts
The Parent Company cedes insurance risk in the normal course of business to reinsurers. Balances due from reinsurance companies for its share in benefits and claims of policyholders are recognized as "Due from reinsurers" in the consolidated statements of financial position. Amounts due to reinsurers representing their share in premiums are presented under "Insurance payables" account in the consolidated statements of financial position.

An impairment review is performed at each reporting date or more frequently when there are indications of impairment during the reporting year. Impairment occurs when there is objective evidence that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is charged to profit or loss.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group 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. Estimating amounts payable is consistent with the provisions of the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded 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.

Property and Equipment
Property and equipment, other than land, buildings and office condominium, are stated at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repairs and maintenance are charged against profit or loss during the financial period in which these were incurred.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

The Group's land, buildings and office condominium are stated at revalued amounts based on the valuation of an independent appraiser. Any increase in the value of property and equipment at revalued amounts is recognized under "Revaluation surplus on property and equipment" account in the equity section of the consolidated statements of financial position, unless and only to the extent it reverses a revaluation decrease of the same asset previously recognized as an expense, in which case it is recognized as income. Any decrease is first offset against an increase on earlier valuation in respect of the same class of property and is thereafter recognized as an expense. Annually, an amount from the revaluation surplus is transferred to retained earnings for the depreciation and amortization related to the revaluation surplus.

Upon the disposal of a revalued property, the relevant portion of the revaluation surplus realized in respect of previous valuation is released directly from the revaluation surplus to retained earnings.

Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of the property and equipment as follows:

	Number of years
Building and office condominium	10 - 40
Transportation equipment	3 - 5
Office furniture and equipment	2 - 5

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

Impairment of Nonfinancial Assets

The nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount exceeds its estimated recoverable amounts, the asset is written down to its recoverable amount. The estimated recoverable amount of the asset is the higher of an asset's fair value less costs to sell or value in use. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

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. However, 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. After such reversal, the depreciation and amortization charge is adjusted in future years to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life.

Insurance Contract Liabilities

Legal Policy Reserves

Legal policy reserves are liabilities for contractual benefits that are expected to be incurred in the future related to policies that are in-force as at the reporting date. The liability is calculated as the sum of the present value of future benefits and expenses, less the present value of future net premiums arising from the policy discounted at the appropriate risk-free discount rate. The liability is determined using best estimate assumptions with regard to significant recent experience and appropriate margin for adverse deviation from the expected experience.

The Group has different assumptions for different products. However, liabilities for contractual benefits are computed to comply with statutory requirements, which require discount rates to be based on the schedule of spot rates published by IC and mortality and morbidity rates to be in accordance with the standard table of mortality. Reserves are computed per thousand of sum insured and depend on the issue age and policy duration.
Adjustments to the liabilities arising from changes in in-force policies are recorded in "Net change in legal policy reserves" account in profit or loss. Changes in liabilities arising from changes in discount rates are recorded in "Remeasurement gain (loss) on legal policy reserves" account in other comprehensive income.

Policy and Contract Claims
Policy and contract claims are liabilities for unpaid claims and benefits of policyholders as a result of death of the insured, surrenders and maturities. This also includes cost of claims incurred but not yet reported as at reporting date based on the Group's experience and historical data.

Liability Adequacy Test
Liability adequacy tests are performed annually to ensure the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of future contractual cash flows, claims handling and policy administration expenses are used. Any deficiency is immediately charged against profit or loss initially by establishing a provision for losses arising from the liability adequacy tests.

Policyholders' Dividends Payable
Policyholders' dividends payable is a contractual right that gives policyholders the right to receive supplementary discretionary returns through participation in the surplus arising from participating business. These returns are subject to the discretion of the Group's management and BOD and are within the constraints of the terms and conditions of the contract. The computation of the rate of dividends takes into consideration the differences of interests assumed in pricing and investments, differences in mortality rates assumed in pricing and reserves valuation and the increase in cash values between the current policy year and the previous policy year. Policyholders' dividends payable for the year is computed per thousand of sum insured and depends on the issue age and policy duration.

Premium Deposit Fund
Premium deposit fund pertains to the premium deposits of the policyholders which earn interest at such rates as the Group declares but not less than the lowest interest rate prevailing on savings accounts of banks. The amount of premium deposits of the policyholders shall not exceed the future contractual premiums of the insurance contracts. If at any premium date, premiums remain unpaid, and provided that the fund balance is sufficient to pay such premiums in full, the premium due shall be paid from this fund.

Revenue Recognition

Premium Income. Gross 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 becomes effective. For regular premium contracts, revenues are recognized at the date when payments are due.

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

Interest Income. For interest-bearing financial instruments classified as financial assets at FVPL, financial assets at FVOCI and financial assets at amortized cost, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

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 effective interest rate applied to the new carrying amount.

Dividend Income. Dividend income is recognized when the Group's right to receive the payment is established.

Other Income. Other income includes policy issue fees, reversal of denied claims and other income that are recognized in profit or loss when earned.

<u>Benefits, Claims and Expenses Recognition</u>

Benefits and Claims. Benefits and claims consist of benefits and claims incurred during the period and changes in the valuation of legal policy reserves (including incurred but not reported losses) and reserve for policyholders' dividends. Death claims and surrenders are recorded on the basis of notifications received. Maturities are recorded when due.

General and Administrative Expenses. General and administrative expenses constitute costs of administering the business. These are recognized as expense when incurred.

Commission and Other Direct Expenses. Commissions and other direct expenses are recognized when the insurance contracts are entered and the premiums are recognized.

Underwriting Expense. Underwriting expenses are related expenses for the acquisition of insurance contracts which are expensed as incurred.

Finance Costs. Finance costs consist mainly of bank charges and interest expenses incurred by the Group. Interest expense is recognized in profit or loss as it accrues and is calculated using the effective interest method. Accrued interest is credited to the liability account every policy anniversary date.

Insurance Taxes. Insurance taxes pertain to premium taxes and documentary stamp taxes on life insurance policies which are expensed as incurred.

<u>Employee Benefits</u>

Short-term Benefits. The Group provides short-term benefits to its employees in the form of basic pay, 13th month pay, bonuses, employer's share on government contribution and other short-term benefits. Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. The Group has a funded, noncontributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements and net interest expense or income in profit or loss.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Group recognizes restructuring-related costs.

Net interest on the net retirement liability or asset is the change during the period in the net retirement 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 retirement liability or asset.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group nor can they be paid directly to the Group. Fair value of plan assets is based on market price information.

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 other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The net defined benefit asset or liability is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets on which the liabilities are to be settled directly. The present value of the defined benefit liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Income Taxes

Final Tax. Final taxes are recognized for taxes paid on certain income payments. These are not creditable to income tax due on income subject to regular corporate income tax. The applicable tax rates differ depending on the particular income subject to final tax.

Current tax. Current tax is the expected tax payable on the taxable income for the year, using tax rate and tax laws enacted or substantively enacted at the reporting date.

Deferred tax. Deferred tax is provided 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. Deferred tax assets are recognized for all deductible temporary differences and carry forward benefits of the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward benefits of excess MCIT over RCIT and NOLCO can be utilized.

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 future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate (and tax laws) in effect at the reporting date.

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

Equity

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

Additional Paid-in Capital (APIC). When the Parent Company issues shares in excess of par, the excess is recognized as APIC. Incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from APIC. Capital stock also includes stock dividends to be issued.

Retained Earnings. Retained earnings represent the cumulative balance of net income, net of any dividend declaration and prior period adjustments. Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders while appropriated retained earnings represent that portion which has been restricted and therefore is not available for any dividend declaration.

Other Comprehensive Income. Other comprehensive income comprises items of income and expense (including items previously presented under equity) that are not recognized in profit or loss for the year in accordance with PFRS. Other comprehensive income includes revaluation reserves on investment securities, revaluation surplus on property and equipment, remeasurement gain or loss on legal policy reserves and remeasurement gain or loss on net retirement liability. Other comprehensive income items that will be reclassified subsequently to profit or loss are presented separately from those items that will not be reclassified subsequently.

Leases

A contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the lessee has both of the following:

- The right to obtain substantially the economic benefits from use of the identified asset; and
- The right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

At the commencement date, the Group recognizes ROU asset and a lease liability for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Group by the weighted average number of issued and outstanding and subscribed common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effects of any potentially dilutive convertible securities.

Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the end of the reporting year. Foreign exchange differences are credited or charged directly to profit or loss.

Related Party Transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity, or between, and/or among the reporting entity and its key management personnel, directors or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Provisions

Provisions are recognized when the Group 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. 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 an interest expense.

Contingencies

Contingent liabilities are not recognized but are disclosed in the notes to consolidated financial statements unless the probability of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

Post year-end events that provide additional information about the Group’s consolidated financial position at the end of reporting year (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, accounting estimates and assumptions that affect the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements. These are based on management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Identifying the Product Classification. The Group has determined that the policies it issues have significant insurance risk and therefore meets the definition of an insurance contract and are accounted for as such. Insurance contracts are those contracts when the Group has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts also transfer financial risk.

Classifying the Financial Instruments. Classification of financial assets under PFRS 9 depends on the results of the business model test and "sole payment of principal and interest" (SPPI) test performed by the Group. The Group exercises judgment in determining the business model to be used in managing its financial instruments to achieve their business objectives.

Definition of Default and Credit-Impaired Financial Assets. The Group defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when it meets one or more of the following criteria:

a. Quantitative Criteria - the borrower is more than 1 year past due on its contractual payments, which is consistent with the Company's definition of default.

b. Qualitative Criteria - The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

   - The borrower is experiencing financial difficulty or is insolvent;
   - The borrower is in breach of financial covenants;
   - Concessions have been granted by the Company, for economic or contractual reasons relating to the borrower's financial difficulty; or
   - It is probable that the borrower will enter bankruptcy or other financial reorganization.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to the determination of ECL.

Grouping of the Financial Assets for Measurement of ECL on a Collective Basis. For ECL provisions that are assessed on a collective basis, grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. For loans receivables, debtors are grouped based on the type of loan and debtors' geographical location.

Determining the Lease Commitments - Group as a Lessee. The Group has lease agreements for its branches and regional offices. The Group has determined that it obtains substantially all of the economic benefits from use of the identified assets and the right to direct the use of such assets. Moreover, the Group assessed that these lease agreements qualify as leases of low value assets or short-term leases under PFRS 16.

Rental expense arising from operating lease amounted to ₱10.5 million, ₱10.2 million and ₱11.9 million in 2019, 2018, and 2017, respectively (see Note 24).

Determining the Lease Commitments - Group as a Lessor. The Group has lease agreements with third parties. The Group has determined that it retains all the risks and rewards of ownership over the leased asset. Accordingly, the agreements are accounted for as operating leases.

Rental income amounted to ₱4.6 million in 2019 and ₱4.5 million in 2018 and 2017 (see Note 24).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date, that have a risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Determining the Fair Value of Financial Instruments. The fair values of investments that are actively traded in organized financial markets are determined by reference to quoted market prices at the close of business on the reporting date.

In accordance with the amendments to PFRS 7, *Financial Instruments: Disclosures*, disclosures about the level in the fair value hierarchy are required in which the fair value measurements are categorized for assets and liabilities measured in the consolidated statements of financial position. The Group uses judgment in assessing the significance of a particular input to the fair value measurements in its entirety, considering factors specific to the asset or liability.

Estimating the Legal Policy Reserves. Reserves are set up as requirement pursuant to the provision and guidelines set by the IC, which should not be less than the reserves required. These are computed using assumptions that are based on the standard mortality and morbidity tables, interest rates, lapse and/or persistency, expenses, non-guaranteed benefits and margin for adverse deviation as required by the IC.

