COVER SHEET

SEC Registration Number

1	6	6	8	0						

Company Name

BENEFICIAL LIFE INSURANCE COMPANY, INC. AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

7TH FLOOR BENEFICIAL LIFE BUILDING, 166 SALCEDO STREET, LEGASPI VILLAGE, MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
corpsec@benlife.com.ph	**(+632) 8818 8671**	**09992297694**

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
6808	**Any Day in June**	**DECEMBER 31**

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
MA. SIGRID R. PINLAC	corpsec@benlife.com.ph	**(+632)8818 8671**	**09992297694**

Contact Person's Address

7F Beneficial Life Building, 166 Salcedo Street, Legaspi Village, Makati City

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended DECEMBER 31, 2020

2. SEC Identification Number 16680

3. BIR Tax Identification No. 000-883-987

4. Exact name of issuer as specified in its charter

   BENEFICIAL LIFE INSURANCE COMPANY, INC.

5. MANILA, PHILIPPINES
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:
   Life Insurance

7. BENEFICIAL LIFE (BENLIFE) BLDG., 166 SALCEDO ST., LEGASPI VILLAGE, MAKATI CITY
   Address of principal office Postal Code 1229

8. (02) 88188671
   Issuer's telephone number, including area code

9. N/A
   Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the Revised Securities Act (“RSA”):

Title of each class	No. of shares of Common Stock Outstanding
COMMON STOCK shares	N/A

11. Are any or all of these securities listed on the Philippine Stock Exchange (“PSE”).

    Yes [ ] No [√]

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

    Yes [√] No [ ]

    (b) has been subject to such filing requirements for the past 90 days:

    Yes [√] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant:

    118,624,760 shares x P1.50 average bid/ask price = P177,937,140 market value

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1.Business

1.1 Business Development

BENEFICIAL LIFE INSURANCE COMPANY, INC. (the "Registrant") is a domestic stock corporation established on March 16, 1960 with an initial authorized capitalization of P2.5Million. The primary purpose of the Registrant is to *undertake and write insurance upon the lives of individuals, and every insurance appertaining thereto or connected therewith, including reinsurance; to make contracts for insurance and reinsurance providing for all risks, hazards, guarantees and contingencies to which life, accident or health insurance is applicable; to compute endowments and grants, purchase or dispose of annuities; to procure reinsurance for its risks; to issue policies stipulated to be with or without participation in profits; and to purchase for its own benefit any policy of insurance or other obligation of the corporation as well as claims of policyholders*. The Registrant is under the regulation of the Insurance Commission ("IC").

On April 10, 1997, the Philippine Securities and Exchange Commission ("SEC") approved the increase in the Registrant's authorized capital stock from P20Million to P70Million.

On July 15, 1996, the Registrant and Philippine National Bank ("PNB") entered into a Memorandum of Agreement ("MOA") whereby the latter bought equity in the former equal to 40% ownership. This partnership, however, was dissolved on May 30, 2008.

FMF Development Corporation ("FMF") then acquired 50% of the said 40% equity of PNB, thus, increasing its shareholdings in the Registrant from 51% to 81%.

The SEC, effective October 06, 2009, approved the change in name of the Registrant from "Beneficial-PNB Life Insurance Company, Inc." to "Beneficial Life Insurance Company, Inc." and the extension of another 50 years of its corporate term.

On October 9, 2009, it was approved and resolved that the authorized capital stock of the Registrant be increased from P70Million, divided into 70,000,000 shares with par value of P1.00 per share to P500Million, divided into 500,000,000 shares with the same par value per share. The said increase was made in compliance with Department of Finance ("DOF") Order 27-06, which was approved by the SEC on February 4, 2010.

The additional subscription on the increase in authorized capital stock of the Registrant shall be made by way of application of the 550% stock dividends declared on August 10, 2009.

On August 6, 2012, the Registrant's Board of Directors ("BOD") approved the increase in the Registrant's authorized capital stock from P500Million, consisting of 500,000,000 common shares with P1.00 par value per share, to P1Billion, consisting of 1,000,000,000 common shares with the same par value per share. The application for the said increase in the authorized capital stock was submitted to the SEC on February 5, 2013.

Also, on August 6, 2012, the BOD approved the declaration of 58% stock dividend or a total of 188,584,808 shares to be taken from the Registrant's unrestricted retained earnings as of December 31, 2011, and distributed to stockholders as of October 9, 2012. The full amount of P188,584,808 was previously presented as stock dividends for issuance under the stockholders' equity in the statements of financial position pending the completion of the SEC requirements for the increase in authorized capital stock.

On April 10, 2014, the BOD approved the declaration of 22% stock dividend or a total of 113,020,283 shares to be taken from the Registrant's unrestricted retained earnings as of December 31, 2013.

At least 25% of the increase in the authorized capital stock of P500Million, or the amount of P301,605,091 has been subscribed and fully paid up through the 58% and 22% stock dividend declarations.

The application for increase in the authorized capital stock that was initially submitted to the SEC on February 5, 2013 was re-filed on March 27, 2015. The SEC issued a certificate of approval to the said increase in capital stock on March 31, 2015.

During its 60 years in the life insurance industry, the Registrant has not undergone any bankruptcy, insolvency, receivership or similar proceeding.

1.2 Business of Issuer

DESCRIPTION OF THE REGISTRANT

Principal Product or Service:

Traditional LIFE INSURANCE POLICIES which may be grouped into Regular Plans, Term Plans, Special Corporate Plans and Product Mix Plans. The main business may be generally classified into 2, namely, ordinary/regular business which represents policies sold to individuals, and group business which is commonly known as term plans sold to groups, companies or institutions. Another business line is reinsurance wherein the Registrant accepts risk in consideration of premiums from institutional clients. The Registrant has also ventured into the microinsurance program in 2016. As of December 31, 2020, regular business accounts for 23% while group business accounts for 69% of the total gross premiums. Inward reinsurance makes up the remaining 8% of the total gross premiums.

Foreign Sales: NONE

Distribution Methods of Product/Service:

The Registrant has always used its agency force nationwide as the traditional distribution channel. In 2009, the Registrant ventured into alternative distribution channels, such as telemarketing, and teams were set up Cebu and Davao and different offices in Metro Manila to capture their respective markets. The Registrant also expanded its distribution channel to mall operations in 2013.

Status of Any Publicly Announced New Product or Service:

The Registrant introduced its microinsurance product called "Benlife Shield" during the last quarter of 2016. It is a single pay, micro personal accident no-lapse insurance plan that provides individual insurance coverage up to the age of 60. Also, during the last quarter of 2016, the Registrant offered its group insurance rider called "Benlife Care." It is a health care rider attached to a group yearly renewable term that allows policyholders to avail of medical and hospitalization benefits through affiliated medical service providers, subject to certain conditions and limitations. These 2 products were approved by the IC prior to selling.

Competition:

As of the year ended December 31, 2020, there are 31 life insurance companies operating in the Philippines. Based on the unaudited figures released by the IC for 2018 (source: www.insurance.gov.ph), the Registrant ranks as follows:

According to Premium Income:	***17th***
According to Networth:	***17th***

The top 16 life insurance companies in terms of premium income are all selling variable products. The Registrant does not offer variable plans.

The major target markets of the Registrant belong to the socioeconomic classes C, D, and E nationwide. Many of the policyholders are teachers, firemen, policemen, government agency employees, bank employees and the like. Price is a major factor in competition followed by service. Since insurance is not considered a basic necessity, its marketability highly depends on the economic status of the insuring public.

Of all the life insurance companies, the Registrant believes that, in terms of business line and target markets, its major competitors are Fortune Life Insurance Co. and Paramount Life and Gen. Ins. Corp., which are both selling traditional insurance products and have no variable products like the Registrant. The Registrant believes that it can effectively compete with other companies, more specifically with its closest competitors, mainly because of its stability founded on 61 years of experience, skilled and numerous agency forces operating nationwide, financial strength assuring solvency and liquidity, and marked presence in major cities nationwide. The Registrant continues to build strong business relationships with its institutional clients.

Transactions with and/or Dependence on Related Parties:

The related parties of the Registrant include FMF and Beneficial Financial Advisors, Inc. ("BFAI"), which are domestic corporations, and another subsidiary, Solana Investment Holdings Corp. ("SIHC"),a foreign corporation.

FMF, the Registrant's parent company, is its largest stockholder with 81% ownership of the outstanding shares of the Registrant, which is primarily engaged in direct equity investments in other companies, investments in fixed income securities and property leasing.

BFAI is primarily engaged in providing training and consultancy services related to any marketing activities and promotions, and the administration and property management of the Beneficial Life Bldg. in Makati City. Moreover, the Registrant assigned to BFAI the right to lease out vacant spaces of the properties owned by the former. This subsidiary previously handled the training and marketing requirements of the bancassurance operations of the Registrant with PNB. On April 24, 2015, the SEC approved the change in its corporate name from "Beneficial-PNB Financial Advisors, Inc." to "Beneficial Financial Advisors, Inc."

SIHC is a wholly owned subsidiary of the Registrant. It is an investment company with holdings in foreign securities and bonds.

Trademarks:

On April 29, 2015, the Registrant filed its trademark application forms with the Intellectual Property Office ("IPO"). These are for the registration of the Registrant's trademark "Benlife" device and logo and the marketing slogan "Alagang Tunay. Alagang Benlife." (the "Subject Marks"). Accordingly, the IPO issued the Certificates of Registration for the Subject Marks in favor of Registrant on November 5, 2015 and October 2, 2015, respectively. These Certificates of Registration of the Subject Marks have a term of 10 years. On account thereof, the Registrant has acquired the exclusive right to prevent any and all persons from using in the course of trade, identical or similar marks for goods or services which are identical or similar to those in respect of which the Subject Marks are registered, where such use would result in a likelihood of confusion.

License:

License no. 2019/31-R was issued by the IC to the Registrant on December 17, 2018, which took effect on January 1, 2019 and to expire on December 31, 2021.

Need for any Governmental Approval of Principal Products/Services:

All products/services are first approved by the IC, in compliance with the Amended Insurance Code of the Philippines, prior to selling.

Effect of Existing or Probable Governmental Regulations on the Business:

The operations of the Registrant 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., capitalization requirements, capital and reserve investments, risk based capital or "RBC" ratio requirements).

Tax regulations materially affect the cost of the product/service. Insurance premiums and policies are subject to premium tax and documentary stamp tax ("DST"), which are being passed on to the insured/client. These taxes are additional costs, which make the product more expensive. Republic Act ("RA") No. 10001 reduced the premium tax from 5% to 2% (applicable on insurance policies issued after the effectivity of the said RA) and amended the DST to one-time payment based on the amount of insurance or coverage. RA 10963 or the Tax Reform for Acceleration and Inclusion ("TRAIN"), which became effective on January 1, 2018, increased the DST tax from the range of P10.00-P100.00 to P20.00-P200.00. Revenue Regulation ("RR") 4-2018 was issued wherein the new rates are listed under Section 10.

On August 5, 2013, the President of the Philippines approved RA No. 10607, also known as the "Amended Insurance Code R.A.10607" which provides the new capitalization requirements of all existing insurance companies based on net worth on a staggered basis starting June 30, 2013 up to December 31, 2022. The following presents the amount of required net worth and the schedule of compliance per New Insurance Code:

Networth	**Compliance Date**
P550,000,000.00	*December 31, 2016*
P900,000,000.00	*December 31, 2019*
P1,300,000,000.00	*December 31, 2022*

On January 13, 2015, the IC issued the 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 CL supersedes the Department Order Nos. 27-06 and 15-2012, and CL Nos. 22-2008 and 26-2008. The minimum networth requirements must remain unimpaired for the continuance of the Registrant's license.

The required minimum statutory net worth for the Registrant is P900Million as of December 31, 2019. The Registrant has complied with the minimum statutory net worth capital and minimum paid-up capital required by the IC.

The Amended 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 2016-68 regarding the Amended RBC framework to be known as "RBC2 Framework" which was effective starting January 1, 2017.

CL 2016-68 provides for the RBC2 framework for the life insurance industry which establishes the required amounts of capital to be maintained by the insurance companies in relation to their investment and insurance risks. Every life insurance company is annually required to maintain an RBC ratio of at least 100% and not to fail the trend test. Failure to meet the minimum RBC ratio shall subject the insurance company to regulatory intervention which could be at various levels depending on the degree of the violation.

The RBC ratio shall be calculated as total available capital ("TAC") divided by the RBC requirement. TAC is the aggregate of Tier 1 and Tier 2 capital minus deductions, subject to applicable limits and determinations. Tier 1 Capital represents capital that is fully available to cover losses of the insurer at all times on a going-concern and winding up basis. Tier 2 Capital which includes reserve for appraisal increment and remeasurement gains or losses on retirement pension asset or obligation shall not exceed 50% of Tier 1 Capital. RBC requirement shall be computed based on the formula provided in the Circular and shall include asset default risk, insurance pricing risk, interest rate risk and general business risk.

Failure to meet the RBC ratio shall subject the insurance company to the corresponding regulatory intervention which has been defined at various levels. IC issued its Circular Letter no. 2017-30 dated May 2, 2017 wherein all insurance companies are required to take action in case its RBC ratio measures as follows:

RBC Ratio (Y)	*Event*	*Action*
100% < Y < 125%	*Trend Test*	*Registrant is required to submit linear extrapolation of the RBC ratio for the next period. lf the RBC ratio based on the trend test falls below 100%, move to Company Action Event*
75% < Y < 100%	*Registrant Action*	*Registrant is required to submit RBC plan and financial projections and implement the plan accordingly.*
50% < Y < 75%	*Regulatory Action*	*IC is authorized to issue Corrective Orders.*
Y < 50%	*Authorized and Mandatory Control*	*lC is authorized and required to take control of the Registrant*

The final amount of the RBC ratio can be determined only after the accounts of the Company have been examined by the Insurance Commission specifically for the determination of admitted and non-admitted assets as defined under the Insurance Code. The Registrant reported RBC ratio of not less than 125% during the 2020 interim quarterly reports.

IC issued CL No. 2016-65 and 2015-29, Financial Reporting Framework ("FRF") under Section 189 of the New Insurance Code. The FRF will adopt the economic valuation of assets and liabilities based on internationally accepted accounting, actuarial, and insurance core principles.

IC also released CL No. 2016-66, Valuation Standards for Life Insurance Policy Reserves, pursuant to Sections 216 and 423 of The Insurance Code. Where appropriate, the life insurance policy reserves shall be valued using the Gross Premium Valuation (GPV) considering other assumptions such as morbidity, lapse and/or persistency, expenses, non-guaranteed benefits and margin for adverse deviation. IC decided to treat the change in the basis of valuation as a change in accounting policy and shall be retrospectively applied.

The full implementation of FRF and valuation standards has taken effect on January 1, 2017.

<u>Total Number of Employees and Number of Full Time Employees as of December 31, 2020</u>:

Employees: *252*
Full time employees: *252*
No. of anticipated employees for the ensuing year: *252*

On February 12, 2018, the Collective Bargaining Agreement ("CBA") has been signed and executed by the Registrant and the labor union which shall be valid and effective for a period of three (3) years and shall continue from year to year thereafter, unless otherwise terminated by either party pursuant to Article XVII, Section 1 thereof.