The carrying amount of legal policy reserves amounted to ₱3,050.5 million and ₱2,640.5 million as at December 31, 2019 and 2018, respectively (see Note 9).

Estimating the Claims Incurred but not Reported. Provision is made for the cost of claims incurred but not yet reported as at reporting date based on the Group's experience and historical data. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in consolidated statements of comprehensive income of subsequent years.

The carrying amount of claims incurred but not reported included under policy and contract claims amounted to ₱256.8 million and ₱150.0 million as at December 31, 2019 and 2018, respectively (see Note 9).

Estimating the Allowance for ECL on Loans Receivables. The Company determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition, in which case, ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors: (a)actual or expected external and internal credit rating downgrade; (b) existing or forecasted adverse changes in business, financial or economic conditions; and (c) actual or expected significant adverse changes in the operating results of the borrower.

Provision for doubtful accounts recognized on loans receivables amounted to ₱35.5 million, ₱93.9 million and ₱47.8 million in 2019, 2018 and 2017, respectively. The carrying amount of loans receivables amounted to ₱1,663.8 million and ₱1,901.9 million as at December 31, 2019 and 2018, respectively (see Note 7).

No provision for impairment was recognized on insurance receivables and accrued investment income in 2019, 2018 and 2017.

The carrying amount of insurance receivables amounted to ₱89.7 million and ₱23.0 million as at December 31, 2019 and 2018, respectively (see Note 5).

The carrying amount of accrued investment income amounted to ₱63.6 million and ₱68.8 million as at December 31, 2019 and 2018, respectively (see Note 6).

Estimating the Useful Lives of Property and Equipment. The useful life of each of the Group's property and equipment is estimated based on the year over which the asset is expected to be available for use. Such estimation is based on a collective assessment of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed at each financial yearend and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. However, it is possible that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded depreciation and amortization and decrease its carrying amounts.

There were no changes in the estimated useful lives of the Group's property and equipment at cost in 2019, 2018 and 2017. The carrying amount of property and equipment at cost amounted to ₱34.3 million and ₱43.6 million as at December 31, 2019 and 2018, respectively (see Note 8).

There were no changes in the estimated useful lives of the Group's property and equipment at revalued amounts in 2019, 2018 and 2017. The carrying amount of property and equipment at revalued amounts amounted to ₱654.6 million and ₱390.5 million as at December 31, 2019 and 2018, respectively (see Note 8).

Determining the Revalued Amount of Property and Equipment. The Group carries certain property and equipment at revalued amounts. The appraised values of land, buildings and office condominium were arrived using the market data approach and cost approach, respectively.

With market data approach, the values of the properties are based on sales and listings of comparable properties registered in the vicinity. The technique of this approach requires the establishment of comparable properties by reducing reasonable comparative sales and listings to a common denominator and adjustment of the differences between the subject property and those actual sales and listings regarded as comparable. The comparison was premised on the factors of location, characteristics of the lot, time element, quality and prospective use.

Cost approach is evidenced by the observed condition in comparison with new units of like kind tempered by consideration given to extent, character and utility of the property which is to be continued in its present use as part of a going concern but without specific relation to earnings.

The latest independent property valuation of land, building and office condominium was performed on February 3, 2020. The appraisal resulted to an increase in revaluation surplus, net of deferred tax, amounting to ₱184.2 million. The carrying amount of property and equipment at revalued amounts amounted to ₱654.6 million and ₱390.5 million as at December 31, 2019 and 2018, respectively.

Assessing the Impairment of Nonfinancial Assets. The Group assesses impairment on its nonfinancial assets whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable.

The factors that the Group 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 Group recognizes an impairment loss whenever the carrying amount of an asset exceeds it recoverable amount. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Determining such amount requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets.

No impairment loss was recognized in 2019 and 2018. The carrying amounts of nonfinancial assets are as follows:

Asset Type	Note	**2019**	2018
Property and equipment:	8		
At cost		**₱34,259,175**	₱43,564,096
At revalued amounts		**654,555,000**	390,521,532
Other assets		**84,380,490**	63,459,610

Determining the Retirement Liability. The determination of the obligation and cost of retirement benefits is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 22 to the consolidated financial statements and include, among others, discount rate and salary increase rate. Actual results that differ from the Group's assumptions are accumulated and recognized in other comprehensive income, therefore, generally affect the recognized expense and recorded obligation.

The net retirement liability amounted to ₱133.3 million and ₱112.9 million as at December 31, 2019 and 2018, respectively (see Note 22).

Assessing the Realizability of Deferred Tax Assets. The Group's assessment of the recognition of deferred tax assets on deductible temporary differences is based on the Group's past results and future expectations on revenue and expenses. The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized.

The Group's recognized deferred tax assets amounted to ₱93.3 million and ₱80.1 million as at December 31, 2019 and 2018, respectively.

4. Cash, Cash Equivalents and Short-term Investments

Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand	**₱53,548**	₱53,548
Cash in banks	**703,891,417**	555,906,153
Cash equivalents	**521,182,906**	411,689,808
	₱1,225,127,871	₱967,649,509

Cash and cash equivalents include cash in banks and short-term deposits which earn interest at the prevailing bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months from date of maturity, depending on the immediate cash requirements.

Short-term Investments

Short-term investments amounted to ₱60.5 million and ₱50.7 million as at December 31, 2019 and 2018, respectively. Short-term investments are short-term placements with maturities of more than three months but less than one year from date of acquisition. The effective interest rates of these investments range between 3.1% to 4.0% and 0.5% to 3.0% in 2019 and 2018, respectively.

Interest Income

Interest income recognized in the consolidated statements of comprehensive income follows:

	Note	**2019**	2018	2017
Cash and cash equivalents		**₱12,158,508**	₱8,678,269	₱5,147,596
Short-term investments		**21,144,815**	16,270,583	10,881,090
Investment securities:	6			
Financial assets at amortized cost		**88,411,448**	45,980,416	–
Financial assets at FVOCI		**82,292,112**	77,709,919	83,912,029
Financial assets at FVPL		**22,495,845**	14,145,593	14,443,555
Loans receivables	7	**205,197,740**	269,791,524	345,156,544
		₱431,700,468	₱432,576,304	₱459,540,814

5. **Insurance Receivables**

This account consists of:

	2019	2018
Premiums due and uncollected	**₱30,814,430**	₱8,941,970
Due from reinsurers	**58,879,284**	14,088,569
	₱89,693,714	₱23,030,539

Premiums due and uncollected pertain to uncollected premiums on written policies which are collectible within the Group's 30-day grace period.

Due from reinsurers pertain to claims recoverable from reinsurers. These receivables are due and demandable. Reinsurer's share in net benefits and claims amounted to ₱15.0 million and ₱7.7 million as at December 31 2019 and 2018, respectively (see Note 19).

6. **Investment Securities**

Movements of this account are as follows:

	2019			
	Financial Assets			
	At FVPL	**At FVOCI**	**At Amortized Cost**	**Total**
Balance at beginning of year	**₱463,242,478**	**₱2,819,832,210**	**₱1,158,967,433**	**₱4,442,042,121**
Additions	**329,367,515**	**274,749,906**	**1,080,509,983**	**1,684,627,404**
Maturities and disposals	**(345,210,088)**	**(820,475,946)**	**(540,993,614)**	**(1,706,679,648)**
Fair value changes	**41,548,414**	**236,114,956**	**–**	**277,663,370**
Foreign exchange changes	**(10,779,934)**	**(91,860,525)**	**–**	**(102,640,459)**
Amortization	**414,408**	**(16,010,091)**	**(512,530)**	**(16,108,213)**
Provision for impairment loss	**–**	**–**	**(556,461)**	**(556,461)**
Balance at end of year	**₱478,582,793**	**₱2,402,350,510**	**₱1,697,414,811**	**₱4,578,348,114**

	2018				
	Financial Assets				
	At FVPL	At FVOCI	At Amortized Cost	AFS Financial Assets	Total
Balance at beginning of year, as previously reported	₱391,581,525	₱–	₱–	₱3,081,331,529	₱3,472,913,054
Adjustments arising from transition to PFRS 9:					
Change in classification	(75,605,481)	2,354,530,964	802,406,046	(3,081,331,529)	–
Change in measurement:					
With effect in retained earnings	–	–	3,028,626	–	3,028,626
With effect in OCI	–	–	(59,576,035)	–	(59,576,035)
Balance at beginning of year, as adjusted	315,976,044	2,354,530,964	745,858,637	–	3,416,365,645
Additions	244,668,455	617,518,064	1,088,600,000	–	1,950,786,519
Maturities and disposals	(77,894,601)	(76,830,398)	(670,000,000)	–	(824,724,999)
Fair value changes	(22,261,505)	(138,365,113)	–	–	(160,626,618)
Foreign exchange changes	2,753,439	87,265,942	–	–	90,019,381
Amortization	646	(24,287,249)	(4,891,027)	–	(29,177,630)
Provision for impairment loss	–	–	(600,177)	–	(600,177)
Balance as at December 31, 2018	₱463,242,478	₱2,819,832,210	₱1,158,967,433	₱–	₱4,442,042,121

The adoption of PFRS 9 beginning January 1, 2018 resulted to net increase in the opening balance of unappropriated retained earnings amounting to ₱137.2 million as a result of changes in classification of financial instruments, recognition of additional impairment for expected credit losses on investment securities and loans receivables, net of recognition of deferred tax asset.

Financial Assets at FVPL

This account consists of:

	2019	2018
Private debt securities - foreign	**₱376,582,793**	₱361,242,478
Equity securities	**102,000,000**	102,000,000
	₱478,582,793	₱463,242,478

Private debt securities and unsecured subordinated bank notes earn annual interest of 1.00% to 8.50% and 3.44% to 8.98% in 2019 and 2018, respectively. Interest income earned on these financial assets amounted to ₱22.5 million, ₱14.1 million and ₱14.4 million in 2019, 2018 and 2017, respectively, net of amortization of premium or discount amounting to ₱0.4 million, ₱646, and nil in 2019, 2018, and 2017 respectively (see Note 4).

Equity securities pertain to preferred shares which are listed in the Philippine Stock Exchange Index. Dividend income earned on these financial assets at FVPL amounted to ₱10.7 million, ₱10.5 million and ₱12.5 million in 2019, 2018 and 2017, respectively.

Financial Assets at FVOCI

This account consists of:

	2019	2018
Debt securities:		
Private debt securities - foreign	**₱1,049,837,876**	₱1,559,199,971
Government debt securities - foreign	**730,508,537**	679,074,381
	1,780,346,413	2,238,274,352
Equity securities - local and foreign	**622,004,097**	581,557,858
	₱2,402,350,510	₱2,819,832,210

Private and government debt securities earn annual interest of 2.64% to 8.38% and 1.60% to 14.14% in 2019 and 2018, respectively. Interest income earned on these financial assets amounted to ₱82.3 million, ₱77.7 million and ₱83.9 million in 2019, 2018 and 2017, respectively, net of amortization of premium or discount amounting to ₱16.0 million and ₱24.3 million in 2019 and 2018, respectively (see Note 4).

Equity securities pertain to investments in shares listed in the Philippine Stock Exchange Index and other foreign stock exchange markets. Dividend income earned on these financial assets at FVOCI amounted to ₱9.9 million, ₱12.0 million and ₱11.0 million in 2019, 2018 and 2017, respectively.