<u>Training and Development</u>:

The Registrant implements a training and development program where employees and officers are provided with the opportunity of attending relevant courses, conventions, and trainings provided by reputable entities, locally and abroad. The training and development program is designed to enhance the knowledge, skills, and competence of the Registrant's employees and officers. For this purpose, the Registrant allocates on a yearly basis, a budget for such training and development. In 2020, the following seminars/trainings were taken by the Registrant's appropriate employees and officers:

Corporate Governance and Legal Risk Management
Anti-Money Laundering and Countering Terrorism
Webinar on IFRS 17
Accounting for Non Accountants

Introducing Update.It!
The Definitive Guide to Writing Templates
Update on Stimulsoft Reports And Dashboards!
Stimulsoft Reports And Dashboards Template!
Introducing Chrome Explorer!
Creating a Multi-App Solution
Remote workforce Solution
WordPress Training

FCORE Webinar Session: Workspace essentials for a productive work from home setup

Know Your Platform (facebook, twitter, instagram, youtube)
Social Media Domination: Content Planning & Quality

Citrix Webinar: Why you should also factor SD-WAN into your BCP now in time for a return to a new 'normal'

Creating SQL Table Scripts With DCT2SQL
Live Window WYSIWYG Design and PROPs Reflection
Webinar: Post-COVID19 Essential Workplace
Introducing Secwin 7! Access Control on Desktop
Introducing Secwin 7! Licensing
Live Webinar: Office 365 Security
Active Directory For Dummies!
Webinar: Re-Introduction to Twitter 2020
Secwin 7 For NetTalk 12 Server
TechJam - Webinar Event

Virtual Roundtable Session: Integrating a seamless data access in your system - empowering your digital workspace while ensuring employee privacy and security
Enterprise Data Standards
Avoiding Document Processing Delays
NewGen Webinar - Digital NXT in Insurance Customer Onboarding

Webinar: Application Performance Management Suite with Solarwinds
Clarion Live Webinar - An Overview of the RYB (Rub Your Business) Template Set!
IDC Conference: Financial Insight 2020 Philippines
Getting Started on Amazon Web Service

Philippine Insurance Industry Webinar Session 2 - Practical Advise in Securing your Digital Business Confirmation
Json To Clarion Code Conversion - It's like Magic!
Adobe DITAWORLD 2020 - The DITA Online Conference
Session 3 - Insurance Products of the Future Confirmation
Strategizing & Planning for Insurance Industry During and After COVID

How To Make A Custom Runtime Generated NetTalk Web App PDF Report!
Innovating LGUs with AWS Cloud
Deep End User Knowledge Management with Clarion EE Parts 1 & 2
Official NetTalk 12 Release!
Clarion Live Webinar - NetTakl 12 Released

PSIM @ 60: MATURING THRU THEORIES IN PRACTICE
How to Deal with Stress and Anxiety Amidst Health Crisis

Stress Management in the Time of COVID 19
Health and Safety in the Workplace
Healthy Lifestyle
Rapid Test

The New Norm in Life Underwriting
Underwriting Dilemma in Covid-19
COVID 19, the Story in Numbers

Accelerating the analytics Life Cycle with Moel Ops

Adobe Sign Demo – Adobe
Therefore™ 2020 – Canon
Optimizing the Functionalities of your PDF Software 0 Canon
Automation and Digitization using Canon Solutions Webinar – Canon

Risks*:*

The risk under an insurance contract is that an insured event may occur, including the uncertainty of the amount and timing of any resulting claim. The principal risk the Registrant faces under such contract is that the actual claims and/or benefit payments exceed the carrying amount of insurance liabilities. Such risk is influenced by the frequency of claims, severity of claims, actual benefits paid in excess of that originally estimated, and subsequent development of long-term claims.

Underwriting risk represents the exposure to loss resulting from actual policy experience adversely deviating from assumptions made in the product pricing. The Registrant's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geographical locations, the use of medical screening in order to ensure that pricing takes account the current health conditions and medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting risks are brought about by a combination of mortality, morbidity, expense and policyholder decision risks. Underwriting limits are in place to enforce appropriate risk selection criteria.

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

Operational risk arises from, among others, the Registrant's people and processes, threats to the security of its information technology ("IT") system facilities, personnel or data, business interruption risk, reputational risk, legal risks, and compliance obligations to regulatory or taxing authorities. Operational and IT risk management of the Registrant involves the formulation of policies, setting and monitoring of key risk indicators, and overseeing the thoroughness of insurance-wide risk, control self-assessments, and loss incident management; and in the process, creating and maintaining a sound business operating environment that ensures and protects the integrity of the Registrant's assets, transactions, reputation, records, data, and clients, the enforceability of the Registrant's claims, and compliance with all pertinent legal and regulatory requirements.

All required provisions and liabilities to cover these risks are being set up on a regular basis under the supervision and regulation of the IC.

Item 2. Properties

The Registrant is the absolute and registered owner of the following real estate properties:

a. *Real estate property located at Pendatun Ave., General Santos City;*
b. *Real estate property located at A. Pichon Sr. St., Davao City;*
c. *Condominium properties located at Cebu Holdings Center, Cebu Business Park, Mabolo, Cebu City;*
d. *Condominium property located at Building VI, Europa Condominium Villas, Legard Rd. corner Marcos Highway, Baguio City;*
e. *Real estate property located at 166 Salcedo St., Legaspi Village, Makati City.*

There are no liens or encumbrances on any of the real estate properties listed above. The Registrant purchased two (2) condominium offices located One Vertis Plaza located at BagoBantay, Quezon City, the total cost of which does not exceed 5% of the consolidated total assets and payable in 6 years or until June 2024, which is also its completion date. Total costs of renovation of current office spaces and property acquired by the Registrant in settlement of mortgage loans are equivalent to less than 5% of the consolidated total assets.

Item 3.Legal Proceedings

There are no material pending legal proceedings with claims to damages exceeding 10% of the current assets, to which the Registrant is a party or of which any of its properties is the subject. The Registrant has no knowledge that its subsidiaries and parent company are presently involved in any material legal proceeding affecting themselves and/or their properties before any court of law or administrative body in the Philippines.

There were no proceedings that were terminated during the fourth quarter of 2020 with claims to damages exceeding 10% of the current assets.

Item 4.Submission of Matters to a Vote of Security Holders

Due to the Covid-19 pandemic and consequent government regulations that prevented the holding of in-person meetings, the regular annual stockholders' meeting of the Registrant for the year 2020 was postponed from any day in June as prescribed by the Registrant's Amended by-Laws to October 15, 2020. Such regular annual stockholders' meeting where no solicitation of proxies made was held in a virtual format and the following were submitted to a vote of security holders along with the results of the votation:

a. Approval of the Minutes of the Annual Stockholders Meeting Held on June 20, 2019.
The stockholders' approved the Minutes and adopted Resolution No. ASM-2020-01 to wit:

> *"Resolved, as it is hereby resolved, that the Minutes of the Annual Stockholders' Meeting of the Company held on June 20, 2019 be, as the same are hereby approved."*

The final tabulation of votes for the approval of the Minutes and the adoption of Resolution No. ASM-2020-01 are as follows:

	For	Against	Abstain
No. of Voted Shares	586,586,760	0	0
% of Shares Voted	92.5122%	0	0

b. Approval of the 2019 Annual Report and Audited Financial Statements (AFS)
The stockholders' noted the 2019 Annual Report, approved the AFS, and adopted Resolution No. ASM-2020-02 to wit:

> *"Resolved, as it is hereby resolved, that the Annual Report of the Company be, and is hereby noted, and the Audited Financial Statements of the Company as of December 31, 2019 be, as the same are hereby approved."*

The final tabulation of votes for the approval and adoption of Resolution No. ASM-2020-02 are as follows:

	For	Against	Abstain
No. of Voted Shares	586,586,760	0	0
% of Shares Voted	92.5122%	0	0

c. Amendment of Articles I (Meeting of Stockholders) and II (Meetings of the Board of Directors) of the Company's Amended By-Laws to Incorporate and Adopt Provisions Allowing the Conduct of the Stockholders and Board Meetings Including the Casting of Votes through Remote Communication Consistent with the Relevant Laws and SEC Guidelines

In view of the current COVID-19 pandemic and its impact on the conduct of Stockholders and Board Meetings, there was a need to further amend the Company's Amended By-Laws in order to allow both the Stockholders and Board to participate and vote in such a meeting through remote communication. In this relation, the stockholders approved and adopted below Management-proposed Resolution No. ASM-2020-03, as follows:

Resolution No. ASM-2020-03

"Resolved, as it is hereby resolved, that the stockholders representing at least majority of the outstanding capital stock, ratified the resolution approved by at least a majority of the members of the Board of Directors in its meeting held on June 10, 2020 approving the further amendment of Articles I and II of the Company's Amended By–Laws to incorporate and adopt provisions allowing the conduct of Stockholders' and Board Meetings including the casting of votes through remote communication consistent with the relevant laws and SEC guidelines, to read as follows:

Article I
Meeting of the Stockholders

xxx

Section 7. Meeting through Remote Communication

Board may, in its sole discretion, determine that any meeting of stockholders shall be held solely by means of Remote Communications such as videoconferencing, teleconferencing, computer conferencing, audio conferencing, or other available technology as may be permitted under the Revised Corporation Code and relevant guidelines issued by the Securities and Exchange Commission or its equivalent regulatory body ("Law"). If any such means are utilized, the Corporation shall, to the extent required under the Law, implement reasonable measures to: (i) verify the identity of each person participating through such means as a stockholder; and (ii) provide the stockholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders. Participation of a stockholder in a meeting through remote communication pursuant to this Section 7 constitutes presence in the meeting for the purpose of attaining quorum.

Article II
Meeting of the Board of Directors

xxx

Section 6. Meeting through Remote Communication

Members of the Board or of any committee designated by the Board may participate in a meeting of the Board or such committee by any means of remote communications such as videoconferencing, teleconferencing, computer conferencing, audio conferencing, or other available technology as may be permitted under the Revised Corporation Code and relevant guidelines issued by the Securities and Exchange Commission or its equivalent regulatory body ("Law"). If any such means are utilized, the Corporation shall, to the extent required under

the Law, implement reasonable measures to (i) verify the identity of each person participating through such means as a director or member of the committee, as the case may be, and (ii) provide the directors or members of the committee a reasonable opportunity to participate in the meeting and to vote on matters submitted to the directors or members of the committee. Participation in a meeting pursuant to this Section 6 constitutes presence in the meeting for the purpose of attaining quorum."
xxx

The final tabulation of votes for the approval and adoption of Resolution No. ASM-2020-03 are as follows:

	For	**Against**	**Abstain**
No. of Voted Shares	586,586,760	0	0
% of Shares Voted	92.5122%	0	0

d. Increase in the Director's Per Diem
In order to attract and retain the services of qualified and competent directors, Management proposed to the stockholders the approval of below Resolution which sought the adjustment of the current director's per diem and increase the same and fixed anew at a reasonable amount equivalent to Forty Thousand Pesos (PhP40,000.00) per Board Meeting and Twenty Thousand Pesos (PhP20,000.00) per Committee Meeting:

Resolution No. ASM-2020-04

"Resolved, as it is hereby resolved, that the Management-proposed increase in the director's per diem be approved, as it is hereby approved."

The final tabulation of votes for the approval and adoption of Resolution No. ASM-2020-04 are as follows:

	For	**Against**	**Abstain**
No. of Voted Shares	586,576,444	4,359	8,957
% of Shares Voted	92.5122%	0.000743%	0.001527%

e. Ratification of All Acts and Resolutions of the Board and Management Adopted During the Preceding Year
The Board & Management sought ratification of all acts & resolutions of the Board and all Board Committees which were adopted from June 20, 2019 until October 15, 2020. Such acts & resolutions include the election of officers & members of the Board Committees, amendments to the amended By-Laws, contracts & transactions entered into by the Company, credit & loan transactions, projects & investments, manpower-related decisions, corporate governance-related actions & matters governed by disclosures to the Securities & Exchange Commission & the Insurance Commission. Stockholders' ratification for the acts of the Company's Officers to implement the resolutions of the Board or its Committees or made in the conduct of business was likewise sought during the regular stockholders' meeting. Below resolution, as proposed by Management, was approved and adopted by the stockholders based on the following voting results:

Resolution No. ASM-2020-05

"Resolved, as it is hereby resolved, that the acts and resolutions of the Board and its Committees, as well as those of the Management, made and adopted since the last Annual Stockholders' Meeting of the Company be, as the same are hereby approved, ratified and confirmed."

	For	**Against**	**Abstain**
No. of Voted Shares	586,586,760	0	0
% of Shares Voted	92.5122%	0	0

f. Election of Directors
In accordance with the Registrant's Amended By-Laws and Revised Manual on Corporate Governance, as well as relevant rules and regulations, the following stockholders were duly nominated and elected to serve as directors for the year 2020-2021 and until their successors are elected and qualified:

DIRECTORS	FOR		AGAINST	ABSTAIN
	No. of shares	% share		
Enrique C. Fernandez	586,586,760	**92.5122%**	0%	0%
Roberto C. Fernandez	586,586,760	**92.5122%**	0%	0%
Carl Anthony S. Palanca	586,586,760	**92.5122%**	0%	0%
Jaime C. Fernandez	586,586,760	**92.5122%**	0%	0%
Paul P. Sagayo Jr.	586,586,760	**92.5122%**	0%	0%
Malena C. Fernandez	586,586,760	**92.5122%**	0%	0%
John E. Huang	**586,582,401**	**92.5115%**	0%	**0.000695%**
Roberto F. De Ocampo	586,586,760	**92.5122%**	0%	0%
Jaime F. Panganiban	586,586,760	**92.5122%**	0%	0%
Cesar O. Virtusio	586,586,760	**92.5122%**	0%	0%

Messrs. De Ocampo, Virtusio, Panganiban, and Huang have been nominated as Independent Directors.

g. Election of External Auditor

The Audit Committee & the Board of Directors endorsed for stockholders' approval the re-election of Reyes, Tacandong & Co. as the Company's External Auditor for the fiscal year 2020, and adoption of below resolution:

Resolution No. ASM-2020-07

"Resolved, as endorsed by the Board of Directors, to approve the election of the accounting firm of Reyes Tacandong & Co., as the External Auditor of the Company for the fiscal year 2020"

The final tabulation of votes for the approval and adoption of Resolution No. ASM-2020-07 are as follows:

	For	Against	Abstain
No. of Voted Shares	586,586,760	0	0
% of Shares Voted	92.5122%	0	0

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

5.1 Market Information

The common share of the Registrant is not traded on the PSE. If there is any trading, it is a private transaction between stockholders and these are isolated cases. The reported price (inclusive of all the processing fees to effect the sale/transfer) at which the trading was done for the last 2 fiscal years are:

	2019	**2020**	**2021**
1st quarter	*P1.50*	*P1.50*	*P1.50*
2nd quarter	*P1.50*	*P1.50*	
3rd quarter	*P1.50*	*P1.50*	
4th quarter	*P1.50*	*P1.50*	

5.2 Holders

Number of stockholders as of December 31, 2020: ***6,808***

Top 20 shareholders as of December 31, 2020:

	Shareholder	No. of Shares	Percentage
1	FMF DEVELOPMENT CORP.	508,131,734	81.0732%
2	MERJE TRADING INC.	71,555,127	11.4167%
3	JCF INVESTMENT HOLDINGS, INC.	3,942,743	0.6291%
4	SAN BARTEL INVESTMENTS, INC.	2,817,753	0.4496%
5	IBANK T/A No.01-1MA-014	1,551,450	0.2475%
6	ROBERT P. AGNER	1,043,222	0.1664%
7	FEBTC A/C 4124-00006-5	734,372	0.1172%
8	FEBTC A/C 116-00006	325,563	0.0519%
9	TERESITA S. ELA AND/OR TEODORO S. ELA III	308,874	0.0493%
10	TEODORO S. ELA III AND/OR TEODORO M. ELA	294,977	0.0471%
11	LOLITA O. BORJA	276,960	0.0442%
12	BENITO LEGARDA, JR.	225,529	0.0360%
13	JOSE ANTON G. CACHO	220,578	0.0352%
14	HERMINIO S. OZAETA, JR.	211,746	0.0338%
15	JOSE ROMAN S. OZAETA	211,746	0.0338%
16	MA. CARMEN S. OZAETA	211,746	0.0338%
17	MA. NATIVIDAD S. OZAETA	211,746	0.0338%
18	MA. VICTORIA S. OZAETA	211,746	0.0338%
19	FRANK Y. HUANG	176,449	0.0282%
20	CARLOS S. MARTINEZ	176,449	0.0282%
	MELITONA ESTATE, INC.	176,449	0.0282%
	VARIOUS	33,884,330	5.4133%
		626,756,494	100.00%

5.3 Dividend Policy and Dividends

REGISTRANT'S DIVIDEND POLICY STATEMENT

The Registrant complies and adopts as its policy, Section 201 of the Amended Insurance Code, which states that no domestic insurance corporation shall declare or distribute any dividend on its outstanding stocks unless it has met the minimum paid-up capital and net worth requirements, and except from profits attested in a sworn statement to the Commissioner by the president or treasurer to be remaining on hand after retaining unimpaired the entire paid-up capital stock, the solvency requirements, the legal reserve funds required by law, and the sum sufficient to pay all net losses and liabilities for expenses and taxes.

The Registrant recognizes the importance of providing a stable and sustainable dividend stream consistent with its commitment to its shareholders.

The BOD may, at its discretion and depending on the business results for the year, as well as the capital needs of the business, declare and approve the distribution of additional special dividends to all shareholders, normally announced at the Annual Stockholders' Meeting. The Registrant shall report to the IC any dividend declaration or distribution within 30 days after such declaration or distribution.

CASH DIVIDENDS DECLARED ON A PER SHARE BASIS ON COMMON EQUITY

JULY 24, 2017	P0.16/sh	(based on 12/31/2016 income)
JUNE 06, 2018	P0.16/sh	(based on 12/31/2017 income)
MARCH 21, 2019	P0.047/sh	(based on 12/31/2018 income)
*JUNE 10, 2020	P0.033/sh	(based on 12/31/2019 income)

In 2020, the Insurance Commission issued IC Circular Letter (CL) No. 2020-66 (Interim guidelines on the declaration and/or distribution of dividends with the end in view of conserving capital due to the projected economic impact of the Covid-19 Pandemic). This CL No. 2020-66 required insurance companies to secure prior approval from the Insurance Commission together with the submission of certain relevant documents subject for evaluation before they can declare and/or distribute dividends. In view thereof, the cash dividends declared by the Board on June 10, 2020 was subject to the approval of the Insurance Commission.

5.4 Recent Sales of Securities

There were no securities of the Registrant sold by it within the past 3 years which were not registered under the SRC. The common share of the Registrant is not traded on the PSE. If there is any trading, it is a private transaction between stockholders and these are isolated cases. As of the first quarter of 2021, the reported offering price per share remained at P1.50, inclusive of all processing fees to effect the sale/transfer. There were no sales or transfers reported for any consideration other than for cash.

Item 6.Management's Discussion and Analysis or Plan of Operation

Plan of Operations for 2021:

The Registrant was not spared by the global effects of the pandemic. Despite the overall negative outlook on the economy, the Registrant remains hopeful that it can, at least, equal its 2020 performance in terms of gross premiums. The Registrant is currently expediting its technology enhancements that will allow non face-to-face selling, mobile applications and servicing and various online and other payment options. Still, challenges are up for the Registrant because of competition and shifting priorities of the target markets. The Registrant will rely heavily on business relationships with institutions built over the years in order to generate the much needed premiums. The Registrant expects to retain the agencies and regional offices, as well as mall operations up to the end of the year.

The Registrant continues to push its sales of the microinsurance products and spot cash, and plans with short term endowments for the year 2021. The Registrant has no plans to offer variable products in the market. The Registrant does not foresee undergoing a bancassurance program in 2021.

The Registrant is hoping to further develop its established relationships with financial institutions for the credit life and mortgage redemption insurance, as well as with the cooperative and microfinancing industries.

The Registrant continues to adhere to the new policies on its Salary Loan Program to the Department of Education ("DepEd"). The Registrant continues to offer the same package to other offices and agencies of the government.

The Registrant is not expecting to significantly increase its investment and other income over the previous year given that the interest rates have been coming down and continuous appreciation of the Peso versus the US dollar as of the date of this report. The Registrant still aims to maximize its returns by continuously using its credit limit amounting to P150Million to be used in buying investment securities.

The Registrant continues to be an active member of the industry by involving itself in various industry issues through its membership in the Philippine Life Insurance Association ("PLIA").

The Registrant, in close coordination with the IC and as mandated by the SEC, ensures adherence to its ASEAN Corporate Governance and Anti Money Laundering Operating Manual. The Registrant also complied with the requirements of The Foreign Account Tax Compliance Act ("FATCA") in 2014 by registering as a Foreign Financial Institution. The Registrant will ensure strict compliance with the revised Anti-Money Laundering and Combating the Financing of Terrorism Guidelines, Data Privacy Act Implementing Rules and Regulations. The Registrant will focus on the preparation for the implementation of International Financial Reporting Standard ("IFRS") 17 on Insurance Contracts which will become effective two years after its effective date as decided by the International Accounting Standards Board per CL 2020-62 issued by the IC.

As in the previous years, funds shall be continually sourced internally for its insurance requirements and the Registrant does not foresee any uncertainty that has, or is reasonably likely to, have a material impact on the short or long-term liquidity. There are no material capital expenditures expected within the next 12 months that will require funds equivalent to 5% of the consolidated total assets.

The Registrant is not expecting a significant increase in the number of its employees for the year 2021.

Management's Discussion and Analysis – 2020 vs. 2019:

The Registrant and its subsidiaries posted a decrease in gross premiums by 0.60% from P1.67Billion in 2020 to P1.66Billion in 2021. Net premiums also decreased by almost the same percentage between the two comparative years.

The business of life insurance does not follow any particular seasonality or cyclicality as revenues are mainly dependent on the insurance requirements and capacity to pay of the insuring public, while most of the claims, benefits and underwriting expenses depend on mortality rates and economic conditions. Taking the two comparative years, premiums, net of reinsurance, are composed of the following:

	2020	2019
Ordinary (individual)	325,111,456	374,285,200
Group	1,195,596,581	1,158,794,759
Microinsurance	2,798,750	6,636,000
Inward reinsurance	135,254,783	129,127,550
	1,658,761,570	1,668,843,509
Less: Premiums ceded	15,258,231	16,953,935
Premiums, net of reinsurance	1,643,503,339	1,651,889,574

Premiums from the group, and reinsurance lines all increased in 2020 as compared to 2019 while premiums from microsinsurance and ordinary businesses decreased.

No cycle, season or trend can also explain the amount of claims, surrenders and other benefits to be paid in any given period of time as these are mainly dependent on mortality rate and financial condition of the policyholders. This is the reason why the IC as the industry regulator, mandates its requirements on the issuer's minimum networth, capital investment, reserve investment and minimum RBC ratio. Net insurance benefits and claims incurred on insurance contracts, which decreased by 5% from 2019 to 2020 include death claim benefits on ordinary/individual and group businesses, maturities, health benefits, surrender values paid, dividends, and interests accruing on in force policies. There are still policyholders who opt to surrender their insurance policies, meaning, withdraw its cash value, due to financial needs, while other insurance policies have already matured during the year, at which time, the insured receives its maturity value. Death claims still comprise the significant portion of benefits and claims expensed at 58% in 2020 versus 60% in 2019. These insurance risks can be reasonably calculated and estimated, based on Actuarial studies, and thus, reserves and fund allocations are made by the Registrant. An uncertainty, therefore, which will have a material impact on the operations of the issuer, is when death benefits will be claimed all at the same time. This is why the legal policy reserves should be enough to cover all the benefits due to the insured. The Registrant's annual legal policy reserves is certified by the Actuary and evaluated and reviewed by the IC. Total increase in legal policy reserves from 2019 to 2020 amounted to P690,372,782 which includes the effects of the change in inforce policies and in the discount rates used for the GPV valuation.

Year 2020 was marked by a significant decrease in investment and other income by 26% as compared to the 11% increase in 2019 over 2018. Investment income is composed of interests on investment securities, loans and notes, dividend income, gain on sale and fair value gains/losses. Interest earned on loans and notes, rental and other income are also included in this category. Total Impairment loss of P50Million was recognized in 2020 on investment securities and loans and notes, which is 89% higher than the 2019 impairment loss at P26Million.

On a year to year basis, the Peso appreciated to P48.023 in 2020 as against the US Dollar. The exchange rate as of year-end 2019 was at P50.635=USD1.00. This resulted in realized and unrealized foreign exchange loss amounting to P83.11Million in 2019 versus P112Million in 2020.

Commissions and other direct expenses decreased by 21% while general and administrative expenses increased by 5% from 2019 to 2020. Consolidated net income for the year ended 2020 amounted to P121Million as compared to the reinstated amount of P109Million in 2019 or an 11% increase. Basic and diluted earnings per share, consequently, increased to P0.19 per share in 2020 from P0.17 in 2019.

The consolidated statement of financial position shows an increase of 6% in total assets from P8.4Billion in 2019 to P8.98Billion in 2020. Investment securities comprise 63% of the total assets in 2020, as the Registrant and its subsidiaries continue to maximize its earning potentials with its holdings in various peso and foreign currency denominated securities. Adding this portfolio to the cash and cash equivalents at P972Million, short term investments of P63Million and accrued income of P73Million shows that the Registrant remains liquid and able to meet its obligations. Total assets of the subsidiaries amount to: SIHC, P152,920,935; and BFAI, P6,829,379.

The consolidated stockholders' equity portion reflects a total of P2.87Billion in 2020, which is lower by 10% than the P3.17Billion in 2019.

In addition to the reasons for the increase/decrease discussed in the preceding paragraphs, the following are the explanations for the changes in material items (increase/decrease equivalent to at least 5%) from year 2019 to year 2020:

a. Decrease in cash and cash equivalents by 21% was contributed by the investing activities;
b. Decrease in insurance receivables by 63% represent decrease in collectible premiums with due dates falling on or before the year end.
c. Increase in accrued income by 14% was mainly due to the dividends due as of the end of the year but collected in January 2021.
d. Decrease in loans and notes by 16% was mainly due to the decrease in salary loans portfolio.
e. Increase in investment securities by 24% supports the efforts to maximize returns by continuously investing cash into short and long term issues.
f. Decrease by 29% in the property and equipment at cost was due to depreciation and absence of material acquisitions during the year.
g. Increase in Other noncurrent assets by 6% represents the installment payments made during the year for the acquisition of two condominium offices.
h. Increase in insurance contract liabilities by 20% is mainly attributed to the increase in legal policy reserves.
i. Increase in policyholders' dividends payable by 7% can be attributed to aging policies that are already earning dividends as provided in the insurance contracts.
j. Decrease in loans payable by 25% was due to the payment of fixed term loans by its subsidiary SIHC.
k. Taxable investment income, which decreased due to the declining interest rates, mainly contributed to the decrease in income tax payable by 63%.
l. Increase in accounts payable and accrued expenses by 22% to set up of amounts due as liability as of year end.
m. Overall increase in net income by 11% was mainly due to the foreign exchange loss incurred during the year.

Management's Discussion and Analysis – 2019 vs. 2018:

The Registrant and its subsidiaries posted a significant increase in gross premiums by 24% from P1.349Billion in 2018 to P1.669Billion in 2019. Net premiums also increased by 25% between the two comparative years.

The performance of the Registrant in terms of gross and net premiums is summarized as follows:

	2019	2018
Ordinary (individual)	374,285,200	339,419,875
Group	1,158,794,759	930,996,070
Microinsurance	6,636,000	8,438,000
Inward reinsurance	129,127,550	70,266,474
	1,668,843,509	1,349,120,419
Less: Premiums ceded	16,953,935	27,519,621
Premiums, net of reinsurance	1,651,889,574	1,321,600,798

Premiums from the ordinary, group, and reinsurance lines all increased in 2019 as compared to 2018 while premiums from microsinsurance business decreased.

Year 2019 was marked by an increase in investment and other income by 11% as compared to the 16% decrease in 2018 over 2017. Investment income is composed of interests on investment securities, loans and notes, dividend income, gain on sale and fair value gains/losses. Interest earned on loans and notes, rental and other income are also included in this category. Total Impairment loss of P26Million was recognized in 2019 on investment securities and loans and notes, which is 73% lower than the 2018 provision at P100Million.

On a year to year basis, the Peso appreciated to P50.635 in 2019 as against the US Dollar. The exchange rate as of year-end 2018 was at P52.58=USD1.00. This resulted in realized and unrealized foreign exchange loss amounting to P83.11Million in 2019 versus P106.04Million gain in 2018.

Commissions and other direct expenses increased by 27% while general and administrative expenses increased by 9% from 2018 to 2019. Consolidated net income for the year ended 2019 amounted to P109.33Million as compared to the reinstated amount of P148.8Million in 2018 or a 27% decrease. Basic and diluted earnings per share, consequently, decreased to P0.17 per share in 2019 from P0.24 in 2018.

The consolidated balance sheet shows an increase of 6% in total assets from P7.9Billion in 2018 to P8.4Billion in 2019. Investment securities comprise 54% of the total assets in 2019, as the Registrant and its subsidiaries continue to maximize its earning potentials with its holdings in various peso and foreign currency denominated securities. Adding this portfolio to the cash and cash equivalents at P1.225billion, short term investments of P60Million and accrued income of P63Million shows that the Registrant remains liquid and able to meet its obligations. Total assets of the subsidiaries amount to: SIHC, P156,783,530; and BFAI, P7,546,109.

The consolidated stockholders' equity portion reflects a total of P3.2Billion in 2019, which is higher by 11% than the P2.86Billion in 2018.