Movements of revaluation reserves on investment securities are as follows:

	December 31, 2019			December 31,
	Fair Value Change	**12-month ECL**	**Total**	2018
Balance at beginning of year, as previously reported	**(₱355,815,170)**	**₱19,029,416**	**(₱336,785,754)**	₱24,701,383
Adjustments arising from transition to PFRS 9:				
With impact to retained earnings	**–**	**–**	**–**	(168,532,376)
Without impact to retained earnings	**–**	**–**	**–**	(59,576,035)
Balance at beginning of year, as adjusted	**(355,815,170)**	**19,029,416**	**(336,785,754)**	(203,407,028)
Change in revaluation reserves:				
Fair value gain (loss)	**236,114,956**	**–**	**236,114,956**	(138,365,113)
Transfer to retained earnings	**28,536,680**	**–**	**28,536,680**	–
Foreign exchange changes	**(24,201,131)**	**–**	**(24,201,131)**	12,145,821
Transfers to profit or loss:				
Gain on sale	**(18,618,469)**	**–**	**(18,618,469)**	(12,537,487)
Impairment loss	**–**	**(9,602,013)**	**(9,602,013)**	5,378,053
	221,832,036	**(9,602,013)**	**212,230,023**	(133,378,726)
Balance at end of year	**(₱133,983,134)**	**₱9,427,403**	**(₱124,555,731)**	(₱336,785,754)

Movements of revaluation reserves on investment securities segregated for items that will be reclassified or not to profit or loss in subsequent periods follow:

	2019	2018
Balance at beginning of year, as previously reported	**(₱336,785,754)**	₱24,701,383
Adjustments arising from transition to PFRS 9:		
With impact to retained earnings	**–**	(168,532,376)
Without impact to retained earnings	**–**	(59,576,035)
Balance at beginning of year, as adjusted	**(336,785,754)**	(203,407,028)
Items that will be reclassified to profit or loss	**269,667,728**	(60,624,834)
Items that will not be reclassified into profit or loss	**(57,437,705)**	(72,753,892)
Balance at end of year	**(₱124,555,731)**	(₱336,785,754)

Financial Assets at Amortized Cost

This account consists of:

	2019	2018
Government debt securities - local	**₱709,855,529**	₱598,465,182
Private debt securities - local	**989,530,256**	561,916,764
	1,699,385,785	1,160,381,946
Allowance for impairment loss (12-month ECL)	**1,970,974**	1,414,513
	₱1,697,414,811	₱1,158,967,433

Government and private debt securities earn annual interest of 5.13% to 8.51% in 2019 and 4.25% to 10.39% in 2018. Interest income earned on these financial assets amounted to ₱88.4 million and ₱46.0 million in 2019 and 2018, respectively, net of amortization of premium or discount amounting to ₱0.5 million and ₱4.9 million in 2019 and 2018, respectively (see Note 4).

Movements of allowance for impairment loss (12-month ECL) on financial assets at amortized cost in 2019 and 2018 are as follows:

	2019	2018
Balance at beginning of year	**₱1,414,513**	₱814,336
Provision for impairment loss	**556,461**	600,177
Balance at end of year	**₱1,970,974**	₱1,414,513

Impairment Losses

Impairment losses on investment securities recognized in the consolidated statements of comprehensive income follow:

	2019	2018	2017
Financial assets at FVOCI (formerly classified as AFS financial assets)	**(₱9,602,013)**	₱5,378,053	₱52,471,261
Financial assets at amortized cost	**556,461**	600,177	–
	(₱9,045,552)	₱5,978,230	₱52,471,261

Dividend Income

Dividend income recognized in the consolidated statements of comprehensive income follows:

	2019	2018	2017
Financial assets at FVOCI (formerly classified as AFS financial assets)	**₱9,869,978**	₱12,045,036	₱10,989,743
Financial assets at FVPL	**10,714,211**	10,476,179	12,531,460
	₱20,584,189	₱22,521,215	₱23,521,203

Accrued Investment Income

Accrued income consists of:

	2019	2018
Interest	**₱63,258,889**	₱64,525,534
Dividends	**382,973**	4,250,000
	₱63,641,862	₱68,775,534

Interest receivable pertains mainly to interest accrued from short-term investments, investment securities and loans receivables.

7. **Loans Receivables**

This account consists of:

	Note	2019	2018
Salary loans		**₱1,325,256,427**	₱1,598,435,298
Policy loans		**154,547,244**	148,948,966
Mortgage and collateral loans:			
Related party	17	**150,000,000**	150,000,000
Third parties		**5,912,664**	5,864,316
Due from related parties	17	**59,028,578**	63,578,578
Agents' balances		**37,793,512**	48,109,781
Notes receivables		**8,280,955**	9,581,896
Others		**28,412,071**	30,646,618
		1,769,231,451	2,055,165,453
Less allowance for impairment loss		**105,430,524**	153,254,056
		₱1,663,800,927	₱1,901,911,397

Movements in the allowance for impairment loss on loans receivables are as follows:

	2019		
	12-month ECL	**Lifetime ECL**	**Total**
Balance at beginning of year	**₱11,705,670**	**₱141,548,386**	**₱153,254,056**
Provision for impairment loss	**35,541,595**	**–**	**35,541,595**
Transfer from 12-month ECL to lifetime ECL	**(18,124,395)**	**18,124,395**	**–**
Write-off	**–**	**(83,365,127)**	**(83,365,127)**
Balance at end of year	**₱29,122,870**	**₱76,307,654**	**₱105,430,524**

	2018		
	12-month ECL	Lifetime ECL	Total
Balance at beginning of year, as previously reported	₱–	₱58,053,353	₱58,053,353
Adjustments arising from transition to PFRS 9	36,975,472	12,101,003	49,076,475
Balance at beginning of year, as adjusted	36,975,472	70,154,356	107,129,828
Provision for impairment loss	6,741,020	87,189,016	93,930,036
Transfer from 12-month ECL to lifetime ECL	(32,010,822)	32,010,822	–
Write-off	–	(47,805,808)	(47,805,808)
Balance at end of year	₱11,705,670	₱141,548,386	₱153,254,056

Salary loans consist of loans granted to the employees and teachers of Department of Education (DepEd). The Parent Company and DepEd entered into a Memorandum of Agreement (MOA) to provide interest-bearing loans to employees and teachers. The loans earn annual interest rate ranging from 7.50% to 9.66% with terms of one to five years.

Policy loans pertain to loans issued to policyholders. These loans are issued with the cash surrender value of the policyholder's insurance policy as collateral. Interest is charged at 10% per annum.

Mortgage and collateral loans earn interest ranging from 4% to 18% per annum with a maximum maturity of ten (10) years.

Agents' balances pertain to advances to agents that are liquidated or settled through regular deductions from commissions or outright payments. Interest rates range from 10% to 15% per annum.

Notes receivables pertain to loans to employees that are paid through salary deduction.

Others pertain to receivables from life insurance pools and security fund.

Interest income on financial assets at amortized cost recognized in the consolidated statements of comprehensive follows (see Note 4):

	Note	**2019**	2018	2017
Salary loans		**₱135,896,809**	₱238,550,167	₱311,845,032
Policy loans		**52,865,358**	18,159,781	18,378,165
Mortgage and collateral loans		**10,571,820**	4,467,670	76,697
Due from related parties	17	**1,344,658**	1,290,121	3,977,370
Notes receivables		**1,096,437**	3,803,067	7,803,137
Agents' balances		**1,077,273**	1,047,824	1,181,493
Others		**2,345,385**	2,472,894	1,894,650
		₱205,197,740	₱269,791,524	₱345,156,544

8. Property and Equipment

Movements of property and equipment at cost are as follows:

	2019		
	Transportation Equipment	**Office Furniture and Equipment**	**Total**
Cost			
Balance at beginning of year	**₱61,349,818**	**₱82,594,293**	**₱143,944,111**
Additions	**2,732,300**	**6,939,714**	**9,672,014**
Balance at end of year	**64,082,118**	**89,534,007**	**153,616,125**
Accumulated Depreciation and Amortization			
Balance at beginning of year	**40,111,561**	**60,268,454**	**100,380,015**
Depreciation and amortization	**8,194,915**	**10,782,020**	**18,976,935**
Balance at end of year	**48,306,476**	**71,050,474**	**119,356,950**
Carrying Amount	**₱15,775,642**	**₱18,483,533**	**₱34,259,175**

	2018		
	Transportation Equipment	Office Furniture and Equipment	Total
Cost			
Balance at beginning of year	₱53,388,318	₱73,469,295	₱126,857,613
Additions	7,961,500	9,124,998	17,086,498
Balance at end of year	61,349,818	82,594,293	143,944,111
Accumulated Depreciation and Amortization			
Balance at beginning of year	32,698,256	48,819,505	81,517,761
Depreciation and amortization	7,413,305	11,448,949	18,862,254
Balance at end of year	40,111,561	60,268,454	100,380,015
Carrying Amount	₱21,238,257	₱22,325,839	₱43,564,096

The Group has fully depreciated property and equipment with cost amounting to ₱47.2 million and ₱32.8 million as at December 31, 2019 and 2018, respectively.

Movements of property and equipment at revalued amounts are as follows:

	2019			
	Land	**Building**	**Office Condominium**	**Total**
Cost				
Balance at beginning of year	**₱282,419,000**	**₱258,892,091**	**₱104,709,926**	**₱646,021,017**
Appraisal increase	**252,818,999**	**–**	**10,356,358**	**263,175,357**
Additions	**–**	**–**	**10,337,169**	**10,337,169**
Balance at end of year	**535,237,999**	**258,892,091**	**125,403,453**	**919,533,543**
Accumulated Depreciation				
Balance at beginning of year	**–**	**186,814,899**	**68,684,586**	**255,499,485**
Depreciation and amortization	**–**	**6,692,927**	**2,786,131**	**9,479,058**
Balance at end of year	**–**	**193,507,826**	**71,470,717**	**264,978,543**
Carrying Amount	**₱535,237,999**	**₱65,384,265**	**₱53,932,736**	**₱654,555,000**

	2018			
	Land	Building	Office Condominium	Total
Cost				
Balance at beginning of year	₱282,419,000	₱258,892,091	₱98,578,563	₱639,889,654
Additions	–	–	6,131,363	6,131,363
Balance at end of year	282,419,000	258,892,091	104,709,926	646,021,017
Accumulated Depreciation				
Balance at beginning of year	–	183,217,207	66,805,923	250,023,130
Depreciation and amortization	–	3,597,692	1,878,663	5,476,355
Balance at end of year	–	186,814,899	68,684,586	255,499,485
Carrying Amount	₱282,419,000	₱72,077,192	₱36,025,340	₱390,521,532

The latest independent property valuation of land, building and office condominium was performed on February 3, 2020. The appraisal resulted to an increase in revaluation surplus, net of deferred tax, amounting to ₱184.2 million.

The Management believes that there are no significant differences between the fair value as at reporting date and per valuation date.

In 2017, the Company sold its land in Lipa, Batangas with carrying amount of ₱4.2 million for ₱10.8 million, which resulted to gain on sale amounting to ₱6.6 million.

The Group's property and equipment stated at appraised values are classified under level 3 in the fair value hierarchy.