The following are the explanations for the changes in material items (increase/decrease equivalent to 5%) from year 2018 to year 2019:

a. Increase in cash and cash equivalents by 27% and in short term investments by 19% were contributed by the operations (premiums) and investing activities (interest income);
b. Increase in insurance receivables by 289% represent increase in collectible premiums with due dates falling on or before the year end.
c. Decrease in accrued income by 7% was mainly due to the decrease in the salary loans portfolio of the Registrant.
d. Decrease in loans and notes by 13% was mainly due to the decrease in salary loans portfolio.
e. Decrease by 21% in the property and equipment at cost was due to depreciation.
f. Increase in Property and Equipment at revalues amounts by 68% represents the appraisal increase on various properties currently in use as office spaces.
g. Increase in Other noncurrent assets by 33% represents the installment payments made during the year for the acquisition of two condominium offices and the appraisal of property acquired through foreclosure under mortgage loans.
h. Increase in insurance contract liabilities by 12% is mainly attributed to the increase in legal policy reserves.
i. Increase in policyholders' dividends payable by 35% can be attributed to aging policies that are already earning dividends as provided in the insurance contracts.
j. Decrease in insurance payables by 18% was brought about by the decrease in ceded premiums, coupled with the payments made during the year.
k. Decrease in loans payable by 91% represent was due to the full payment of fixed term loans by the Registrant; only its subsidiary SIHC has outstanding loans payable as of year end.
l. Decrease in accounts payable and accrued expenses by 38% was due to the overdraft of cash balances with investment banks in 2018; there was no overdraft in 2019.
m. Increase in income tax liability by 25% represents the corporate income tax due for the year end.
n. Increase in other liabilities by 15% represents the increase life insurance deposits collected and outstanding as of the year end.
o. Increase in retirement liability by 18% is mainly due to set up of additional retirement expense based on the year end actuarial valuation.
p. Increase in deferred tax liability by 118% was the effect of the appraisal of real estate properties.
q. Overall decrease in net income by 27% was mainly due to the foreign exchange loss incurred during the year.

Item 7.Financial Statements

Please refer to EXHIBITS - FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES.

Item 8.Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no disagreements with Reyes, Tacandong and Co., the external auditors of the Registrant, on any matter. Mr. Darryll Reese Q. Salangad is the partner in charge for the first time in 2020.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9.Directors and Executive Officers of the Registrant

The directors of the Registrant are elected at the Annual Stockholders' Meeting to hold office until the next succeeding annual meeting or until their respective successors have been elected or qualified.

The following persons are the Directors and Executive Officers of the Registrant as of **December 31, 2020**:

DIRECTORS:

ROBERTO C. FERNANDEZ	-	*Chairman of the BOD*
JAIME C. FERNANDEZ	-	*Director*
ENRIQUE C. FERNANDEZ	-	*Director*
MALENA C. FERNANDEZ	-	*Director*
ROBERTO F. DE OCAMPO	-	*Independent Director*
JOHN E. HUANG	-	*Independent Director*
JAIME F.PANGANIBAN	-	*Independent Director*
CESAR O. VIRTUSIO	-	*Independent Director*
PAUL U. SAGAYO, JR.	-	*Director*

EXECUTIVE OFFICERS:

JAIME C. FERNANDEZ	-	*President and Chief Executive Officer*
MA. EDITHA S. PALTONGAN	-	*Treasurer and Senior Vice President - Comptroller*
MA. SIGRID R. PINLAC	-	*Corporate Secretary*
KAIMA VIA B. VELASQUEZ	-	*Compliance Officer*
ANNETTE MARIE M. MALIXI	-	*Senior Vice President-Chief Investment Officer*
JUANITO B. TAN	-	*Deputy Head, Company Operations*
TERESITA E. ULLEGUE	-	*Head, Policy Administration*
JOY S. VIANZON	-	*Vice President – Chief Accountant*
DANILO L.MERCADO	-	*Vice President for Metro Manila Sales Division*
DEVORAH Q. DELA CRUZ	-	*Assistant Vice President – Credit and Collection*
MARITESS M. LLAPITAN	-	*Assistant Vice President – Underwriting*
ELIZABETH T. FLORES	-	*Assistant Vice President –Health Care Services*
GLENN P. ABUZO	-	*Assistant Vice President –Management Information Systems*
JOHN JORGE S. ORBE	-	*Assistant Vice President –Facilities Department*

DIRECTORS:

ROBERTO C. FERNANDEZ, *age 60, Filipino*, has been a Director since 1995. He is the duly elected and incumbent Chairman of the Board of the Registrant. He is also a member of its Audit Committee, Board and Risk Oversight Committee, tCorporate Governance Committee, and Related Party Transaction Committee.

At present, Mr. R. Fernandez is likewise the Chairman and President of Manila Cordage Co., Chairman of FMF Development Corporation and Beneficial Advisors, Inc. He is the President of AMSEC Holdings Corporation (formerly, Amalgamated Securities Corporation) Manco Insurance Agents, Inc., Manco Synthetics Inc., Mancorealty, Inc., and Manco Farms, Inc.

Mr. R. Fernandez received both his Bachelor of Science degree, Major in Business Management, and Bachelor of Arts degree, Major in Interdisciplinary Studies, from the Ateneo de Manila University. He received his Masters degree in Management from JL Kellogg Graduate School of Management, Northwestern University, Evanston, Illinois, USA.

JAIME C. FERNANDEZ, *age 65, Filipino*, is the Registrant's President and Chief Executive Officer ("CEO") effective June 06, 2018. He is also currently the Chairman of AMSEC Holdings Corporation (formerly, Amalgamated Securities Corporation) and ETC Forest Lawn. He is the President of Merje Trading Inc., and FMF Development Corporation. He is a Director and Treasurer of the Investment Planning Corp. of the Phils. a director in Marilag Holdings, Inc. He is the Chairman of ETC Forest Lawn. He is also the President of Beneficial Financial Advisors, Inc., He also sits in the Board of Trustees of PLIA Inc.

Mr. J Fernandez graduated from the Ateneo de Manila University and has a Masters in Finance degree from Golden Gate University.

ENRIQUE C. FERNANDEZ, *age 67, Filipino*, is a Director since 1984. He is also a Director and President of Eramen Minerals, Inc.His other directorships include Merje Trading Inc., and AMSEC Holdings Corporation (formerly, Amalgamated Securities Corporation)

Mr. E. Fernandez received his Bachelor of Science degree, major in Business Management, from the Ateneo de Manila University, and his Masters of Business Management degree, major in Finance and Marketing, from JL Kellogg Graduate School of Management, Northwestern University, Evanston, Illinois, USA.

MARIA ELENA C. FERNANDEZ, *age 58, Filipino* is a director in the Registrant's Board. She is also currently a director in AMSEC Holdings Corporation (formerly, Amalgamated Securities Corporation), Merje Trading Inc., and FMF Development Corporation. She is presently a Private Consultant and Investor of Global Equity Portfolios and of Residential Single and Multi-Family Development.

She was a Senior Global Equity Analyst for Janus Capital, CO from 1995 to 2001 and was a Vice President – Senior Risk Manager for ING (U.S.) Capital Holding Inc., NY prior thereto. Ms. M.E. Fernandez has a Masters degree in Business Administration from Darden Graduate School of Business Administration-University of Virginia and a Bachelor of Arts Degree Major in Zoology and Minor in Economics from Smith College.

ROBERTO F. DE OCAMPO, *age 75, Filipino*, is an Independent Director, Chairman of the Audit Committee, and member of the Board and Risk Oversight Committee, Corporate Governance Committee, and Related Party Transaction Committee of the Registrant.

Mr. de Ocampo also currently serves as the Chairman of Philippine Veterans Bank, Philam Asset Management, Inc., Hatch Asia, Inc., Stradcom Corporation, Tollways Association of the Philippines, Money Tree Publishing Corporation, Centennial Asia Advisors Pte Ltd.; the Vice-Chairman of the Tranzen Group, Montalban Methane Power Corporation, Agus 3 Hydro Power Corporation, and La Costa Development Corporation; a Director of Investment and Capital Corporation of the Philippines Group of Companies, PHINMA Corporation, Alaska Milk Corporation, Bankard, Inc., EEI Corporation, House of Investments, Robinson's Land Corporation, and Salcon Power Corporation; and a Member of the Board of Advisers of ARGOSY Fund, Inc. AES Corporation (Philippines) and the CIMB Group. Moreover, Mr. de Ocampo holds several vital positions in both prestigious international organizations as well as civic organizations.

Mr. de Ocampo graduated from the Ateneo de Manila University, received his MBA degree from the University of Michigan, holds a post-graduate diploma from the London School of Economics, and has 4 doctorate degrees (Honoris Causa). He is the recipient of many international awards, including Finance Minister of the Year, Philippine Legion of Honor, Association of Development Financing in Asia and the Pacific ("ADFIAP") Man of the Year, Chevalier of the Legion of Honor of France, Ten Outstanding Young Men Award (TOYM), several Who's Who Awards, and the 2006 Asian Human Resource Development ("HRD") Award. In June 2012, Mr. De Ocampo was awarded by Queen Elizabeth II with a medal for his appointment as an honorary officer of the Most Excellent Order of the British Empire.

JAIME F. PANGANIBAN, *age 70, Filipino*, was nominated as an Independent Director on May 19, 2014. He is the Chairman of the Board and Risk Oversight Committee, and member of the Audit Committee, Corporate Governance Committee, and Related Party Transaction Committee of the Registrant

Mr. Panganiban is also the Chairman and Chief Executive Officer ("CEO") of Lakes Shore CCY Inc. and BGP Asia Pacific Ltd. Inc.; the Chairman and President of JFP Assets Corp.; a Co-Chairman at Compoint Networks, Inc.; and a Director of JP Latex Technology, Inc. In 2005, he served as the Advisor and Chief Financial Officer of Development Bank of the Philippines ("DBP") and undertook the take over and rehabilitation of Al-Amanah Islamic Investment Bank of the Philippines where he was eventually appointed Chairman and CEO in 2008. Mr. Panganiban is an accomplished senior bank executive with widely recognized expertise in treasury, capital markets, investment banking, trust, and wealth and risk management, built upon a foundation of exposures and postings in the Asia Pacific region.

Mr. Panganiban completed his Advanced Management Program ("AMP") at the Templeton College, University of Oxford, United Kingdom, and Financial Asset Management and Engineering at the FAME, University of Lausanne, Switzerland. He received his BSC degree, major in Accounting, from the Ateneo de Zamboanga and took his MBA units at the Ateneo de Manila University.

CESAR O. VIRTUSIO, *age 74, Filipino*, has been an Independent Director since 2006, presently the Chairman of the Corporate Governance Committee and Related Party Transaction Committee, and a member of the Audit Committee and Board and Risk Oversight Committee of the Registrant.

Mr. Virtusio was until recently the Managing Director of the Bankers Association of the Philippines ("BAP") where he served for 8 years and held Board and Executive positions in BAP related entities. He sits as a board member of a European-related automotive general distribution company, and Amalgamated Investment Corporation. He used to be the Chief Representative and an Adviser to Dresdner Bank and Dresdner Kleinwort. He has been with the Dresdner Bank Group in Germany, Hong Kong, Singapore, and the Philippines for over 20 years in various management positions in corporate and investment banking. He also had a stint with Citibank Manila where he participated in the Executive Development Program and was a Manager in the Bank's World Corporation Group.

Mr. Virtusio has a Masters degree in Business Administration with a major in International Business from the George Washington University, Washington DC.

JOHN E. HUANG, *age 63, Filipino is* an independent director and alternate member of the Board and Risk Oversight Committee and Related Party Transaction Committee of the Registrant. He is an experienced insurance and reinsurance professional. Before retiring in 2017, he was a Senior Vice President and the Head of Investments of National Reinsurance Corporation of the Philippines (NatRe) from 2014 and before that was the Senior Vice President, Chief Finance Officer, Treasurer and Head of Investments of NatRe. From 2004 to 2006, he was the Chief Finance Officer and Treasurer of Universal Malayan Reinsurance Corporation and the Chief Financial Officer and Director of C&P Homes, Inc. from 1995 to 1999. He was a First Vice President and Treasurer of the Boston Bank of the Philippines in 1989 and a Vice President for The First National Bank of Boston in Boston Mass when he left the same after 6 years in 1988.

Mr. Huang received his Masters Degree in Business Administration from the Graduate School of Business Administration – Harvard University in 1982. His Bachelor of Arts Degree, Economic Honors Program came from Ateneo De Manila University where he graduated magna cum laude.

ATTY. PAUL U. SAGAYO, JR, *age 54, Filipino***,** was elected to the BOD on June 06, 2018. He is also a member of the the Audit Committee, Board and Risk Oversight Committee, and Related Party Transaction Committee.of the Registrant**.**

Atty. Sagayo has 20 years of progressive law practice with extensive exposure in court litigation and arbitration. He is a Partner in Sagayo Evangelista &Rebuelta Law Offices. He also currently serves as a director in One Taipan Holdings, Inc., Calac High Power Corporation, Synergy Grid & Development Phils., Inc., ETC Realty Corporation, and Trinity University of Asia.

He graduated from Trinity College of Quezon City with a degree in Bachelor of Arts in Political Science. He received his Bachelor of Laws degree from San Beda College in 1992.

Section 437 of Republic Act No. 10607 otherwise known as the Amended lnsurance Code and Circular Letter No. 2014-49 have specified the term limits of Independent Directors for life insurance companies.

For the year 2020, the Corporation had a total of 4 independent directors.

Messrs. Jaime F. Panganiban, Roberto F. De Ocampo and Cesar O. Virtusio, and John E Huang are the independent directors as defined under Section 38 of the Securities Regulation Code. It is expected that Messrs. Jaime F. Panganiban, and John E. Huang will be re-nominated and re-elected as independent directors during the annual stockholders' meeting to be held in June 2021. They possess the qualifications and none of the disqualifications of an independent director. On the other hand, Messrs. Cesar O. Virtusio (serving as an independent director since his election last November 29, 2006) Roberto F. De Ocampo (serving as independent director since October 30, 2008) are expected to be nominated and elected as regular directors in the 2021 annual stockholders' meeting.

EXECUTIVE OFFICERS:

ROBERTO C. FERNANDEZ, Chairman (see credentials under "Directors")

JAIME C. FERNANDEZ, President and Chief Executive Officer (see credentials under "Directors")

ANNETTE MARIE M. MALIXI, *age 65, Filipino,* is the Chief Investment Officer. She is currently the Treasurer of Beneficial Financial Advisors, Inc. She is formerly the Vice President/Group Head in the Private Banking and Fixed Income Distribution Group of Unionbank of the Philippines from 2006 up to the second half of 2008. Her more than 20 years' experience in Treasury from International Exchange Bank, Asian Bank Corp., AB Capital and Investment Corp. and Private Development Corp. of the Phils. has honed her specialization in proprietary trading in domestic and foreign fixed income instruments, reserve and liquidity management, foreign exchange and swaps, derivatives, and risk management.

Ms. Malixi passed her Chartered Financial Analyst ("CFA") Level 1 exam in June 2008 and obtained her Bachelor of Science degree, major in Industrial Engineering, at the University of the Philippines.

MA. EDITHA S. PALTONGAN*, age 53, Filipino*, is the Senior Vice President and Comptroller. She worked with Sycip, Gorres, Velayo & Co. ("SGV & Co.") from 1987 to 1991 as Senior Auditor, after which, she joined the Registrant. Ms. Paltongan is also a board member of Beneficial Financial Advisors, Inc.

Ms. Paltongan graduated Magna Cum Laude with a Bachelor of Science in Business Administration ("BSBA") degree from University of the East and passed the CPA board examination in 1987.