Description of valuation techniques used and key inputs to valuation are as follows:

Location	Valuation techniques	Unobservable inputs used	Range (weighted average)
Legazpi Village, Barangay San Lorenzo, Makati City, Metropolitan Manila	Market approach for land and cost approach for improvements	Price per square meter for land; current materials and labor costs for improvements	₱625,053 to ₱800,000
Cebu Holdings Center, Cardinal Rosales Avenue, Cebu Business Park, Barangay Mabolo, Cebu City	Market approach for office condominium	Price per square meter	₱100,000
A. Pichon, Sr. Street, Barangay 39-D (Poblacion), Davao City	Market approach for land and cost approach for buildings and other land improvements	Price per square meter for land; current cost of labor and materials for building and other land improvements less accrued depreciation	₱59,392 to ₱68,300
Pendatun Avenue, Barangay Dadiangas North, General Santos City	Market approach for land and cost approach for buildings and other land improvements	Price per square meter for land; current cost of labor and materials for building and other land improvements less accrued depreciation	₱27,157 to ₱42,735
Mission Hills Boulevard and Monterey Street, Mission Hills Subdivision, Barangay San Roque, Antipolo City, Province of Rizal	Market approach for land	Price per square meter	₱17,391 to ₱19,220
St. Ignatius Street, San Jose Village, Barangay Cupang, Muntinlupa City, Metropolitan Manila	Market approach for land	Price per square meter	₱15,000 to ₱30,000

Details of the valuation techniques used in measuring fair values of the Group's property and equipment are as follows:

- Market data approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element.

- Cost approach involves an analysis of the buildings by breaking them down into major components such as foundation, columns, beams, floorings, walls, and roofing, among others, by using workable units such as lineal meter, square meter, cubic meter or other appropriate basic unit. The unit costs for each component are developed on the basis of current costs of materials, labor, plant and equipment prevailing in the locality where the building is situated. Indirect costs such as contractor's profits, overhead, taxes and fees are also considered.

In relation to changes in unobservable inputs used, generally, increases or decrease in prices per square meter and current cost of labor and materials are directly proportional to the fair value measurement of property and equipment.

If land, building and office condominium and improvements were carried at cost less accumulated depreciation, the amounts would be as follows:

	2019			
	Land	**Building**	**Office Condominium**	**Total**
Cost	**₱95,963,906**	**₱132,313,974**	**₱42,323,078**	**₱270,600,958**
Accumulated depreciation and amortization	**–**	**(67,987,265)**	**(24,264,758)**	**(92,252,023)**
Carrying amount	**₱95,963,906**	**₱64,326,709**	**₱18,058,320**	**₱178,348,935**

	2018			
	Land	Building	Office Condominium	Total
Cost	₱95,963,906	₱132,313,974	₱31,985,909	₱260,263,789
Accumulated depreciation and amortization	–	(67,531,053)	(21,915,114)	(89,446,167)
Carrying amount	₱95,963,906	₱64,782,921	₱10,070,795	₱170,817,622

Transfer of revaluation surplus on property and equipment, net of deferred tax, amounted to ₱4.7 million and ₱2.5 million in 2019 and 2018, respectively.

Depreciation and amortization expense on property and equipment charged to operations amounted to ₱28.5 million, ₱24.3 million and ₱24.5 million in 2019, 2018 and 2017, respectively (see Note 20).

Movements of cumulative revaluation surplus recognized in equity are as follows:

	2019		
	Revaluation Surplus	**Deferred Tax** (see Note 23)	**Net**
Balance at beginning of year	**₱219,703,910**	**(₱65,911,174)**	**₱153,792,736**
Appraisal increase	**263,175,357**	**(78,952,607)**	**184,222,750**
Transfer to retained earnings	**(6,673,203)**	**2,001,961**	**(4,671,242)**
Balance at end of year	**₱476,206,064**	**(₱142,861,820)**	**₱333,344,244**

	2018		
	Revaluation Surplus	Deferred Tax (see Note 23)	Net
Balance at beginning of year	₱223,281,878	(₱66,984,564)	₱156,297,314
Transfer to retained earnings	(3,577,968)	1,073,390	(2,504,578)
Balance at end of year	₱219,703,910	(₱65,911,174)	₱153,792,736

9. **Insurance Contract Liabilities**

This account consists of:

	2019	2018
Legal policy reserves for:		
Ordinary life policies	**₱2,500,153,915**	₱2,076,381,369
Group life policies	**507,234,847**	454,807,363
Accident and health riders	**43,133,013**	109,262,445
	3,050,521,775	2,640,451,177
Policy and contract claims:		
Claims payable	**914,394,354**	904,154,442
Maturities and surrenders payable	**132,308,025**	121,059,144
	1,046,702,379	1,025,213,586
	₱4,097,224,154	₱3,665,664,763

Claims payable include provision for claims incurred but not yet reported amounting to ₱256.8 million and ₱150.0 million as at December 31, 2019 and 2018, respectively.

Movements in legal policy reserves are as follows:

	Note	2019	2018
Balance at beginning of year		**₱2,640,451,177**	₱2,749,987,910
Recognized in:			
Profit or loss	19	**297,728,566**	114,759,843
Other comprehensive income		**112,342,032**	(224,296,576)
Balance at end of year		**₱3,050,521,775**	₱2,640,451,177

Movements of revaluation of legal policy reserves are as follows:

	2019	2018
Balance at beginning of year	**₱392,457,655**	₱168,161,079
Remeasurement gain (loss) due to change in discount rates	**(112,342,032)**	224,296,576
Balance at end of year	**₱280,115,623**	₱392,457,655

In compliance with IC Circular Letter No. 2017-30, the Group appropriated its retained earnings for negative legal policy reserves representing traditional life policies wherein the present value of gross premiums exceeds the present value of benefits and expenses. The appropriation for negative legal policy reserves amounted to ₱ 80.6 million, ₱ 112.6 million, and ₱ 110.8 million as at December 31, 2019, 2018, and 2017, respectively (see Note 16).

Movements in policy and contract claims are as follows:

	Note	2019	2018
Balance at beginning of year		**₱1,025,213,586**	₱890,017,459
Benefits and claims	19	**822,912,977**	807,739,675
Payments		**(801,424,184)**	(672,543,548)
Balance at end of year		**₱1,046,702,379**	₱1,025,213,586

10. Policyholders' Dividends Payable

Policyholders' dividends pertain to discretionary returns of policyholders through participation in the income of the Group.

Movements in policyholders' dividends payable are as follows:

	2019	2018
Balance at beginning of year	**₱99,030,379**	₱117,568,745
Acquisitions	**48,354,453**	–
Payments	**(13,954,017)**	(18,538,366)
Balance at end of year	**₱133,430,815**	₱99,030,379

11. Premium Deposit Fund

Premium deposit fund pertains to deposits of the policyholders which will be applied to future premiums. At the end of each year, interest is credited to this fund at such rates as the Group declares but not less than the lowest interest rate prevailing on savings accounts in banks.

Premium deposit fund amounted to ₱307.2 million and ₱290.1 million as at December 31, 2019 and 2018, respectively. Interest expense amounted to ₱12.5 million, ₱9.2 million and ₱34.3 million in 2019, 2018 and 2017, respectively (see Note 21).

12. Insurance Payables

Insurance payables pertain to amounts due to reinsurers arising from premiums ceded under the reinsurance contracts payable within 90 days.

The movements in this account are as follows:

	Note	**2019**	2018
Balance at beginning of year		**₱110,715,969**	₱93,482,939
Payments		**(36,691,297)**	(10,286,591)
Premiums ceded	18	**16,953,935**	27,519,621
Balance at end of year		**₱90,978,607**	₱110,715,969

13. Loans Payable

Loans payable pertain to the credit line facility established by the Group with Credit Suisse (CS). The maximum loan amount under the agreement is $7.0 million and bears interest rate of 1.20% to 1.98% per annum. The loans are payable on a monthly basis. The credit facility is used to advance the funds needed by the Group in the acquisition of foreign investments.

Interest expense amounted to ₱13.2 million, ₱6.1 million and ₱0.6 million in 2019, 2018 and 2017, respectively (see Note 21).

The changes in liabilities arising from financing activities as at December 31, 2019 and 2018 follow:

		2019		
	Note	**Loans Payable**	**Dividends Payable** (see Note 15)	**Total**
Balance at beginning of year		**₱351,570,855**	**₱72,066,081**	**₱423,636,936**
Changes from financing cash flows:				
Loan availments		**3,883,765,938**	**–**	**3,883,765,938**
Loan payments		**(4,202,823,099)**	**–**	**(4,202,823,099)**
Dividends paid		**–**	**(27,661,338)**	**(27,661,338)**
Noncash changes:				
Dividend declaration	16	**–**	**29,457,555**	**29,457,555**
Translation adjustment		**(1,432,108)**	**–**	**(1,432,108)**
Balance at end of year		**₱31,081,586**	**₱73,862,298**	**₱104,943,884**

		2018		
	Note	Loans Payable	Dividends Payable (see Note 15)	Total
Balance at beginning of year		₱5,528,495	₱65,672,661	₱71,201,156
Changes from financing cash flows:				
Loan availments		2,298,842,831	–	2,298,842,831
Loan payments		(1,951,743,832)	–	(1,951,743,832)
Dividends paid		–	(93,887,619)	(93,887,619)
Noncash changes:				
Dividend declaration	16	–	100,281,039	100,281,039
Translation adjustment		(1,056,639)	–	(1,056,639)
Balance at end of year		₱351,570,855	₱72,066,081	₱423,636,936

14. Accounts Payable and Accrued Expenses

This account consists of:

	2019	2018
Accounts payable	**₱80,381,144**	₱164,663,665
Accrued expenses	**33,932,300**	28,812,526
Statutory payable	**17,349,794**	17,499,075
	₱131,663,238	₱210,975,266

Accounts payable pertain to unpaid service fees and Group's share in SSS, Philhealth and HDMF benefits of the employees which are payable in 30 days.

Accrued expenses pertain to accruals for employee benefits, underwriting expenses, commissions, professional and legal fees, utilities, supplies, postage and shipping. These are generally payable within one year.

Statutory payable consist of withholding taxes, premium tax and documentary stamps tax that are payable on the next reporting period.

15. **Other Liabilities**

This account consists of:

	Note	2019	2018
Life insurance deposits		**₱107,903,124**	₱85,432,045
Dividends payable	13	**73,862,298**	72,066,081
Agents' fund		**31,304,516**	26,546,348
Others		**3,569,111**	3,669,176
		₱216,639,049	₱187,713,650

Life insurance deposits pertain to premiums received from policyholders with contracts that are still for processing and approval.

Dividends payable include amounts payable to the Parent Company's stockholders for their shares in the Parent Company's earnings. These are due and demandable.

Agents' fund consists of withheld commissions from agents for future liabilities that may be incurred by the agent to the Group.

Others include advance rentals and deposits amounting to ₱2.0 million as at December 31, 2019 and 2018 (see Note 24).

16. **Retained Earnings**

Unappropriated

Under the Philippine Corporation Code, stock corporations are generally prohibited from retaining surplus profits in excess of 100% of their paid up capital.

As at December 31, 2019, 2018, and 2017, the Parent Company's unappropriated retained earnings amounting to ₱1,480.5 million, ₱1,390.5 million, and ₱1,203.0 million, respectively, is in excess of 100% of its paid-up capital. The retention of excess retained earnings is mainly due to the compliance requirements of the IC for minimum statutory net worth. Moreover, the Parent Company intends to use the excess retained earnings for future stock dividends and future business expansion projects.

Appropriated

On May 2, 2017, the IC issued Circular Letter No. 2017-30 requiring insurance companies to appropriate portion of retained earnings for negative legal policy reserves. These reserves pertain to traditional life policies wherein the present values of gross premiums exceed the present value of benefits and expenses.

Movements of retained earnings appropriated for negative reserves are as follows:

	2019	2018
Balance at beginning of year	**₱112,561,902**	₱110,755,783
Reversal	**(31,938,786)**	–
Appropriation	**–**	1,806,119
Balance at end of year	**₱80,623,116**	₱112,561,902

Dividend Declaration

On June 20, 2019, the BOD approved the declaration of cash dividend to stockholders of ₱0.047 per share or a total of ₱29.5 million.