JOY S. VIANZON*, age 51, Filipino,* is the Vice President / Chief Accountant. She re-joined the Registrant in August 2010 as Chief Accountant. She first joined the Registrantfrom 1995 to 2007. She was previously connected with IBM Business Services, Inc., Avida Corporation, HSBC, and SGV & Co. She is currently a Director of Beneficial Financial Advisors, Inc. She completed her BSC - Accounting degree at De La Salle University, and passed the CPA board examination in the same year.

ATTY. MA. SIGRID R. PINLAC*, age 42*, *Filipino*, is the Corporate Secretary and Compliance Officer. Prior to joining the Registrant in February 2018, Atty. Pinlac worked as senior legal counsel of TPPH-FHCS, Inc. (Teleperformance), and Head of Corporate Services and Compliance Unit of Malayan Insurance Group of Companies. She was an associate lawyer in the Law Firm of Aquino Regino Arceo Palma Raagas & Associates.

Atty. Pinlac is an alumna of the University of Santo Tomas where she finished her degree in Bachelor of Science Major in Biology. She received her Bachelor of Laws degree from the University of the East in 2003.

JUANITO B. TAN, *age 67, Filipino,* is the Deputy Head for Company Operations. Prior to joining the Registrant in 2012, held various key management positions in different insurance companies. He was AVP in Aetna Phil Ventures and CAP Life Insurance. He served as Director – Market Alliances in MetLife Philippines. He was likewise employed with United Coconut Planters Life, Sector Insurance Agency, and Insular Life.

Mr. Tan received his AB Economics degree from the University of the Philippines. He finished his post graduate degree on Management Processes & Practice in Asian Institute of Management.

TERESITA E. ULLEGUE, *age 67*, Filipino, is the Vice President and Head of Policy Administration and Services Department. She has been with the Registrant since 1989 and held various positions, initially from the rank of Supervisor in the Actuarial Department, then Manager of the same department, to AVP and then VP and Head of Policy Administration and Services Department.

Ms. Ullegue is an alumna of Lyceum of the Philippines with a degree in BS Marketing.

DANILO L. MERCADO, *age 60, Filipino,* is the Vice President for Metro Manila Sales Operations. He began his employment career with the Registrant in April 2013. Prior to his employment with the Registrant, Mr. Mercado was connected to First National Surety and Philippine Prudential Life.

Mr. Mercado received his degree in B.S.C Accountancy from Colegio de San Juan de Letran in 1982.

DEVORAH Q. DELA CRUZ*, age 59, Filipino*, is the Assistant Vice President for Credit and Collections. Ms. Dela Cruz joined the Registrant in June 1993. She is also currently the Accountant of Beneficial Financial Advisors, Inc.

Ms. Dela Cruz graduated with a BSBA – Accounting degree at the Pamantasanng Lungsod ng Maynila and she passed the CPA board examination in 1985.

MARITESS M. LLAPITAN, *age 52, Filipino,* is the Assistant Vice President for Underwriting. Prior to joining the Registrant in July 2016, Ms. Llapitan was the Compliance Officer and Head of New Business and Underwriting and Licensing Department of the Philippine Prudential Life Co., Inc.She also worked as the Senior Manager of the New Business and Underwriting Department of Sunlife–Grepa Life Insurance Co./Great Pacific Life Assurance Co., Operations Director at Manulife Financial Business Processing Services, Group Life Manager at The ManufactureLife Insurance Company Philippine Branch, Underwriting Manager of Philam Equitable Life Assurance Co., Manager of the Underwriting, New Business and Policy Department of John Hancock Life Assurance Co., and Senior Underwriter at First Guarantee Life Assurance Company, Inc.

Ms. Llapitan received her Bachelor of Science degree, major in Medical Technology, from San Juan De Dios College, Pasay City, graduating as a Bronze Medalist and with academic citation for Clinical Excellence.

ELIZABETH T. FLORES, *age 60, Filipino*, is the Assistant Vice President for Health Care Services. She held the position of Senior Vice President for Administration in Star Healthcare Systems, Inc. prior to joining the Registrant in October 2016. She likewise worked with First Guarantee Life Assurance Co., Inc. and Corregidor Life Insurance.

Ms. Flores graduated from the Polytechnic University of the Philippines with a BSC- Economics degree. She has a Masters degree in Business Administration from the same university.

JOHN JORGE S. ORBE, age 49, *Filipino*, is the Assistant Vice President for Facilities of the Registrant. He is a licensed Mechanical Engineer having passed the Professional Regulation Commission Licensure examination in 1994. His 26 year career as a Mechanical Engineer includes prior experience from EEI Corporation, LanDev Corporation and Quadriver Energy Corporation (Energy Company of Ayala Corporation).

Mr. Orbe received his degree of BS Mechanical Engineering from the Central Philippine University in Iloilo City.

GLENN P. ABUZO, age 50, Filipino, is the Assistant Vice President for Management Information System (MIS) of the Registrant. Before joining BenLife in 2016, he worked for several companies as an IT professional, the last of which was with IBM Solutions Delivery Inc. as an IT Specialist where he handled IBM Internal, Deutche Bank and Shell Petroleum Inc. accounts among others.

Mr. Abuzo graduated from the Central Colleges of the Philippines in 1991 with a Bachelor of Science Degree major in Computer Science in 1991.

ATTY. KAIMA VIA B. VELASQUEZ, age 37, Filipino, is the Compliance Officer of the Registrant. Prior to joining the Registrant in November 2018, she was the Legal and Compliance Officer of the Philippine Rural Development Project – Luzon B under the Department of Agriculture. She served as senior manager in Teleperformance and handled contracts management and audit. Likewise, she was a lawyer for Malayan Insurance Company, Inc. with her last post being the Assistant Head for Claims Department.

Atty. Velasquez has a Diploma in Industrial Relations from the University of the Philippines – School of Labor and Industrial Relations, and is currently finishing her Masters degree in Industrial Relations Major in Human Resource Development. She received her Bachelor of Laws degree from San Beda University, College of Law in 2008.

9.1 Significant Employees

All employees are expected to make reasonable contributions to the success of the business of the Registrant. There is no "significant employee" as defined in Part IV (A)(2) of SRC Rule 12 (i.e., a person who is not an executive officer of the Registrant but who is expected to make a significant contribution to the business).

9.2 Family Relationships

FMF is the parent company of the Registrant with 81.0732% ownership in the total outstanding capital stock. The Registrant's financial statements are being consolidated with those of the parent company.

Merje Trading Inc. is the second major stockholder of the Registrant with 11.4167% shareholding. Roberto C. Fernandez and Jaime C. Fernandez are officers and directors also of Merje Trading Inc. Director Enrique C. Fernandez is also a Director of Merje Trading Inc. and the President of Eramen Minerals, Inc., a corporate borrower of the Registrant from year 2011 to 2018. Director Roberto C. Fernandez is also the Chairman and President of Manila Cordage Co., another corporate borrower of the Registrant.

No other transaction was undertaken by the Registrant in which any Director or Executive Officer was involved or had a direct or indirect material interest aside from the loans granted as disclosed under Notes7 and 17 of the audited consolidated financial statements and Supplementary schedule B.

Chairman Roberto Fernandez, President & CEO Jaime Fernandez, Directors Enrique C. Fernandez and Maria Elena C. Fernandez are siblings.

9.3 Involvement in Certain Legal Proceedings

To the knowledge and/or information of the Registrant, none of its Directors or Executive Officers have been involved in any legal proceeding including, without limitation, being the subject of any: (a) bankruptcy petition; (b) conviction by final judgment in a criminal proceeding, or a pending criminal proceeding, domestic or foreign; (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement in any type of business, securities, commodities or banking activities, which is not subsequently reversed, suspended or vacated; or (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction, the SEC (or comparable foreign body), or a domestic or foreign exchange, which has not been reversed, suspended or vacated, for the past 5 years that is material to the evaluation of their ability or integrity to hold the relevant positions in the Registrant.

Item 10.Executive Compensation

10.1 Summary Compensation Table

Information as to the aggregate compensation paid or accrued during the last 2 fiscal years and to be paid in the ensuing fiscal year to the Registrant's President and CEO and 4 other most highly compensated Executive Officers and all other officers/directors are as follows:

Name/Position	FY	Salaries	Bonus	Others
Jaime C. Fernandez / President and CEO; Annette Marie M. Malixi/SVP and CIO; Ma. Editha S. Paltongan, SVP-Comptroller;DaniloL. Mercado Head, MM Sales;				
Total	*2021**	*18,150,000*	*5,000,000*	*5,000,000*
	2020	*14,629,270*	*3,163,200*	*3,720,250*
**estimate for 2021*	*2019*	*17,692,838*	*3,879,000*	*4,213,146*
All other officers and directors as a group unnamed	*2021**	*13,000,000*	*8,250,000*	*6,500,000*
	2020	*12,120,995*	*7,588,620*	*5,019,608*
	2019	*13,573,351*	*7,648,750*	*3,399,787*

10.2 Compensation of Directors

All members of the BOD are entitled to a maximum total share of 5% Directors' Bonus based on the Net Income after Tax of the preceding year. Each member receives a per diem of P40,000.00 per board meeting and P20,000.00 per committee meeting.

There are no other arrangements or contracts pursuant to which any Director of the Registrant was compensated or is to be compensated, directly or indirectly during the last fiscal year and the ensuing year.

10.3 Employment Contracts and Termination of Employment

All Executive Officers, except the Chief Investment Officer, VP for Policy Administration, and Deputy Head of Company Operations, who are on a retainer/consultancy fee basis, are under employment contracts and are entitled to a maximum total share of 3% Management Bonus based on Net Income after Tax of the preceding year. They are also entitled to receive retirement benefits as required by law. There is no other compensatory plan or arrangement, other than retirement, which any Executive Officer shall receive in case of resignation or termination.

There are no outstanding warrants or options held by any of the Executive Officers or Directors.

Item 11. Security Ownership of Certain Beneficial Owners and Management

11.1 Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2020, the Registrant knows of no one who beneficially owns in excess of 5% of its common stock except as set forth in the table below:

Title of Class	Name and Address of beneficial owner	Amount of ownership*	Percent of class
Common	FMF DEVELOPMENT CORP. 3F ALPAP Bldg., 140 Leviste St., Salcedo Village, Makati City	508,131,734	81.0732%

- do-	MERJE TRADING INC. 1381 Palm Avenue, Dasmarinas Village, Makati City	71,555,127	11.4167%

Both domestic companies are the registered owners on record per books of the Registrant's stock and transfer agent. Merje Trading Inc. is a closely-held corporation while FMF has **68,557** stockholders as of December 31, 2020.

Both FMF Development Corp. and Merje Trading, Inc, as corporations, are represented by Mr. Jaime C. Fernandez as President.

The officers and shareholders of Merje Trading, Inc. are the Fernandez family, which include Messrs. Enrique, Jaime, and Roberto Fernandez.

11.2 Security Ownership of Management as of December 31, 2020:

Title of Class	Name of Beneficial Owner	Amount and nature of beneficial ownership (all direct)	Percent of class
Common	Ma. Editha S. Paltongan	99,143	0.0158%
-do-	Teresita E. Ullegue	8,205	0.0013%
-do-	Deborah Q. dela Cruz	8,957	0.0014%
-do-	Fernandez, Jaime C.	3,294	0.0005%
	All officers and directors as group including qualifying shares	123,470	0.0197%

Voting trust holders of 10% or more	NONE
Change in Control	NONE

Item 12. Certain Relationships and Related Transactions

FMF is the parent company of the Registrant with 81% ownership of the total outstanding capital stock. The Registrant’s financial statements are consolidated with that of the parent on an annual basis. The Registrant’s wholly owned subsidiaries are Beneficial Financial Advisors, Inc. and Solana Investment Holdings Corp.

No other transaction was undertaken by the Registrant in which any Director or Executive Officer was involved or had a direct or indirect material interest aside from the loans granted as disclosed under Notes 7 and 17 of the audited consolidated financial statements and Supplementary Schedule B.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The IC, the primary regulator of the Registrant, requires the Registrant to adopt and comply with: (a) CLNo. 14-2013 dated July 1, 2013 (ASEAN Corporate Governance Scorecard); (b) CL No. 21-2009 dated August 12, 2009 (Corporate Governance Scorecard); (c) CL No. 9-2002 dated May 8, 2002 (Operating Manual against Money-Laundering for Insurance Commission Covered Institutions); (d) CL No. 11-2006 (Money Laundering Self-Rating Form); (e)CL No. 2018-48_Anti-Money Laundering and Combating the Financing of Terrorism Guidelines for Insurance Commission Regulated Entities and (f) CL No. 2015-02-A dated 13 January 2015 (Minimum Capitalization Requirement).

The evaluation by the Registrant to measure and determine the level of compliance of the BOD, the Executive Officers and top level management with its Manual on Corporate Governance (the "Manual") is vested by the BOD on the Compliance Officer. The Compliance Officer is mandated to monitor compliance by all concerned with the provisions and requirements of the Manual.

The Registrant aims to create and sustain value for its stakeholders. To achieve this, the BOD, senior management, and employees must understand that compliance with regulations and best practice standards is everybody's responsibility.

The Registrant commits to the highest standards of good corporate governance in realizing its vision and mission. The Registrant believes that sound corporate practice based on integrity, fairness, accountability, and transparency is essential in achieving growth and stability, as well as enhancing investors and stockholders' confidence.

The Registrant's Code of Ethics ensures that all employees adhere to the highest standards of honesty, transparency, and accountability. To further emphasize the Registrant's commitment to integrity, employees are encouraged to report, in good faith, to higher management any misconduct within their respective departments/units.

Consistent with the foregoing policies and the provisions of the Manual, the Registrant has been continuously implementing the following:

<u>Rights and Equitable Treatment of Stockholders</u>:

The BOD acknowledges and respects the fundamental rights of shareholders to obtain adequate and timely information and commits not to act in a way that will violate the same.

The BOD will strive to achieve growth based on its potential and core competencies to ensure that shareholders, over the long term, will benefit from the productive performance and good operating results of the Registrant.

<u>Policies on Employees Health and Safety</u>:

The Registrant maintains the provisions for the health, safety and welfare benefits of its employees under the HealthCare Program being managed by the Registrant's Health Care Department in coordination with the Human Resources Department. Under the foregoing, the Registrant's employees throughout the country can go to any of the Registrant's accredited medical clinics, laboratories and/or hospitals.

The Registrant is committed to promote the physical, social and mental well-being of its employees. It aims to provide and maintain a workplace free from all forms of discrimination and from all forms of physical, sexual or psychological abuse including harassment, bullying and intimidation. It is committed to maintain a positive, harmonious and professional work environment with due importance accorded to occupational health and safety of the employees and its clients transacting business at its various offices.

Policies and Activities on Customer Welfare:

The Registrant recognizes that its clients are the reason for its continued business, hence, the Registrant is committed to meet the needs of its clients by providing them with high quality customer service, as well as relevant products and services.

The Registrant is also committed to treat clients fairly by complying with the Policy Holder's Bill of Rights issued by the IC as well as implementing the following minimum service standards:

a. Communications are fair and not misleading;
b. Ensure that clients are given clear and accurate information on the services offered, including the risks involved, prior to the conclusion of any business transaction;
c. Products and services are suitable and beneficial, taking into account the needs of the clients, their financial and risk profiles and objectives; and
d. Complaints and concerns are handled and addressed promptly in a professional manner.