On June 6, 2018, the BOD approved the declaration of cash dividend to stockholders of ₱0.16 per share or a total of ₱100.3 million.

17. Related Party Transactions

The table below shows the Group’s transactions and outstanding balances with its related parties.

	Note	Transactions During the Year 2019	Transactions During the Year 2018	Balance at End of Year 2019	Balance at End of Year 2018	Nature	Terms and Conditions
Due from related parties	7						
Entity under common control		**₱–**	₱–	**₱36,162,424**	₱41,162,424	Advances for working capital	2-5 years, 4%-7% interest, payable annually, unsecured, no impairment, payable in cash
		1,344,658	1,290,121	**–**	–	Interest income	Due and demandable
Key management personnel		**450,000**	–	**22,866,154**	22,416,154	Advances to officers	Non-interest bearing, unsecured, no impairment, payable in cash
				₱59,028,578	₱63,578,578		
Mortgage loan receivable	7						
Entity under common control		**₱–**	₱150,000,000	**₱150,000,000**	₱150,000,000	Mortgage loan	7% interest, payable in 6 years, no impairment, payable in cash
		10,556,629	4,467,670	**–**	–	Interest income	Due and demandable
				₱150,000,000	₱150,000,000		

Compensation of Key Management Personnel

The compensation of key management personnel are as follows:

	2019	**2018**	2017
Salaries and other employee benefits	**₱44,849,948**	**₱41,653,311**	₱37,017,180
Retirement expense	**12,231,753**	**10,608,037**	9,807,821
	₱57,081,701	**₱52,261,348**	₱46,825,001

18. Net Insurance Premiums

The gross premiums on insurance contracts consist of:

	2019	2018	2017
Direct:			
Group life insurance	**₱1,158,794,760**	₱930,996,070	₱634,594,153
Ordinary life insurance	**350,240,278**	314,014,996	318,408,310
Accident and health	**30,680,922**	33,842,879	35,796,127
	1,539,715,960	1,278,853,945	988,798,590
Assumed -			
Group life insurance	**129,127,549**	70,266,474	29,185,402
	₱1,668,843,509	₱1,349,120,419	₱1,017,983,992

The reinsurers’ share of gross premiums on insurance contracts consists of:

	2019	2018	2017
Group life insurance	**₱15,835,759**	₱26,227,592	₱14,470,467
Ordinary life insurance	**972,507**	1,101,036	1,658,450
Accident and health	**145,669**	190,993	638,136
	₱16,953,935	₱27,519,621	₱16,767,053

19. Net Insurance Benefits and Claims

Net benefits and claims incurred on insurance contracts consist of:

	2019	2018	2017
Claims	**₱561,296,822**	₱609,080,740	₱586,198,500
Maturities and surrenders	**255,967,260**	181,021,715	188,995,095
Experience refunds	**20,609,332**	25,305,571	6,393,620
Gross benefits and claims	**837,873,414**	815,408,026	781,587,215
Reinsurers’ share	**(14,960,437)**	(7,668,351)	(22,859,625)
	₱822,912,977	₱807,739,675	₱758,727,590

Net change in legal policy reserves consists of:

	2019		
	Gross change in legal policy reserves	**Reinsurers’ share of change in legal policy reserves**	**Net** (see Note 9)
Ordinary life insurance	**₱218,782,822**	**₱–**	**₱218,782,822**
Group life insurance	**72,427,484**	**(20,000,000)**	**52,427,484**
Accident and health	**26,518,260**	**–**	**26,518,260**
	₱317,728,566	**(₱20,000,000)**	**₱297,728,566**

	2018		
	Gross change in legal policy reserves	Reinsurers' share of change in legal policy reserves	Net (see Note 9)
Ordinary life insurance	₱79,862,131	(₱52,466,156)	₱27,395,975
Group life insurance	35,402,476	(17,204,935)	18,197,541
Accident and health	(12,827,025)	81,993,352	69,166,327
	₱102,437,582	₱12,322,261	₱114,759,843

	2017		
	Gross change in legal policy reserves	Reinsurers' share of change in legal policy reserves	Net
Ordinary life insurance	₱190,026,341	₱540,795	₱190,567,136
Group life insurance	(16,427,928)	6,887,654	(9,540,274)
Accident and health	(135,410,290)	454,584	(134,955,706)
	₱38,188,123	₱7,883,033	₱46,071,156

20. General and Administrative Expenses

This account consists of:

	Note	**2019**	2018	2017
Service fees		**₱139,501,837**	₱103,721,680	₱59,165,694
Personnel costs		**138,373,601**	133,095,996	128,598,096
Agency expenses		**67,149,819**	70,848,234	58,218,586
Depreciation and amortization	8	**28,455,993**	24,338,609	24,451,116
Professional fees		**14,412,475**	10,624,113	8,370,023
Outside services		**10,148,000**	10,124,405	10,713,947
Advertising and promotions		**9,566,905**	10,563,734	6,407,253
Repairs and maintenance		**7,759,323**	7,875,911	7,832,945
Utilities		**7,370,214**	8,314,353	7,269,608
Conferences and meetings		**7,108,259**	8,076,505	3,753,233
Supplies		**6,977,212**	6,867,380	5,942,217
Transportation and travel		**5,002,512**	6,508,388	3,603,247
Taxes and licenses		**4,682,491**	4,908,191	3,718,761
Entertainment, amusement and recreation		**2,651,106**	2,289,293	8,847,364
Insurance		**1,465,953**	1,563,076	1,204,571
Association dues and fees		**983,080**	1,425,271	1,269,701
Trainings and seminars		**358,232**	366,933	637,210
Others		**13,811,023**	14,178,433	7,136,617
		₱465,778,035	₱425,690,505	₱347,140,189

Personnel costs consist of:

	Note	**2019**	2018	2017
Salaries and wages		**₱96,435,384**	₱90,220,045	₱88,331,013
Retirement benefits cost	22	**18,186,486**	15,705,389	17,195,447
Other employee benefits		**23,751,731**	27,170,562	23,071,636
		₱138,373,601	₱133,095,996	₱128,598,096

Other employee benefits pertain to the Company's share in the statutory contributions of employees to various government agencies.

Agency expenses include rent expense, utilities and other expenses incurred in the operations of branches and agency offices. Rental expense amounted to ₱10.5 million, ₱10.2 million and ₱11.9 million in 2019, 2018, and 2017, respectively (see Note 24).

21. Commissions and Other Direct Expenses and Finance Costs

Commissions and Other Direct Expenses

This account consists of:

	2019	2018	2017
Group	**₱171,112,230**	₱131,341,441	₱89,070,489
First year	**52,128,531**	48,708,553	40,566,888
Reinsurance	**19,271,633**	9,509,147	2,818,831
Renewal	**6,024,030**	4,112,148	3,239,419
Direct taxes	**25,755,708**	22,044,853	16,209,776
	₱274,292,132	₱215,716,142	₱151,905,403

Finance Costs

This account consists of:

	Note	**2019**	2018	2017
Interest expense on:				
Premium deposit fund	11	**₱12,467,170**	₱9,235,691	₱34,309,376
Loans payable	13	**13,185,165**	6,053,149	592,162
		25,652,335	15,288,840	34,901,538
Bank charges and other service fees		**10,258,543**	9,769,129	9,512,719
		₱35,910,878	₱25,057,969	₱44,414,257

Bank charges and other service fees represent warehousing fees on investments on treasury bonds and fees for other bank services.

22. Retirement Liability

The Group has a funded, non-contributory defined benefit plan providing retirement benefits for all of its qualified employees. The retirement benefits are based on years of service and compensation on the last year of employment. The latest actuarial report was made for the year ended December 31, 2019.

The components of retirement benefits cost recognized in the consolidated statements of comprehensive income are as follows:

	2019	2018	2017
Current service cost	**₱11,006,622**	₱10,280,333	₱10,977,530
Net interest expense	**7,179,864**	5,425,056	6,217,917
	₱18,186,486	₱15,705,389	₱17,195,447

The components of net retirement liability presented in the consolidated statements of financial position are as follows:

	2019	2018
Present value of defined benefit obligation	**₱210,076,985**	₱169,299,026
Fair value of plan assets	**(76,763,289)**	(56,399,801)
	₱133,313,696	₱112,899,225

Movements in the net retirement liability recognized in the consolidated statements of financial position are as follows:

	2019	2018
Balance at beginning of year	**₱112,899,225**	₱126,075,587
Net remeasurement loss (gain)	**20,431,553**	(12,635,062)
Actual contributions	**(15,000,000)**	(15,000,000)
Current service cost	**11,006,622**	10,280,333
Net interest expense	**7,179,864**	5,425,056
Benefits paid out of Group fund	**(3,203,568)**	(1,246,689)
Balance at end of year	**₱133,313,696**	₱112,899,225

Movements in the present value of defined benefit obligation are as follows:

	2019	2018
Balance at beginning of year	**₱169,299,026**	₱167,573,035
Current service cost	**11,006,622**	10,280,333
Interest cost	**12,165,760**	7,807,010
Remeasurement loss (gain) due to:		
Changes in financial assumptions	**15,774,837**	(19,126,388)
Changes in demographic assumptions	**(1,043,661)**	(658,155)
Experience adjustments	**6,077,969**	4,669,880
Benefits paid out of Company fund	**(3,203,568)**	(1,246,689)
Balance at end of year	**₱210,076,985**	₱169,299,026

Movements in the fair value of plan assets are as follows:

	2019	2018
Balance at beginning of year	**₱56,399,801**	₱41,497,448
Actual contributions	**15,000,000**	15,000,000
Remeasurement gain (loss)	**377,592**	(2,479,601)
Interest income	**4,985,896**	2,381,954
Balance at end of year	**₱76,763,289**	₱56,399,801

The Group expects to contribute ₱24.9 million to the plan assets in the next reporting period.

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

	2019	2018
Government securities	**9%**	50%
Corporate bonds, trust funds and mutual funds	**91%**	50%

The plan exposes the Group to the following risks:

- Salary Risk - any increase in the retirement plan participants' salary will increase the retirement plan's liability

- Longetivity Risk - any increase in the plan participants' life expectancy will increase the retirement plan's liability

- Investment Risk - if the actual return on plan assets is below the discount rate used in calculating the present value of the retirement liability, a plan deficit will arise.

- Interest rate risk - a decrease in the bond interest rate will increase the present value of the retirement liability. However, partially counterbalanced by an increase in the return on the plan assets

The cumulative remeasurement loss (gain) on net retirement liability recognized in other comprehensive income is as follows:

	2019		
	Cumulative Remeasurement Loss (Gain)	**Deferred Tax** (see Note 23)	**Net**
Balance at beginning of year	**(₱8,188,963)**	**₱2,456,689**	**(₱5,732,274)**
Remeasurement loss	**20,431,553**	**(6,129,466)**	**14,302,087**
Balance at end of year	**₱12,242,590**	**(₱3,672,777)**	**₱8,569,813**

	2018		
	Cumulative Remeasurement Loss (Gain)	Deferred Tax (see Note 23)	Net
Balance at beginning of year	₱4,446,099	(₱1,333,830)	₱3,112,269
Remeasurement gain	(12,635,062)	3,790,519	(8,844,543)
Balance at end of year	(₱8,188,963)	₱2,456,689	(₱5,732,274)

The principal assumptions used in determining net retirement liability are as follows:

	2019	2018
Discount rate	**4.85%**	7.30%
Salary increase rate	**5.00%**	6.00%

The sensitivity analysis of the retirement liability as at December 31, 2019 to changes in assumptions follows:

	Change in variable	Increase (decrease) in defined benefit obligation
Discount rate	5.85%	₱198,665,149
	3.85%	223,216,106
Salary increase rate	6.00%	223,281,155
	4.00%	198,382,982

The sensitivity analysis above has been determined based on a method that extrapolates the impact on retirement liability as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The maturity analysis of the undiscounted benefit payments follow:

Period	Amount
Less than 1 year	₱75,860,628
1 year to less than 5 years	41,452,535
5 years to less than 10 years	104,370,420
10 years to less than 15 years	66,543,176
15 years to less than 20 years	106,365,478
20 years and above	166,981,720

The average duration of the expected benefit payments at the end of the reporting period is 17.92 years.