To ensure the effective implementation of the foregoing policies, the Registrant has a customer service desk to address the concerns and receive the complaints of clients.

Community Interaction Policy:

The Registrant considers its host community as its growth partner, and contributes to its social development agenda by paying appropriate taxes and complying with relevant laws, regulations, resolutions and ordinances.

Through its various branches nationwide, the Registrant also empowers the local communities where they operate by providing employment, livelihood opportunities, and basic services that will help improve their quality of life.

The Registrant's Community Principles:

This policy affirms the Registrant's commitment to the range of communities with whom it interacts, guided by the following principles: (a) compliance with all laws and regulations, (b) transparency, (c) sustainability, (d) respect for human rights, (e) diversity and (f) contribution to economic development.

The Registrant's Community Approach:

The Registrant's approach to its stakeholders is guided by the following:

a. Building positive community relations by being an active player in the society;
b. Identifying opportunities for partnership with the communities to create shared values;
c. Investing in community developments that will benefit the community and be sustainable in the long run;
d. Valuing the diversity of the stakeholders, respecting their culture and aspirations as we strive for local procurement and local employment; and
e. Anti-corruption programs.

The Registrant adopts and institutionalizes the highest ethical standards by strict implementation of the provisions of its Code of Conduct. The Registrant is committed in complying with and strictly enforcing anti-corruption laws in all its offices. Bribery of any form is strictly prohibited.

Employees are strictly prohibited from receiving gifts from clients, suppliers or third persons to ensure that they remain objective and partial in the performance of their respective duties and responsibilities.

Pursuant to its commitment to good governance and business practice, the Registrant continues to review and strengthen its policies and procedures, giving due consideration to developments in the area of good governance, which it determines to be in the best interest of Registrant and its stockholders. The Registrant actively participates in industry discussions on good governance issues and concerns through the PLIA.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-A

14.1 Exhibits

A. Statement of Management's Responsibility
B. Audited Financial Statements and Supplementary Schedules:
Supplementary Schedule of Financial Soundness Indicators
Schedule A: Financial Assets
Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Stockholders other than related parties
Schedule C: Amounts receivable from related parties which are eliminated during the consolidation of financial statements
Schedule D: Intangible assets – other assets (Not Applicable)
Schedule E: Long term debt (Not Applicable)
Schedule F: Indebtedness to related parties (Not Applicable)
Schedule G: Guarantees of securities of other issuers (Not Applicable)
Schedule H: Capital Stock

14.2 Reports on SEC Form 17-C filed during the last 6 months:

Item Reported		**Date filed**
1.	*Annual Stockholders' Meeting and Organizational Board Meeting*	*October 20,2020*
2.	*Resignation of Mr. Carl Anthony Sy Palanca*	*October 08, 2020*
3.	*Report on Payment of IC-imposed penalty (for the late filing of Annual Statement)*	*September 02, 2020*
4.	*Postponement of the 2020 Annual Stockholders Meeting (To be held on any day of June every year Per By-Laws)*	*June 11, 2020*

SIGNATURES

Pursuant to the requirements of Section 17 of the SRC and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on May 10, 2021.

BENEFICIAL LIFE INSURANCE COMPANY, INC.
By:

ROBERTO C. FERNANDEZ
Chairman of the Board

JAIME C. FERNANDEZ
President& CEO

ATTY. MA. SIGRID R. PINLAC
Corporate Secretary

MA. EDITHA S. PALTONGAN
Senior Vice President, Comptroller

JOY S. VIANZON
Chief Accountant

ATTY. KAIMA VIA B. VELASQUEZ
Compliance Officer

MAY 1 2 2021

SUBSCRIBED AND SWORN to before me this ____ day of May 2021, affiants, personally known to me, exhibiting to me their government issued IDs, as follows:

Name(s)	Government Issued ID	Date and Place of Issue
JAIME C. FERNANDEZ	Passport No. P4426338B	01/17/20/DFA Manila
ROBERTO C. FERNANDEZ	Passport No.P5590221A	01/11/18/DFA NCR South
MA. SIGRID R. PINLAC	Passport No. EC7772711	05/21/16/ DFA NCR West
KAIMA VIA B. VELASQUEZ	Passport No. P1013829B	03/12/19/DFA Manila
MA. EDITHA S. PALTONGAN	Passport No.P2544046B	07/15/19/ DFA NCR South
JOY S. VIANZON	Passport No. P3823508A	07/27/17/DFA NCR West

ATTY. JOSHUA P. LAPUZ
Notary Public Makati City
~~Until Dec. 31, 2021~~
NOTARY PUBLIC
Appointment No. M-66(2020-2021)
PTR No. 8531012 Jan. 4, 2021 / Makati
IBP Lifetime No. 04897 Roll No. 45790
MCLE Compliance No. VI-0016565
G/F Fedman Bldg., 199 Salcedo St.
Legaspi Village, Makati City

Doc. No. 173;
Page No. 36;
Book No. 129;
Series of 2021.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Beneficial Life Insurance Company Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended **December 31, 2020 and 2019**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

ROBERTO C. FERNANDEZ
Chairman of the Board

JAIME C. FERNANDEZ
President & Chief Executive Officer

MA. EDITHA S. PALTONGAN
Treasurer & SVP, Comptroller

Signed this 6th day of April 2021

SUBSCRIBED AND SWORN to before me this APR 30 2021, affiants exhibiting to me their Passport, as follows:

Name	Passport	Issued at	Issued & Expiry Date
Roberto C. Fernandez	P5590221A	NCR South	01/11/18 & 01/10/28
Jaime C. Fernandez	P4426338B	Manila	01/17/20 & 01/16/30
Ma. Editha S. Paltongan	P2544046B	NCR South	07/15/19 & 07/14/29

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Page no. 56
Book no. XI
Series of 2021

ATTY GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Extended Until June 30, 2021
Per B.M No 3795
IBP No. 05729-Lifetime Member
MCLE Compliance No VI-0024312
Appointment No M 183-(2019-2020)
PTR No. 8531011 Jan. 4, 2021
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio del Pilar, Makati City

Beneficial Life Insurance Company, Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2020, 2019 and 2018

With independent auditors' report provided by

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BDO Towers Valero (formerly Citibank Tower)
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

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, 2020 and 2019, 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, 2020, 2019 and 2018, 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, 2020 and 2019, and its consolidated financial performance and its cash flows for the years ended December 31, 2020, 2019 and 2018 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, 2020, 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, 2020 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.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782; Valid until August 15, 2021
IC Accreditation No. 107615-IC
Issued August 12, 2020
Valid for Financial Periods 2019 to 2023
SEC Accreditation No. 1788-A
Valid until October 14, 2022
BIR Accreditation No. 08-005144-016-2019
Valid until July 2, 2022
PTR No. 8534288
Issued January 5, 2021, Makati City

April 6, 2021
Makati City, Metro Manila

BENEFICIAL LIFE INSURANCE COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31	
		2020	2019
ASSETS			
Cash and cash equivalents	4	**₱972,303,861**	₱1,225,127,871
Short-term investments	4	**62,796,981**	60,500,000
Insurance receivables	5	**33,538,391**	89,693,714
Investment securities	6	**5,682,055,270**	4,578,348,114
Loans receivables	7	**1,390,963,245**	1,663,800,927
Accrued income	6	**72,813,698**	63,641,862
Property and equipment:	8		
At revalued amount		**647,715,036**	654,555,000
At cost		**24,239,772**	34,259,175
Deferred tax assets	23	**248,976**	248,089
Other assets		**89,146,809**	84,380,490
		₱8,975,822,039	₱8,454,555,242
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities	9	**₱4,912,423,179**	₱4,097,224,154
Policyholders' dividends payable	10	**142,208,734**	133,430,815
Premium deposit fund	11	**322,498,519**	307,169,452
Insurance payables	12	**94,278,156**	90,978,607
Loans payable	13	**23,286,209**	31,081,586
Accounts payable and accrued expenses	14	**161,204,052**	131,663,238
Retirement liability	22	**138,996,571**	133,313,696
Deferred tax liabilities	23	**90,917,944**	130,470,731
Income tax payable		**3,658,568**	9,810,535
Other liabilities	15	**216,280,214**	216,639,049
Total Liabilities		**6,105,752,146**	5,281,781,863
Equity			
Capital stock		**626,756,494**	626,756,494
Additional paid-in capital		**489,265,675**	489,265,675
Retained earnings:	16		
Unappropriated		**1,632,652,204**	1,480,482,230
Appropriated		**42,873,792**	80,623,116
Other comprehensive income		**78,521,728**	495,645,864
Total Equity		**2,870,069,893**	3,172,773,379
		₱8,975,822,039	₱8,454,555,242

See accompanying Notes to Consolidated Financial Statements.

BENEFICIAL LIFE INSURANCE COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2020**	2019	2018
REVENUES				
Gross premiums on insurance contracts	18	**₱1,658,761,570**	₱1,668,843,509	₱1,349,120,419
Reinsurer's share of gross premiums on insurance contracts	18	**(15,258,231)**	(16,953,935)	(27,519,621)
Net insurance premiums		**1,643,503,339**	1,651,889,574	1,321,600,798
Interest income	4	**327,209,477**	431,700,468	432,576,304
Dividend income	6	**28,052,375**	20,584,189	22,521,215
Net fair value gain on financial assets at fair value through profit or loss (FVPL)	6	**13,762,986**	41,548,414	–
Gain on sale of investment securities	6	**7,357,288**	18,618,469	12,537,487
Rental income	24	**3,469,090**	4,563,986	4,500,278
Other income		**16,965,580**	17,071,220	10,278,301
		2,040,320,135	2,185,976,320	1,804,014,383
BENEFITS, CLAIMS AND EXPENSES				
Net benefits and claims incurred on insurance contracts	19	**783,857,598**	822,912,977	807,739,675
Net change in legal policy reserves	19	**208,594,487**	297,728,566	114,759,843
Net insurance benefits and claims		**992,452,085**	1,120,641,543	922,499,518
General and administrative expenses	20	**488,407,306**	465,778,035	425,690,505
Commission and other direct expenses	21	**216,055,062**	274,292,132	215,716,142
Finance costs and charges	21	**35,477,979**	35,910,878	25,057,969
Insurance taxes		**31,268,931**	31,340,762	26,289,319
Net fair value loss on financial assets at FVPL	6	**–**	–	22,261,505
		1,763,661,363	1,927,963,350	1,637,514,958
INCOME BEFORE FOREIGN EXCHANGE CHANGES AND IMPAIRMENT LOSSES		**276,658,772**	258,012,970	166,499,425
NET FOREIGN EXCHANGE GAIN (LOSS)		**(111,880,062)**	(83,119,139)	106,401,016
PROVISION FOR (REVERSAL OF) IMPAIRMENT LOSSES				
Loans receivables	7	**38,998,407**	35,541,595	93,930,036
Investment securities	6	**10,985,211**	(9,045,552)	5,978,230
		49,983,618	26,496,043	99,908,266
INCOME BEFORE INCOME TAX		**114,795,092**	148,397,788	172,992,175
INCOME TAX EXPENSE (BENEFIT)	23			
Final		**24,507,310**	24,657,771	14,086,597
Current		**6,100,466**	14,926,388	10,772,738
Deferred		**(36,965,371)**	(521,827)	(682,091)
		(6,357,595)	39,062,332	24,177,244
NET INCOME		**₱121,152,687**	₱109,335,456	₱148,814,931

(Forward)

	Note	2020	2019	2018
		Years Ended December 31		
NET INCOME		**₱121,152,687**	₱109,335,456	₱148,814,931
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	**84,685,053**	269,667,728	(60,624,834)
Cumulative translation adjustment		**(6,130,889)**	(5,598,080)	5,616,736
		78,554,164	264,069,648	(55,008,098)
Items that will not be reclassified to profit or loss in subsequent periods:				
Remeasurement gain (loss) on legal policy reserves	9	**(481,778,294)**	(112,342,032)	224,296,576
Change in revaluation reserves on investment securities (equity securities classified as financial assets at FVOCI)	6	**(7,860,631)**	(57,437,705)	(72,753,892)
Remeasurement gain (loss) on retirement liability - net of deferred tax	22	**(3,393,708)**	(14,302,087)	8,844,543
Increase in revaluation surplus - net of deferred tax	8	**–**	184,222,750	–
		(493,032,633)	140,926	160,387,227
		(414,478,469)	264,210,574	105,379,129
TOTAL COMPREHENSIVE INCOME (LOSS)		**(₱293,325,782)**	₱373,546,030	₱254,194,060

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	**2020**	2019	2018
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		**80,623,116**	112,561,902	110,755,783
Additional (reversal of) appropriation for negative legal policy reserves		**(37,749,324)**	(31,938,786)	1,806,119
Balance at end of year		**42,873,792**	80,623,116	112,561,902
Unappropriated				
Balance at beginning of year, as previously reported		**1,480,482,230**	1,390,529,020	1,203,015,810
Adjustment arising from transition to PFRS 9	6	**–**	–	137,207,469
Balance at beginning of year, as adjusted		**1,480,482,230**	1,390,529,020	1,340,223,279
Net income		**121,152,687**	109,335,456	148,814,931
Reversal of (additional) appropriation for negative legal policy reserves	16	**37,749,324**	31,938,786	(1,806,119)
Transfer from revaluation reserves on investment securities	6	**(10,511,561)**	(28,536,680)	–
Transfer of revaluation surplus	8	**3,779,524**	6,673,203	3,577,968
Dividend declaration	16	**–**	(29,457,555)	(100,281,039)
Balance at end of year		**1,632,652,204**	1,480,482,230	1,390,529,020
		1,675,525,996	1,561,105,346	1,503,090,922
OTHER COMPREHENSIVE INCOME (LOSS)				
Revaluation reserves on investment securities				
Balance at beginning of year, as previously reported		**(124,555,731)**	(336,785,754)	24,701,383
Adjustments arising from transition to PFRS 9	6	**–**	–	(228,108,411)
Balance at beginning of year, as adjusted		**(124,555,731)**	(336,785,754)	(203,407,028)
Change in revaluation reserves	6	**76,824,422**	212,230,023	(133,378,726)
Balance at end of year		**(₱47,731,309)**	(₱124,555,731)	(₱336,785,754)

(Forward)

	Note	2020	2019	2018
		Years Ended December 31		
Revaluation surplus on property and equipment - net of deferred tax	8			
Balance at beginning of year		**₱333,344,244**	₱153,792,736	₱156,297,314
Appraisal increase		**–**	184,222,750	–
Transfer of revaluation surplus		**(2,645,667)**	(4,671,242)	(2,504,578)
Balance at end of year		**330,698,577**	333,344,244	153,792,736
Cumulative remeasurement gain (loss) on legal policy reserves	9			
Balance at beginning of year		**280,115,623**	392,457,655	168,161,079
Remeasurement gain (loss) on legal policy reserves		**(481,778,294)**	(112,342,032)	224,296,576
Balance at end of year		**(201,662,671)**	280,115,623	392,457,655
Cumulative remeasurement gain (loss) on retirement liability - net of deferred tax	22			
Balance at beginning of year		**(8,569,813)**	5,732,274	(3,112,269)
Remeasurement gain (loss) on retirement liability		**(3,393,708)**	(14,302,087)	8,844,543
Balance at end of year		**(11,963,521)**	(8,569,813)	5,732,274
Cumulative translation adjustment				
Balance at beginning of year		**15,311,541**	20,909,621	15,292,885
Translation adjustment		**(6,130,889)**	(5,598,080)	5,616,736
Balance at end of year		**9,180,652**	15,311,541	20,909,621
		78,521,728	495,645,864	236,106,532
		₱2,870,069,893	₱3,172,773,379	₱2,855,219,623

See accompanying Notes to Consolidated Financial Statements.

BENEFICIAL LIFE INSURANCE COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31		
		2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱114,795,092**	₱148,397,788	₱172,992,175
Adjustments for:				
Interest income	4	**(327,209,477)**	(431,700,468)	(432,576,304)
Unrealized foreign exchange loss (gain)		**99,621,598**	71,600,123	(72,759,670)
Provision for (reversal of) impairment losses on:				
Loans receivables	7	**38,998,407**	35,541,595	93,930,036
Investment securities	6	**10,985,211**	(9,045,552)	5,978,230
Dividend income	6	**(28,052,375)**	(20,584,189)	(22,521,215)
Finance costs	21	**27,406,267**	25,652,335	15,288,840
Retirement benefits cost	22	**23,078,622**	18,186,486	15,705,389
Depreciation	8	**22,684,704**	28,455,993	24,338,609
Net fair value loss (gain) on financial assets at FVPL	6	**(13,762,986)**	(41,548,414)	22,261,505
Gain on sale of investment securities		**(7,357,288)**	(18,618,469)	(12,537,487)
Operating loss before working capital changes		**(38,812,225)**	(193,662,772)	(189,899,892)
Decrease (increase) in:				
Loans receivables		**233,839,275**	202,568,875	96,315,606
Insurance receivables		**56,155,323**	(66,663,175)	(6,771,965)
Short-term investments		**(2,296,981)**	(9,765,010)	1,603,599
Increase (decrease) in:				
Insurance contract liabilities		**333,420,731**	319,217,359	249,955,970
Policyholders' dividends payable		**8,777,919**	34,400,436	(18,538,366)
Insurance payables		**3,299,549**	(19,737,362)	17,233,030
Premium deposit fund		**(10,432,815)**	4,569,876	(7,676,308)
Accounts payable and accrued expenses		**29,540,814**	(79,312,028)	168,748,581
Other liabilities		**(309,229)**	27,129,182	4,647,556
Net cash generated from operations		**613,182,361**	218,745,381	315,617,811
Contributions to plan assets	22	**(15,000,000)**	(15,000,000)	(15,000,000)
Income tax paid		**(12,252,435)**	(12,862,113)	(21,157,552)
Benefits paid by the Group	22	**(7,243,901)**	(3,203,568)	(1,246,689)
Interest paid		**(1,644,385)**	(13,185,165)	(6,053,149)
Net cash provided by operating activities		**₱577,041,640**	₱174,494,535	₱272,160,421

(Forward)

	Note	2020	2019	2018
		Years Ended December 31		
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Investment securities	6	**(₱3,817,451,516)**	(₱1,684,627,404)	(₱1,950,786,519)
Property and equipment	8	**(5,825,337)**	(20,009,183)	(23,217,861)
Other assets		**(4,766,319)**	(20,920,880)	(17,791,228)
Proceeds from sale/maturities of investment securities	6	**2,661,251,739**	1,706,679,648	824,724,999
Interest received		**315,545,608**	424,128,929	443,402,603
Dividends received		**27,559,748**	24,451,216	22,521,220
Net cash provided by (used in) investing activities		**(823,686,077)**	429,702,326	(701,146,786)
CASH FLOWS FROM FINANCING ACTIVITIES				
Loan payments	13	**(983,661,637)**	(4,202,823,099)	(1,951,743,832)
Loan availments	13	**977,531,670**	3,883,765,938	2,298,842,831
Cash dividends paid	13	**(49,606)**	(27,661,338)	(93,887,619)
Net cash provided by (used in) financing activities		**(6,179,573)**	(346,718,499)	253,211,380
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(252,824,010)**	257,478,362	(175,774,985)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,225,127,871**	967,649,509	1,143,424,494
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱972,303,861**	₱1,225,127,871	₱967,649,509

See accompanying Notes to Consolidated Financial Statements.

BENEFICIAL LIFE INSURANCE COMPANY, INC.

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. However, as prescribed by the Revised Corporation Code of the Philippines which became effective on February 23, 2019, the Group shall have perpetual existence. 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 wholly-owned subsidiaries (collectively referred to as the Group), as follows:

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

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

The consolidated financial statements as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 were approved and authorized for issuance by the Board of Directors (BOD) on April 6, 2021.

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 financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which are carried at fair values, certain components of property and equipment which are carried at revalued amounts, and retirement liability which is carried at the present value of the defined benefit obligation less fair value of plan assets. 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 measurement 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

<u>Adoption of Amended PFRS</u>

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended PFRS which the Group adopted effective January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include new concepts affecting measurement, presentation and disclosure and derecognition; improved definitions and guidance-in particular the definition of an asset and a liability; and clarifications in important areas, such as the roles of stewardship, prudence, measurement uncertainty and substance over form in financial reporting.

- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides an improved definition of a "business" which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, 'an integrated set of activities and assets' must include, at a minimum, 'an input and a substantive process that together significantly contribute to the ability to create an output'. The clarification is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

- 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.

Effective for annual periods beginning on or after June 1, 2020 -

- Amendments to PFRS 16, Leases – *Covid-19 Related Rent Concessions* – The amendments provide practical expedient to lessees from applying the requirements on lease modifications under PFRS 16 for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment. The amendments do not affect lessors. Earlier application of the amendments is permitted.

Under prevailing circumstances, the adoption of the foregoing 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 Issued But Not Yet Effective

Relevant new and amended PFRS, which are not yet effective as at December 31, 2020 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendment included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or IFRIC 21, *Levies,* instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain the same as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

  - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendments apply to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.

- o Amendments to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

Effective for annual periods beginning on or after January 1, 2023 -

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2025 -

- PFRS 17, *Insurance Contracts* – This standard will replace PFRS 4, *Insurance Contracts.* It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. An amendment to the standard was issued to (i) reduce costs of transition by simplifying some requirements of the standard, (ii) make financial performance easier to explain, and (iii) ease transition by deferring the effectivity of the standard from 2021 to 2023 and by providing additional relief to reduce the effort required when applying PFRS 17 for the first time.

  In response to the challenges brought by the Covid-19 pandemic, the Insurance Commission issued Circular Letter (CL) 2020-062, *Amendment of Section 1 of Circular Letter No. 2018-69, Deferral of IFRS 17 Implementation,* which provides a two year deferral on the implementation of the standard from the 2023 effectivity date. Therefore, all life and nonlife insurance companies in the Philippines shall adopt PFRS 17 for annual periods beginning on or after January 1, 2025.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Group, except for PFRS 17. 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 using general approach. Under this approach, 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, 2020 and 2019, 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.

<u>**Insurance Contracts**</u>

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 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 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. 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 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 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 method are reviewed periodically to ensure that the residual values, period and method of depreciation 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, 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 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.

Rental Income. Rental income is recognized in profit or loss when earned.

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

Benefits, Claims and Expenses Recognition

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 and Charges. Finance costs and charges 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.

Employee Benefits

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), 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 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, remeasurement gain or loss on legal policy reserves, remeasurement gain or loss on net retirement liability and revaluation surplus on property and equipment. 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.

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.

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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 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 Group'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 Group, 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 foregoing criteria have been applied to all financial instruments held by the Group 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.

Rental expense arising from leases of low value assets and short-term leases amounted to ₱8.7 million, ₱10.5 million and ₱10.2 million in 2020, 2019 and 2018, 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 ₱3.5 million, ₱4.6 million and ₱4.5 million in 2020, 2019 and 2018, respectively (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 ₱3,740.9 million and ₱3,050.5 million as at December 31, 2020 and 2019, 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 ₱251.5 million and ₱256.8 million as at December 31, 2020 and 2019, respectively (see Note 9).

Estimating the Allowance for ECL on Insurance Receivables, Loans Receivables and Accrued Investment Income. 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 Group 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.

No provision for impairment was recognized on insurance receivables and accrued investment income in 2020, 2019 and 2018.

The carrying amount of insurance receivables amounted to ₱33.5 million and ₱89.7 million as at December 31, 2020 and 2019, respectively (see Note 5).

The carrying amount of accrued investment income amounted to ₱72.8 million and ₱63.6 million as at December 31, 2020 and 2019, respectively (see Note 6).

Provision for doubtful accounts recognized on loans receivables amounted to ₱39.0 million, ₱35.5 million and ₱93.9 million in 2020, 2019 and 2018, respectively. The carrying amount of loans receivables amounted to ₱1,391.0 million and ₱1,663.8 million as at December 31, 2020 and 2019, respectively (see Note 7).

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 decrease its carrying amounts.

There were no changes in the estimated useful lives of the Group's property and equipment at cost in 2020, 2019 and 2018. The carrying amount of property and equipment at cost amounted to ₱24.2 million and ₱34.3 million as at December 31, 2020 and 2019, respectively (see Note 8).

There were no changes in the estimated useful lives of the Group's property and equipment at revalued amounts in 2020, 2019 and 2018. The carrying amount of property and equipment at revalued amounts amounted to ₱647.7 million and ₱654.6 million as at December 31, 2020 and 2019, 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.

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 ₱647.7 million and ₱654.6 million as at December 31, 2020 and 2019, 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 2020, 2019 and 2018. The carrying amounts of nonfinancial assets are as follows:

Asset Type	Note	**2020**	2019
Property and equipment:	8		
At cost		**₱24,239,772**	₱34,259,175
At revalued amounts		**647,715,036**	654,555,000
Other assets		**89,146,809**	84,380,490

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 ₱139.0 million and ₱133.3 million as at December 31, 2020 and 2019, 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 ₱129.2 million and ₱93.3 million as at December 31, 2020 and 2019, respectively (see Note 23).

4. Cash, Cash Equivalents and Short-term Investments

Cash and Cash Equivalents
This account consists of:

	2020	2019
Cash on hand	**₱53,000**	₱53,548
Cash in banks	**794,813,873**	703,891,417
Cash equivalents	**177,436,988**	521,182,906
	₱972,303,861	₱1,225,127,871

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 ₱62.8 million and ₱60.5 million as at December 31, 2020 and 2019, 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 annual interest rates of these investments range between 0.875% to 2.75% and 3.1% to 4.0% in 2020 and 2019, respectively.

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

	Note	**2020**	2019	2018
Loans receivables	7	**₱108,630,387**	₱205,197,740	₱269,791,524
Investment securities:	6			
Financial assets at amortized cost		**103,024,123**	88,411,448	45,980,416
Financial assets at FVOCI		**70,931,610**	82,292,112	77,709,919
Financial assets at FVPL		**31,930,376**	22,495,845	14,145,593
Cash and cash equivalents		**7,369,040**	12,158,508	8,678,269
Short-term investments		**5,323,941**	21,144,815	16,270,583
		₱327,209,477	₱431,700,468	₱432,576,304

5. Insurance Receivables

This account consists of:

	2020	2019
Premiums due and uncollected	**₱16,042,360**	₱30,814,430
Due from reinsurers	**17,496,031**	58,879,284
	₱33,538,391	₱89,693,714

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 ₱34.6 million, ₱15.0 million and ₱7.7 million in 2020, 2019 and 2018, respectively (see Note 19).

6. Investment Securities

Movements of this account are as follows:

	2020			
	Financial Assets			
	At FVPL	**At FVOCI**	**At Amortized Cost**	**Total**
Balance at beginning of year	**₱478,582,793**	**₱2,402,350,510**	**₱1,697,414,811**	**₱4,578,348,114**
Additions	**709,545,100**	**1,210,973,291**	**1,896,933,125**	**3,817,451,516**
Maturities and disposals	**(459,335,857)**	**(789,490,775)**	**(1,412,425,107)**	**(2,661,251,739)**
Fair value changes	**13,762,986**	**72,413,370**	**–**	**86,176,356**
Foreign exchange changes	**(26,384,249)**	**(96,456,967)**	**–**	**(122,841,216)**
Amortization	**(321,647)**	**(12,440,394)**	**44,940**	**(12,717,101)**
Provision for impairment loss	**–**	**–**	**(3,110,660)**	**(3,110,660)**
Balance at end of year	**₱715,849,126**	**₱2,787,349,035**	**₱2,178,857,109**	**₱5,682,055,270**

	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

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 instrument and recognition of additional impairment for expected credit losses.

Financial Assets at FVPL

This account consists of:

	2020	2019
Private debt securities - foreign	**₱715,849,126**	₱376,582,793
Equity securities	**–**	102,000,000
	₱715,849,126	₱478,582,793

Private debt securities earn annual interest of 2.12% to 9.00% and 1.00% to 8.50% in 2020 and 2019, respectively. Interest income earned on these financial assets amounted to ₱31.9 million, ₱22.5 million and ₱14.1 million in 2020, 2019 and 2018, respectively, net of amortization of premium or discount amounting to ₱0.3 million, ₱0.4 million and ₱646 in 2020, 2019 and 2018, respectively (see Note 4).

Equity securities pertain to preferred shares which are listed in the Philippine Stock Exchange Index (PSEi). Dividend income earned on these financial assets at FVPL amounted to ₱4.5 million, ₱10.7 million and ₱10.5 million in 2020, 2019 and 2018, respectively.

Financial Assets at FVOCI

This account consists of:

	2020	2019
Debt securities:		
Government debt securities - foreign	**₱1,155,056,170**	₱730,508,537
Private debt securities - foreign	**937,872,293**	1,049,837,876
	2,092,928,463	1,780,346,413
Equity securities - local and foreign	**694,420,572**	622,004,097
	₱2,787,349,035	₱2,402,350,510

Private and government debt securities earn annual interest of 2.64% to 8.38% in 2020 and 2019. Interest income earned on these financial assets amounted to ₱70.9 million, ₱82.3 million and ₱77.7 million in 2020, 2019 and 2018, respectively, net of amortization of premium or discount amounting to ₱11.9 million, ₱16.0 million and ₱24.3 million in 2020, 2019 and 2018, respectively (see Note 4).

Equity securities pertain to investments in shares listed in the PSEi and other foreign stock exchange markets. Dividend income earned on these financial assets at FVOCI amounted to ₱23.6 million, ₱9.9 million and ₱12.0 million in 2020, 2019 and 2018, respectively.