23. Income Tax

The current income tax expense represents RCIT in 2019 and 2018.

The components of net deferred tax assets of the subsidiaries presented in the consolidated statements of financial position are as follows:

	2019	2018
Deferred tax assets:		
Allowance for impairment losses	**₱339,189**	₱135,612
Unearned rental income	**233,873**	233,873
	573,062	369,485
Deferred tax liability -		
Rent receivable	**324,973**	324,973
Net deferred tax assets	**₱248,089**	₱44,512

The components of net deferred tax liabilities of the Parent Company are as follows:

	2019	2018
Deferred tax assets:		
Net retirement liability	**₱39,994,109**	₱33,869,767
Provision for impairment of loans and notes	**31,289,969**	45,840,605
Unrealized foreign exchange loss	**21,480,037**	–
	92,764,115	79,710,372
Deferred tax liabilities:		
Revaluation surplus	**142,861,820**	65,911,174
Accrued interest using effective interest rate	**77,474,581**	73,766,999
Others	**2,898,445**	–
	223,234,846	139,678,173
Net deferred tax liabilities	**₱130,470,731**	₱59,967,801

The components of net deferred tax liabilities presented in other comprehensive income follow:

	Note	**2019**	2018
Revaluation surplus	8	**₱142,861,820**	₱65,911,174
Cumulative remeasurement gain (loss) on net retirement liability	22	**(3,672,777)**	2,456,689
		₱139,189,043	₱68,367,863

The presentation of net deferred liabilities is as follows:

	2019	**2018**
Through profit or loss	**₱8,966,401**	**₱8,444,574**
Through other comprehensive income	**(139,189,043)**	**(68,367,863)**
	(₱130,222,642)	**(₱59,923,289)**

The reconciliation between the income tax expense based on statutory tax rate and provision for income tax presented in the consolidated statements of comprehensive income is as follows:

	2019	2018	2017
Income tax expense at statutory income tax rate	**₱41,916,409**	₱50,989,965	₱46,163,953
Change in unrecognized deferred tax assets	**–**	–	(14,509,162)
Tax effects of:			
Nontaxable income	**(19,440,075)**	(27,926,903)	(9,189,928)
Interest and dividend income subjected to lower tax rates	**(12,272,181)**	(7,297,277)	(4,326,951)
Nondeductible expenses	**5,638,411**	12,252,847	17,493,563
Income exempt from tax	**(2,369,379)**	(3,841,388)	(13,291,274)
Others	**25,589,147**	–	–
Effective income tax	**₱39,062,332**	₱24,177,244	₱22,340,201

Others pertain to unrealized foreign exchange gain in 2018 realized in 2019 on long-term bonds.

24. Commitments and Contingencies

The Group as Lessor

The Group has various lease agreements with third parties. The lease periods vary from one (1) to ten (10) years. The lease agreements contain provisions including but not limited to escalation rate of 3% to 5% per year and early termination penalties. Rental income amounted to ₱4.6 million in 2019 and ₱4.5 million in 2018 and 2017.

Advance rentals and deposits amounted to ₱2.0 million as at December 31, 2019 and 2018, respectively (see Note 15).

Future minimum rental receivables under non-cancellable operating leases are as follows:

	2019	2018
Within one year	**₱4,961,648**	₱4,552,140
After one year but not more than five years	**8,429,517**	10,610,058
More than five years	**1,798,415**	2,365,929
	₱15,189,580	₱17,528,127

The Group as Lessee

The Group has various lease agreements for its branches and agency offices. The lease periods vary from one (1) year to five (5) years with annual escalation of 3% to 10%. Rent expense included under "General and administrative expenses" account in the consolidated statements of comprehensive income amounted to ₱10.5 million, ₱10.2 million and ₱11.9 million in 2019, 2018 and 2017, respectively (see Note 20).

Future minimum lease payments under non-cancellable operating leases as at December 31, 2019 and 2018 are as follows:

	2019	2018
Within one year	**₱7,636,967**	₱9,272,608
After one year but not more than five years	**3,873,296**	1,909,781
	₱11,510,263	₱11,182,389

25. Capital Management and Regulatory Framework

Capital Management Framework

It is the Parent Company's objective that it remains in compliance with all regulatory requirements that would ensure safety and stability of its financial position and that shareholder value is optimized.

The Parent Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders. The level of capital maintained is usually higher than the minimum capital requirements set by the regulators and the amount computed under the Risk-based Capital (RBC) Model.

The Parent Company assesses its capital adequacy annually by adopting an internal capital measurement framework that reflects the regulatory capital definitions and the Parent Company's view of its exposure to risk. In 2019 and 2018, the Parent Company has complied with all externally required capital. In any event that the capital adequacy assessment falls below the minimum standard set, it is the Parent Company's policy to make capital calls and/or liquidate certain investments with substantial reserves.

Regulatory Framework

Regulators are interested in protecting the rights of the policyholders and maintaining close vigil to ensure that the Parent Company is satisfactorily managing affairs for the policyholders' benefit. At the same time, the regulators are also interested in ensuring that the Parent Company maintains an appropriate solvency position to meet liabilities arising from claims and that the risk levels are at acceptable levels.

The operations of the Parent Company are subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g., margin of solvency to minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise, fixed capitalization requirements, RBC requirements).

Minimum Statutory Net Worth

On August 5, 2013, the President of the Philippines approved Republic Act No. 10607, also known as the "Amended Insurance Code" which provides for the new capitalization requirements of all existing insurance companies as follows:

Net Worth	Compliance Date
₱550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

On January 13, 2015, the IC issued Circular Letter (CL) No. 2015-02-A which provides for the clarification of minimum capital requirements under Sections 194, 197, 200 and 289 of the New Insurance Code. The said circular superseded Department Order Nos. 27-06 and 15-2012 and CL Nos. 22-2008 and 26-2008. The minimum net worth requirements must remain unimpaired for the continuance of the license.

Pursuant to Section 202 of The Insurance Code, the amount of non-admitted assets of the Parent Company as at December 31, 2019 and 2018 are as follows:

	2019	2018
Cash and cash equivalents	**₱4,629,534**	₱2,657,848
Insurance receivables	**352,369**	–
Financial assets at FVPL	**259,022,330**	252,170,525
Financial assets at FVOCI	**398,594,182**	453,053,050
Loans receivables	**44,288,232**	192,435,161
Accrued income	**6,238,505**	10,763,462
Property and equipment	**30,932,010**	39,785,940
Investment in subsidiaries	**95,370,937**	95,370,937
Other assets	**139,619,545**	58,231,330
	₱979,047,644	₱1,104,468,253

As at December 31, 2019 and 2018, the Parent Company's net worth and its excess over the requirement are as follows:

	2019	2018
Total assets	**₱8,440,716,131**	₱7,950,677,612
Total liabilities	**5,246,638,645**	5,053,744,786
Equity	**3,194,077,486**	2,896,932,826
Less: Non-admitted assets	**979,047,645**	1,104,468,253
Net worth	**2,215,029,841**	1,792,464,573
Less: Net worth requirement	**900,000,000**	550,000,000
Excess over net worth requirement	**₱1,315,029,841**	₱1,242,464,573

As at December 31, 2019 and 2018, the Parent Company is compliant with the minimum statutory net worth requirements of the IC.

RBC Requirements

The Insurance Code provides that the Commissioner may require the adoption of the RBC approach and other internationally accepted forms of capital framework. Together with the insurance industry, the IC is currently in the process of adopting a new RBC approach that would be more tailored to the Philippine insurance industry. In 2016, the IC issued CL No. 2016-68 regarding the Amended RBC framework to be known as "RBC2 Framework" which was effective starting January 1, 2017.

CL No. 2016-68 provides for the RBC2 framework for the insurance industry (life and nonlife) which establishes the required amounts of capital to be maintained by the insurance companies in relation to their investment and insurance risks.

Every 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 all have occurred:

a. The RBC ratio is less than 125% but is not below 100%;
b. The RBC ratio has decreased over the past year; and
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.

The following table shows how the RBC ratio as at December 31, 2019 and 2018 was determined by the Parent Company based on its internal calculations:

	2019	2018
Total available capital	**₱1,308,226,189**	₱994,018,576
RBC requirement	**1,035,060,431**	793,025,770
RBC ratio	**126%**	125%

The final amount of the RBC ratio can be determined only after the accounts of the Parent Company have been examined by IC specifically for the determination of admitted and non-admitted assets as defined under The Insurance Code.

26. **Risk Management Objectives and Policies**

Insurance Risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Group faces under such contracts 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 the original estimate and subsequent development of long-term claims.

Terms and Conditions

The Group 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 Group mainly include whole life, term insurance and endowment 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.

The risks associated with the life and accident and health products are considered as underwriting risk. Underwriting risk represents the exposure to loss resulting from actual policy experience adversely deviating from assumptions made in the product pricing.

Underwriting risks are brought about by a combination of the following:

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

The Group generally limits its maximum underwriting exposure on life insurance of a single life to ₱2,000,000 of coverage by using yearly renewable term reinsurance. The Group is cognizant of the need to exercise good judgment in the selection and approval of both domestic and foreign companies participating in its reinsurance programs. While reinsurance arrangements do not relieve the Group from its direct obligations to its insured, an efficient and effective reinsurance program substantially limits the Group’s exposure to potentially significant losses.

The table below sets out the Group’s concentration of insurance risks based on sum insured:

	2019		2018	
	Number of Policies	**Amount of Coverage**	Number of Policies	Amount of Coverage
Whole life	**78,702**	**₱10,415,410,347**	79,630	₱10,501,588,139
Endowment	**9,331**	**2,101,283,594**	12,088	2,283,983,462
Term	**5,980**	**785,422,536**	4,268	354,103,810
Group life	**243**	**158,441,382,959**	576	146,482,055,753
	94,256	**₱171,743,499,436**	96,562	₱159,621,731,164

The table below sets out the concentration of legal policy reserves by type of contract (see Note 9):

	2019	2018
Ordinary life	**₱2,500,153,915**	₱2,076,381,369
Group life	**507,234,847**	454,807,363
Accident and health	**43,133,013**	109,262,445
	₱3,050,521,775	₱2,640,451,177

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 Insurance Code and guidelines set by the IC. For insurance contracts, the Group determines the assumptions in relation to future deaths, illness or injury and investment returns at inception of the contract.

Subsequently, new estimates are developed at each reporting date and liabilities are tested to determine whether such liabilities are adequate in the light of the latest current estimates. The initial assumptions are not altered if the liabilities are considered adequate. If the liabilities are not adequate, the assumptions are altered to reflect the latest current estimates. As a result, the effect of changes in the underlying variables on insurance liabilities and related assets is not symmetrical. Improvements in estimates have no impact on the value of the liabilities and related assets, while significant enough deteriorations in estimates have an impact.

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 standard industry and national mortality and morbidity tables, according to the type of contract written and which may be adjusted, where appropriate, to reflect the Group's own experiences. Assumptions are differentiated by sex, underwriting class and contract type.

For life insurance policies, increased mortality and morbidity rates would lead to a larger number of claims and claims occurring sooner than anticipated, increasing the expenditure and reducing profits for the shareholders.

Discount Rates. Life insurance liabilities are determined as the sum of the discounted value of the expected benefits, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. The weighted average rate of return is derived based on model portfolio that is assumed to back liabilities, consistent with the long-term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for shareholders.

Investment Return. The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long-term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments.

An increase in investment return would lead to an increase in profits for the shareholders.

Lapse and surrender rates. Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and sales trends.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

Expenses. Administrative expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.
A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for shareholders.

The assumptions that have the greatest effect on the consolidated statements of financial position and consolidated statements of comprehensive income are listed below.

	Mortality and Morbidity Rates		Discount Rates	
	2019	2018	**2019**	2018
Ordinary life	**1941 CSO, 1958 CSO, 1980 CSO**	1941 CSO, 1958 CSO, 1980 CSO	**3.7% to 6.4%**	5.3% to 7.9%
Group life	**Based on Experience**	Based on Experience	**Based on Experience**	Based on Experience

Sensitivity Analysis
The analysis below is performed for reasonably possible changes in key assumptions, with all other assumptions held constant, on liabilities, income before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities. To demonstrate the impact due to changes in assumptions, sensitivity analysis has been performed based on the prescribed rate by IC for margin for adverse deviation.

	2019		
Change in Assumptions	**Increase (Decrease) in Liabilities**	**Increase (Decrease) in Income Before Income Tax**	**Increase (Decrease) in Equity**
+10%	**₱295,134,581**	**(₱295,134,581)**	**(₱199,647,901)**
-10%	**(295,134,581)**	**295,134,581**	**199,647,901**

	2018		
Change in Assumptions	Increase (Decrease) in Liabilities	Increase (Decrease) in Income Before Income Tax	Increase (Decrease) in Equity
+10%	₱254,136,940	(₱254,136,940)	(₱177,895,858)
-10%	(254,136,940)	254,136,940	177,895,858

Financial Risk

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or a combination of risks. Taking risk is core to the insurance business, and the operational risks are inevitable consequence of being in business. The Group's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date financial information. The Group regularly reviews its risk management policies to reflect changes in markets, products and emerging best practices.

The BOD provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange, interest rate, equity price, credit, liquidity and use of derivative and non-derivative financial instruments, among others.

The BOD is responsible for the management of market, credit and liquidity risks. Their objective is to minimize adverse impacts on the Group's financial performance due to the unpredictability of financial markets. The Internal Audit is also responsible for the independent review of risk assessment measures and procedures and the control environment.

Financial Instruments

The following table sets forth the carrying values and estimated fair values of financial assets and liabilities recognized as at December 31, 2019 and 2018:

	2019		2018	
	Fair Value	**Carrying Amount**	Fair Value	Carrying Amount
Financial Assets				
Cash and cash equivalents	**₱1,225,074,323**	**₱1,225,074,323**	₱967,649,509	₱967,649,509
Short-term investments	**60,500,000**	**60,500,000**	50,734,990	50,734,990
Insurance receivables	**89,693,714**	**89,693,714**	23,030,539	23,030,539
Investment securities	**4,667,232,849**	**4,578,348,114**	4,449,724,532	4,442,042,121
Loans receivables	**1,837,833,752**	**1,663,800,927**	1,964,316,793	1,901,911,397
Accrued income	**63,641,862**	**63,641,862**	68,775,534	68,775,534
	₱7,943,976,500	**₱7,681,058,940**	₱7,524,231,897	₱7,454,144,090
Financial Liabilities				
Insurance contract liabilities	**₱4,097,224,154**	**₱4,097,224,154**	₱3,665,664,763	₱3,665,664,763
Policyholders' dividends payable	**133,430,815**	**133,430,815**	99,030,379	99,030,379
Premium deposit fund	**307,169,452**	**307,169,452**	290,132,406	290,132,406
Insurance payables	**90,978,607**	**90,978,607**	110,715,969	110,715,969
Loans payable	**31,081,586**	**31,081,586**	351,570,855	351,570,855
Accounts payable and accrued expenses*	**114,313,444**	**114,313,444**	193,476,191	193,476,191
Other liabilities	**216,639,049**	**216,639,049**	187,713,650	187,713,650
	₱4,990,837,107	**₱4,990,837,107**	₱4,898,304,213	₱4,898,304,213

**Excluding statutory payables amounting to ₱17.3 million and ₱17.5 million as at December 31, 2019 and 2018, respectively.*

Due to the short-term nature of cash and cash equivalents, short-term investments, insurance receivables, accrued income, insurance contract liabilities, policyholders' dividends payable, premium deposit fund, loans payable, insurance payables, accounts payable and accrued expenses and other liabilities, their carrying values approximate fair values at year end.

The fair value of financial assets at FVPL and financial assets at FVOCI that are actively traded in organized financial markets is determined by reference to quoted market prices at the close of business on the reporting date. For units in unit trust and shares in open ended investment companies, fair value is by reference to net asset value per unit provided by the counterparty. These financial assets are classified under level 1 of fair value hierarchy.

The fair value of the loans receivables is estimated using the discounted cash flow technique that makes use of risk-free interest rates. The estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk free interest rates and credit risk. The fair value of loans receivables is classified under level 2 of fair value hierarchy.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group manages the level of credit risk it accepts through a comprehensive credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group; setting up of exposure limits by each counterparty or group of counterparties; right of offset where counterparties are both debtors and creditors; guidelines on obtaining collateral and guarantees; reporting of credit risk exposures; monitoring compliance with credit risk policy; and review of credit risk policy for pertinence and changing environment.

Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer may be unable to meet its obligations assumed under such reinsurance agreements. The Group selects only domestic and foreign companies with strong financial standing and excellent track records which are allowed to participate in the Group's reinsurance programs.

The Group is also guided by the rulings of the IC to ensure admissibility of its investment securities.

The Group sets the maximum amounts and limits that may be advanced to/placed with individual corporate counterparties which are set by reference to their long-term ratings.

Credit risks associated with fixed income investments are managed by the Group by monitoring exposure against pre-established limits set by the regulators and the BOD. Provisions for impaired assets are charged against the carrying value of the asset.

The Group performs credit analysis and review for both retail and corporate financial products to ensure consistency in the risk assessment process. The BOD also ensures that the credit policies and procedures are adequate and constantly evolving to meet the changing demands of the industry.

For debt securities and other bills, external ratings such as Standard & Poor's, Moody's and Fitch's ratings or their equivalent are used by the Group for managing credit risk exposure. Investments in these securities and bills are viewed as a way to gain better credit quality mix and at the same time, maintain a readily available source to meet funding requirements.

With respect to credit risk arising from its financial assets, the table below shows the maximum exposure to credit risk of the following financial instruments in the consolidated statements of financial position before taking into consideration any credit enhancements:

	2019	2018
Cash in banks and cash equivalents	**₱1,225,074,323**	**₱967,595,961**
Short-term investments	**60,500,000**	**50,734,990**
Insurance receivables	**89,693,714**	**23,030,539**
Investment securities	**4,578,348,114**	**4,442,042,121**
Loans receivables	**1,663,800,927**	**1,901,911,397**
Accrued income	**63,641,862**	**68,775,534**
	₱7,681,058,940	**₱7,454,090,542**

The carrying amount of the financial assets represents the gross maximum exposure to credit risk at reporting date except for mortgage and collateral loans. The financial effect of collateral or credit enhancement amounted to ₱574.3 million and ₱568.7 million in 2019 and 2018, respectively. The Group holds cash surrender values of policyholder's insurance policy and Transfer Certificate of Title (TCT) for real properties as collaterals.

The Group has no significant concentration of credit risk on any single or group of counterparties.

The Group's financial assets are categorized based on the its collection experience with the counterparties and classified based on the following credit rating:

a. High Grade - these are neither past due nor impaired with settlements obtained from counterparty following the terms of the contracts without much collection effort. The Group's cash in banks and cash equivalents, short-term investments and investment securities are classified under this category.

b. Standard Grade - these are also neither past due nor impaired but some reminder follow-ups are performed to obtain settlement from the counterparty. The Group's insurance receivables, loans receivables and accrued income are classified under this category.

The following table summarizes the impairment analysis of the Group's financial assets as at December 31, 2019 and 2018. It indicates whether the financial assets were subjected to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired.

	December 31, 2019			
	12-month ECL	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Total**
Cash in banks and cash equivalents	**₱1,225,074,323**	**₱–**	**₱–**	**₱1,225,074,323**
Short-term investments	**60,500,000**	**–**	**–**	**60,500,000**
Insurance receivables	**89,693,714**	**–**	**–**	**89,693,714**
Investment securities	**4,578,348,114**	**–**	**–**	**4,578,348,114**
Loans receivables	**1,692,923,797**	**–**	**76,307,654**	**1,769,231,451**
Accrued income	**63,641,862**	**–**	**–**	**63,641,862**
	₱7,710,181,810	**₱–**	**₱76,307,654**	**₱7,786,489,464**

December 31, 2018				
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total
Cash in banks and cash equivalents	₱967,595,961	₱–	₱–	₱967,595,961
Short-term investments	50,734,990	–	–	50,734,990
Insurance receivables	23,030,539	–	–	23,030,539
Investment securities	4,442,042,121	–	–	4,442,042,121
Loans receivables	1,913,617,067	–	141,548,386	2,055,165,453
Accrued income	68,775,534	–	–	68,775,534
	₱7,465,796,212	₱–	₱141,548,386	₱7,607,344,598

Liquidity Risk Management

The Group's primary source of funds is cash provided by collection of premiums and net investment income. These funds are used primarily to pay policy benefits, dividends to policyholders, claims, commissions, operating expenses, taxes and licenses and shareholder dividends. Cash flows generated from operating activities are generally invested to support future payment requirements.

The Group maintains a conservative liquidity position that exceeds all the liabilities payable on demand. To strengthen its liquidity further, the Group actively manages and monitors its capital levels, asset levels, matching position, diversification and credit quality of its investments and cash forecasts and actual amounts against established targets.

Based on the Group's historical cash flows, management believes that the cash flow from operating activities will continue to provide sufficient liquidity for the Group to satisfy all future obligations. The table below summarizes the financial liabilities of the Group which are due within one year based on remaining contractual undiscounted cash flows as at December 31, 2019 and 2018:

	2019	2018
Insurance contract liabilities	**₱1,553,937,226**	₱1,371,904,337
Policyholders' dividends payable	**133,430,815**	99,030,379
Premium deposit fund	**307,169,452**	290,132,406
Insurance payables	**90,978,607**	110,715,969
Loans payable	**31,081,586**	351,570,855
Accounts payable and accrued expenses*	**114,313,444**	193,476,191
Other liabilities	**216,639,049**	187,713,477
	₱2,447,550,179	₱2,604,543,614

**Excluding statutory payables amounting to ₱17.3 million and ₱17.5 million as at December 31, 2019 and 2018, respectively.*

Market Risk

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

Increasing market fluctuations may result in significant impact on the Group's equity, cash flows and profit. Its operating activities as well as its investing and financing activities are affected by changes in foreign exchange rates, interest rates and equity price risks. Market risks arise from foreign currency-denominated financial instruments, investments in debt securities, as well as from equity securities.

The Group manages its market risk by monitoring its exposure to capital markets against established risk tolerance levels.

The Group also has specific policies that allow it to maintain its strong financial position by ensuring that sufficient liquid assets are available to cover its potential funding requirements. The Group invests in various types of assets with a view to matching them with its liabilities of various durations.

Foreign Currency Risk
Foreign 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 Group's principal transactions are carried out in Philippine Peso (PHP) and its exposure to foreign currency risk arise primarily with respect to the Group's investments in foreign currency-denominated debt and equity securities and dealings with foreign reinsurers in its settlement of obligations and receipt of any claim reimbursements, which are denominated in the following currencies:

- United States Dollar (USD)
- Singaporean Dollar (SGD)
- Euro (EUR)
- Australian Dollar (AUD)
- Hong Kong Dollar (HKD)
- Great Britain Pound (GBP)
- Swiss Franc (CHF)

The table below summarizes the Group's exposure to currency risk on foreign currency-denominated assets and liabilities and total PHP equivalents.

	2019									
	USD	SGD	EUR	BRL	AUD	JPY	HKD	GBP	CHF	TOTAL (PHP)
Assets										
Cash and cash equivalents	$3,441,173	$10,477	€10,859	R$–	A$327,519	¥–	HKD9,938	£1,843	SFR–	₱186,982,245
Loans and receivables	5,861		–	–		–	–	–	–	27,652,088
Investment securities	48,037,460	314,881	289,323	–	1,614,638	–	4,004,869	173,871	–	2,554,983,466
Accrued income	536,616		–	–	13,629	–	–	–	–	296,759
	52,021,110	$325,358	300,182	–	AUD1,955,786	–	HKD4,014,807	175,174	–	2,769,914,558
Liabilities										
Accounts payable and accrued expenses	24,197	–	–	–	–	–	–	–	–	1,225,216
Insurance contract liabilities	1,274,993	–	–	–	–	–	–	–	–	64,559,291
Loans payable	613,836	–	–	–	–	–	–	–	–	31,081,586
Premium deposit fund	61	–	–	–	–	–	–	–	–	3,083
Other liabilities	6,085	–	–	–	–	–	–	–	–	308,110
	1,919,172	–	–	–	–	–	–	–	–	97,177,286
	$50,101,938	$325,358	€300,182	R$–	A$–	¥–	HKD4,014,807	£175,174	SFR–	₱2,672,737,272

	2018									
	USD	SGD	EUR	BRL	AUD	JPY	HKD	GBP	CHF	TOTAL (PHP)
Assets										
Cash and cash equivalents	($335,488)	(S$135,398)	€4,817	R$–	A$30,808	¥–	HKD–	£1,701	SFR–	(₱21,302,727)
Insurance receivables	651,406	1,620	–	–	32,971	–	–	–	–	35,535,459
Accrued income	52,555,892	575,217	271,955	–	1,833,267	–	3,775,439	162,501	–	2,906,148,731
	52,871,810	441,439	276,772	–	1,897,046	–	3,775,439	164,202	–	2,920,381,463
Liabilities										
Accounts payable and accrued expenses	25,979	–	–	–	–	–	–	–	–	1,365,952
Insurance contract liabilities	1,170,845	–	–	–	–	–	–	–	–	61,563,025
Loans payable	6,686,399	–	–	–	–	–	–	–	–	351,570,855
Premium deposit fund	2,185	–	–	–	–	–	–	–	–	114,862
Other liabilities	478	–	–	–	–	–	–	–	–	25,152
	7,885,886	–	–	–	–	–	–	–	–	414,639,846
	$44,985,924	S$441,439	€276,772	R$–	A$1,897,046	¥–	HKD3,775,439	£164,202	SFR–	₱2,505,741,617

For purposes of restating the outstanding balances of the Group's foreign currency-denominated financial assets and liabilities as at December 31, 2019 and 2018, the following exchange rates were applied:

	2019	2018
USD	**₱50.64**	₱52.58
SGD	**37.49**	38.47
EUR	**56.35**	60.31
AUD	**35.26**	37.07
JPY	**0.46**	0.48
HKD	**6.52**	6.73
GBP	**65.99**	66.73

The following table demonstrates the sensitivity to reasonably possible change in foreign exchange rate, with all other variables held constant, of the Group's income before tax as at December 31, 2019 and 2018:

	2019			2018		
	Increase/ Decrease in Exchange Rate	**Effect on Income before Tax**	**Effect on Equity**	Increase/ Decrease in Exchange Rate	Effect on Income before Tax	Effect on Equity
USD	**-3.88%**	**(₱75,426,516)**	**(₱65,380,160)**	2.63%	(₱66,734,498)	(₱53,728,025)
	3.88%	**75,426,516**	**65,380,160**	2.63%	66,734,498	53,728,025
SGD	**-3.42%**	**–**	**(798,970)**	-3.44%	(348,549)	(839,768)
	3.42%	**–**	**798,970**	3.44%	348,549	839,768
EUR	**-4.95%**	**–**	**(1,040,670)**	-7.03%	–	(1,601,702)
	4.95%	**–**	**1,040,670**	7.03%	–	1,601,702
AUD	**-5.97%**	**(1,327,051)**	**(3,009,254)**	-6.63%	(4,656,091)	(3,259,264)
	5.97%	**1,327,051**	**3,009,254**	6.63%	4,656,091	3,259,264
HKD	**-4.03%**	**–**	**(1,627,060)**	-2.77%	–	(1,125,093)
	4.03%	**–**	**1,627,060**	2.77%	–	1,125,093
GBP	**5.09%**	**–**	**(1,427,673)**	-7.43%	–	(1,127,496)
	-5.09%	**–**	**1,427,673**	7.43%	–	1,127,496

Interest Rate Risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's market risk policy requires it to manage interest rate risk by maintaining appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities.

A critical element of the Group's risk management process consists of measuring and monitoring the risks associated with fluctuations in market interest rates on the Group's net interest income and ensuring that the exposure in interest rate is kept within acceptable limits.

An efficient matching policy of assets and liabilities arising from insurance and investment contracts are established to keep potential losses within acceptable levels.

The following tables show the information relating to the Group's financial instruments that are exposed to fair value interest rate risk presented by maturity profile.

	2019			
	Up to 1 year	**1-3 years**	**3-5 years**	**Over 5 years**
Financial assets at FVOCI	**₱30,652,404**	**₱281,932,105**	**₱202,285,205**	**₱1,265,476,700**
Financial assets at FVPL	**–**	**20,414,007**	**41,316,641**	**347,838,146**

	2018			
	Up to 1 year	1-3 years	3-5 years	Over 5 years
Financial assets at FVOCI	₱75,733,386	₱335,152,563	₱363,923,421	₱1,463,464,981
Financial assets at FVPL	–	31,624,767	–	329,617,711

The following table below presents the impact on income before tax and equity due to a reasonable possible change in the interest rate for the year ended December 31, 2019 and 2018:

	2019		
	Change in Variable	**Impact on Income Before Tax**	**Impact on Equity**
USD	**5.4052%**	**₱344,970**	**₱65,106,340**
	-5.4052%	**(344,970)**	**(65,106,340)**
AUD	**4.6458%**	**–**	**5,426,927**
	-4.6458%	**–**	**(5,426,927)**
SGD	**4.1250%**	**–**	**1,172,865**
	-4.1250%	**–**	**(1,172,865)**
PHP	**5.2757%**	**–**	**253,179**
	-5.2757%	**–**	**(253,179)**

	2018		
	Change in Variable	Impact on Income Before Tax	Impact on Equity
USD	4.9625%	₱1,069,382	₱38,913,400
	-4.9625%	(1,069,382)	(38,913,400)
AUD	5.2292%	–	7,486,596
	-5.2292%	–	(7,486,596)
SGD	5.5000%	–	987,172
	-5.5000%	–	(987,172)

The impact on the Group’s equity, caused by changes in the market value of financial assets, already excludes the impact on transactions affecting the consolidated statements of comprehensive income. The impact on the Group’s income before tax is caused by changes in the market value of financial assets at FVPL.

In 2019 and 2018, the Group determined the reasonably possible change in interest rates using the percentages changes in weighted average yield rates of outstanding securities for the past five years.

Equity Price Risk
Equity price risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices of individual stocks and the changes in the level of Philippine Stock Exchange index (PSEi) and other foreign stock exchange indices.

The Group’s equity price risk exposure relates to equity shares classified as financial assets at FVPL and FVOCI.

The table below shows the equity impact of reasonably possible change of PSEi and other foreign stock exchange indices as at December 31, 2019 and 2018:

	2019		
Market Indices	**Change in Stock Index**	**Impact on Income Before Tax**	**Impact on Equity**
Hang Sex Index (HSI)	**17.29%**	**₱–**	**₱915,115**
	-17.29%	**–**	**(915,115)**
PSEi	**16.53%**	**–**	**2,040,005**
	-16.53%	**–**	**(2,040,005)**
Financial Times Stock Exchange (FTSE)	**16.58%**	**–**	**460,973**
	-16.58%	**–**	**(460,973)**
Standard and Poor’s Index (SPX)	**1.93%**	**–**	**56,746**
	-1.93%	**–**	**(56,746)**
FTSE Straits Times Index (FSSTI)	**18.13%**	**–**	**2,140,594**
	-18.13%	**–**	**(2,140,594)**

	2018		
Market Indices	Change in Stock Index	Impact on Income Before Tax	Impact on Equity
Hang Sex Index (HSI)	24.90%	₱–	₱1,232,765
	-24.90%	–	(1,232,765)
PSEi	5.28%	3,135,416	829,494
	-5.28%	(3,135,416)	(829,494)
Financial Times Stock Exchange (FTSE)	5.12%	–	123,982
	-5.12%	–	(123,982)
Standard and Poor’s Index (SPX)	8.61%	–	221,313
	-8.61%	–	(221,313)
FTSE Straits Times Index (FSSTI)	6.69%	–	844,639
	-6.69%	–	(844,639)

The effect on equity is caused by reasonably possible changes in the relevant market indices which lead to changes in the market value of investment securities classified as financial assets at FVOCI. The effect on income is caused by reasonably possible changes in the relevant market indices which lead to changes in the market value of investment securities classified as financial assets at FVPL.

The equity impact is arrived at using the reasonably possible change for the past five years of the relevant market indices and the specific adjusted beta of each stock the Group holds. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

The impact on the Group's equity already excludes the impact on transactions affecting the consolidated statements of comprehensive income.

27. Classification of Consolidated Statements of Financial Position Accounts

The current portions of the Group's assets and liabilities as at December 31, 2019 and 2018 are as follows:

	2019	2018
Current assets:		
Cash and cash equivalents	**₱1,225,127,871**	₱967,649,509
Short-term investments	**60,500,000**	50,734,990
Insurance receivables	**89,693,714**	23,030,539
Investment securities	**879,127,413**	463,242,478
Loans receivables	**530,354,879**	1,321,051,483
Accrued income	**63,641,862**	68,775,534
Other current assets	**8,052,486**	6,799,500
	₱2,856,498,225	₱2,901,284,033
Current liabilities:		
Insurance contract liabilities	**₱1,553,937,226**	₱1,371,904,337
Policyholders' dividends payable	**133,430,815**	99,030,379
Premium deposit fund	**307,169,452**	290,132,406
Insurance payables	**90,978,607**	110,715,969
Loans payable	**31,081,586**	351,570,855
Accounts payable and accrued expenses	**131,663,238**	210,975,266
Income tax payable	**9,810,535**	7,843,903
Other liabilities	**216,639,049**	185,744,210
	₱2,474,710,508	₱2,627,917,325