Movements of revaluation reserves on investment securities are as follows:

	December 31, 2020		
	Fair Value Change	**12-month ECL**	**Total**
Balance at beginning of year	**(₱133,983,134)**	**₱9,427,403**	**(₱124,555,731)**
Change in revaluation reserves:			
Fair value gain	**72,413,370**	**–**	**72,413,370**
Transfer to retained earnings	**10,511,561**	**–**	**10,511,561**
Foreign exchange changes	**(6,617,772)**	**–**	**(6,617,772)**
Transfers to profit or loss:			
Gain on sale	**(7,357,288)**	**–**	**(7,357,288)**
Impairment loss	**–**	**7,874,551**	**7,874,551**
	68,949,871	**7,874,551**	**76,824,422**
Balance at end of year	**(₱65,033,263)**	**₱17,301,954**	**(₱47,731,309)**

	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)
Reversal of 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:

	2020	2019
Balance at beginning of year	**(₱124,555,731)**	(₱336,785,754)
Items that will be reclassified to profit or loss	**84,685,053**	269,667,728
Items that will not be reclassified into profit or loss	**(7,860,631)**	(57,437,705)
Balance at end of year	**(₱47,731,309)**	(₱124,555,731)

Financial Assets at Amortized Cost
This account consists of:

	2020	2019
Government debt securities - local	**₱770,249,776**	₱709,855,529
Private debt securities - local	**1,413,688,967**	989,530,256
	2,183,938,743	1,699,385,785
Allowance for impairment loss (12-month ECL)	**5,081,634**	1,970,974
	₱2,178,857,109	₱1,697,414,811

Government and private debt securities earn annual interest of 2.50% to 5.13% and 5.13% to 8.51% in 2020 and 2019, respectively. Interest income earned on these financial assets amounted to ₱103.0 million, ₱88.4 million and ₱46.0 million in 2020, 2019 and 2018, respectively, net of amortization of premium or discount amounting to ₱44,940, ₱0.5 million and ₱4.9 million in 2020, 2019 and 2018, respectively (see Note 4).

Movements of allowance for impairment loss (12-month ECL) on financial assets at amortized cost in 2020 and 2019 are as follows:

	2020	2019
Balance at beginning of year	**₱1,970,974**	₱1,414,513
Provision for impairment loss	**3,110,660**	556,461
Balance at end of year	**₱5,081,634**	₱1,970,974

Impairment Losses
Impairment losses (reversal of impairment loss) on investment securities recognized in the consolidated statements of comprehensive income follow:

	2020	2019	2018
Financial assets at FVOCI	**₱7,874,551**	(₱9,602,013)	₱5,378,053
Financial assets at amortized cost	**3,110,660**	556,461	600,177
	₱10,985,211	(₱9,045,552)	₱5,978,230

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

	2020	2019	2018
Financial assets at FVOCI	**₱23,578,145**	₱9,869,978	₱12,045,036
Financial assets at FVPL	**4,474,230**	10,714,211	10,476,179
	₱28,052,375	₱20,584,189	₱22,521,215

Accrued Investment Income
Accrued income consists of:

	2020	2019
Interest	**₱71,938,098**	₱63,258,889
Dividends	**875,600**	382,973
	₱72,813,698	₱63,641,862

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

7. Loans Receivables

This account consists of:

	Note	2020	2019
Salary loans		**₱1,135,054,047**	₱1,325,256,427
Mortgage and collateral loans:			
Related party	17	**140,625,000**	150,000,000
Third parties		**5,837,168**	5,912,664
Policy loans		**99,393,059**	154,547,244
Due from related parties	17	**49,028,578**	59,028,578
Agents' balances		**33,390,036**	37,793,512
Notes receivables		**8,843,668**	8,280,955
Others		**31,147,527**	28,412,071
		1,503,319,083	1,769,231,451
Less allowance for impairment loss		**112,355,838**	105,430,524
		₱1,390,963,245	₱1,663,800,927

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

	2020		
	12-month ECL	**Lifetime ECL**	**Total**
Balance at beginning of year	**₱29,122,870**	**₱76,307,654**	**₱105,430,524**
Provision for impairment loss	**38,998,407**	**–**	**38,998,407**
Transfer from 12-month ECL to lifetime ECL	**(55,992,396)**	**55,992,396**	**–**
Write-off	**–**	**(32,073,093)**	**(32,073,093)**
Balance at end of year	**₱12,128,881**	**₱100,226,957**	**₱112,355,838**

	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

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. Salary loans also consist of interest-bearing loans granted to members and employees of Tarlac Public School Teachers Association and BPA Management Services, Inc. with interest rate of 12% per annum and term of one to five years.

Mortgage and collateral loans earn interest ranging from 5% to 9% per annum with a maximum maturity of ten (10) 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.

Agents' balances pertain to advances to agents that are liquidated or settled through regular deductions from commissions or outright payments. Interest rate is 18%per annum.

Notes receivables pertain to loans to employees that are paid through salary deduction. Interest rates range from 4% to 18% per annum.

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	**2020**	2019	2018
Salary loans		**₱79,605,010**	₱135,896,809	₱238,550,167
Policy loans		**14,615,875**	52,865,358	18,159,781
Mortgage and collateral loans		**9,729,178**	10,571,820	4,467,670
Due from related parties	17	**1,143,999**	1,344,658	1,290,121
Notes receivables		**801,385**	1,096,437	3,803,067
Agents' balances		**941,260**	1,077,273	1,047,824
Others		**1,793,680**	2,345,385	2,472,894
		₱108,630,387	₱205,197,740	₱269,791,524

8. Property and Equipment

Movements of property and equipment at cost are as follows:

	2020		
	Transportation Equipment	**Office Furniture and Equipment**	**Total**
Cost			
Balance at beginning of year	**₱64,082,118**	**₱89,534,007**	**₱153,616,125**
Additions	**2,128,885**	**3,696,452**	**5,825,337**
Balance at end of year	**66,211,003**	**93,230,459**	**159,441,462**
Accumulated Depreciation			
Balance at beginning of year	**48,306,476**	**71,050,474**	**119,356,950**
Depreciation	**7,061,310**	**8,783,430**	**15,844,740**
Balance at end of year	**55,367,786**	**79,833,904**	**135,201,690**
Carrying Amount	**₱10,843,217**	**₱13,396,555**	**₱24,239,772**

	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			
Balance at beginning of year	40,111,561	60,268,454	100,380,015
Depreciation	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

The Group has fully depreciated property and equipment with cost amounting to ₱110.5 million and ₱47.2 million as at December 31, 2020 and 2019, respectively.

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

	2020			
	Land	**Building**	**Office Condominium**	**Total**
Cost				
Balance at beginning and end of year	**₱535,237,999**	**₱258,892,091**	**₱125,403,453**	**₱919,533,543**
Accumulated Depreciation				
Balance at beginning of year	**–**	**193,507,826**	**71,470,717**	**264,978,543**
Depreciation	**–**	**237,182**	**6,602,782**	**6,839,964**
Balance at end of year	**–**	**193,745,008**	**78,073,499**	**271,818,507**
Carrying Amount	**₱535,237,999**	**₱65,147,083**	**₱47,329,954**	**₱647,715,036**

	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	–	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

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.

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 decreases 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:

	2020			
	Land	**Building**	**Office Condominium**	**Total**
Cost	**₱95,963,906**	**₱132,313,974**	**₱42,323,078**	**₱270,600,958**
Accumulated depreciation	**–**	**(70,242,727)**	**(25,069,736)**	**(95,312,463)**
Carrying amount	**₱95,963,906**	**₱62,071,247**	**₱17,253,342**	**₱175,288,495**

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

Transfer of revaluation surplus on property and equipment, net of deferred tax, amounted to ₱2.6 million, ₱4.7 million and ₱2.5 million in 2020, 2019 and 2018, respectively.

Depreciation expense on property and equipment charged to operations amounted to ₱22.7 million, ₱28.5 million and ₱24.3 million in 2020, 2019 and 2018, respectively (see Note 20).

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

	2020		
	Revaluation Surplus	**Deferred Tax** (see Note 23)	**Net**
Balance at beginning of year	**₱476,206,064**	**(₱142,861,820)**	**₱333,344,244**
Transfer to retained earnings	**(3,779,524)**	**1,133,857**	**(2,645,667)**
Balance at end of year	**₱472,426,540**	**(₱141,727,963)**	**₱330,698,577**

	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

9. **Insurance Contract Liabilities**

This account consists of:

	2020	2019
Legal policy reserves for:		
Ordinary life policies	**₱3,055,874,852**	₱2,500,153,915
Group life policies	**651,115,642**	507,234,847
Accident and health riders	**33,904,062**	43,133,013
	3,740,894,556	3,050,521,775
Policy and contract claims:		
Claims payable	**990,876,723**	914,394,354
Maturities and surrenders payable	**180,651,900**	132,308,025
	1,171,528,623	1,046,702,379
	₱4,912,423,179	₱4,097,224,154

Claims payable include provision for claims incurred but not yet reported amounting to ₱251.5 million and ₱256.8 million as at December 31, 2020 and 2019, respectively.

Movements in legal policy reserves are as follows:

	Note	2020	2019
Balance at beginning of year		**₱3,050,521,775**	₱2,640,451,177
Recognized in:			
Profit or loss	19	**208,594,487**	297,728,566
Other comprehensive income		**481,778,294**	112,342,032
Balance at end of year		**₱3,740,894,556**	₱3,050,521,775

Movements of revaluation of legal policy reserves are as follows:

	2020	2019
Balance at beginning of year	**₱280,115,623**	₱392,457,655
Remeasurement loss due to change in discount rates	**(481,778,294)**	(112,342,032)
Balance at end of year	**(₱201,662,671)**	₱280,115,623

In compliance with IC CL 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 ₱42.9 million and ₱80.6 million as at December 31, 2020 and 2019, respectively (see Note 16).

Movements in policy and contract claims are as follows:

	Note	2020	2019
Balance at beginning of year		**₱1,046,702,379**	₱1,025,213,586
Benefits and claims	19	**783,857,598**	822,912,977
Payments		**(659,031,354)**	(801,424,184)
Balance at end of year		**₱1,171,528,623**	₱1,046,702,379

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:

	2020	2019
Balance at beginning of year	**₱133,430,815**	₱99,030,379
Acquisitions	**16,347,765**	48,354,453
Payments	**(7,569,846)**	(13,954,017)
Balance at end of year	**₱142,208,734**	₱133,430,815

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 ₱322.5 million and ₱307.2 million as at December 31, 2020 and 2019, respectively. Interest expense amounted to ₱25.8 million, ₱12.5 million and ₱9.2 million in 2020, 2019 and 2018, 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	**2020**	2019
Balance at beginning of year		**₱90,978,607**	₱110,715,969
Premiums ceded	18	**15,258,231**	16,953,935
Payments		**(11,958,682)**	(36,691,297)
Balance at end of year		**₱94,278,156**	₱90,978,607

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 ₱1.6 million, ₱13.2 million and ₱6.1 million in 2020, 2019 and 2018, respectively (see Note 21).

The changes in liabilities arising from financing activities as at December 31, 2020 and 2019 follow:

	2020		
	Loans Payable	**Dividends Payable** (see Note 15)	**Total**
Balance at beginning of year	**₱31,081,586**	**₱73,862,298**	**₱104,943,884**
Changes from financing cash flows:			
Loan payments	**(983,661,637)**	**–**	**(983,661,637)**
Loan availments	**977,531,670**	**–**	**977,531,670**
Dividends paid	**–**	**(49,606)**	**(49,606)**
Noncash changes -			
Translation adjustment	**(1,665,410)**	**–**	**(1,665,410)**
Balance at end of year	**₱23,286,209**	**₱73,812,692**	**₱97,098,901**

		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

14. **Accounts Payable and Accrued Expenses**

This account consists of:

	2020	2019
Accounts payable	**₱94,899,435**	₱80,381,144
Accrued expenses	**44,415,588**	33,932,300
Statutory payable	**21,889,029**	17,349,794
	₱161,204,052	₱131,663,238

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	2020	2019
Life insurance deposits		**₱109,583,857**	₱107,903,124
Dividends payable	13	**73,812,692**	73,862,298
Agents' fund		**29,325,958**	31,304,516
Others		**3,557,707**	3,569,111
		₱216,280,214	₱216,639,049

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, 2020 and 2019 (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, 2020, 2019 and 2018, the Parent Company's unappropriated retained earnings amounting to ₱1,632.7 million, ₱1,480.5 million and ₱1,390.5 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 CL 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:

	2020	2019
Balance at beginning of year	**₱80,623,116**	₱112,561,902
Reversal of appropriation	**(37,749,324)**	(31,938,786)
Balance at end of year	**₱42,873,792**	₱80,623,116

Dividend Declaration

On June 10, 2020, the BOD approved the declaration of cash dividends to the stockholders of ₱0.033 per share or a total of ₱20.7 million, subject to, and payable upon approval of the Insurance Commission. The dividend declaration is pending for approval of the IC pursuant to IC CL No. 2020-66.

On March 21, 2019, the BOD approved the declaration of cash dividend to stockholders of ₱0.047 per share or a total of ₱29.5 million.

17. Related Party Transactions

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

		Transactions During the Year		Balance at End of Year			
	Note	**2020**	2019	**2020**	2019	Nature	Terms and Conditions
Due from related parties	7						
Entity under common control		**₱–**	₱–	**₱26,162,424**	₱36,162,424	Advances for working capital	2-5 years, 4%-7% interest, payable annually, unsecured, no impairment, payable in cash
		1,143,999	1,344,658	**–**	–	Interest income	Due and demandable
Key management personnel		**–**	450,000	**22,866,154**	22,866,154	Advances to officers	Non-interest bearing, unsecured, no impairment, payable in cash
				₱49,028,578	₱59,028,578		
Mortgage loan receivable	7						
Entity under common control		**₱–**	₱–	**₱140,625,000**	₱150,000,000	Mortgage loan	7% interest, payable in 6 years, no impairment, payable in cash
		9,682,962	10,556,629	**1,714,469**	–	Interest income	Due and demandable
				₱142,339,469	₱150,000,000		

Compensation of Key Management Personnel

The compensation of key management personnel are as follows:

	2020	2019	2018
Salaries and other employee benefits	**₱41,589,485**	₱44,849,948	₱41,653,311
Retirement expense	**4,834,830**	12,231,753	10,608,037
	₱46,424,315	₱57,081,701	₱52,261,348

18. Net Insurance Premiums

The gross premiums on insurance contracts consist of:

	2020	2019	2018
Direct:			
Group life insurance	**₱1,195,596,581**	₱1,158,794,760	₱930,996,070
Ordinary life insurance	**306,054,917**	350,240,278	314,014,996
Accident and health	**21,855,290**	30,680,922	33,842,879
	1,523,506,788	1,539,715,960	1,278,853,945
Assumed -			
Group life insurance	**135,254,782**	129,127,549	70,266,474
	₱1,658,761,570	₱1,668,843,509	₱1,349,120,419

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

	2020	2019	2018
Group life insurance	**₱14,745,003**	₱15,835,759	₱26,227,592
Ordinary life insurance	**410,758**	972,507	1,101,036
Accident and health	**102,470**	145,669	190,993
	₱15,258,231	₱16,953,935	₱27,519,621

19. Net Insurance Benefits and Claims

Net benefits and claims incurred on insurance contracts consist of:

	2020	2019	2018
Claims	**₱511,497,745**	₱561,296,822	₱609,080,740
Maturities and surrenders	**272,933,159**	255,967,260	181,021,715
Experience refunds	**34,074,689**	20,609,332	25,305,571
Gross benefits and claims	**818,505,593**	837,873,414	815,408,026
Reinsurers' share	**(34,647,995)**	(14,960,437)	(7,668,351)
	₱783,857,598	₱822,912,977	₱807,739,675

Net change in legal policy reserves consists of:

	2020		
	Gross change in legal policy reserves	**Reinsurers' share of change in legal policy reserves**	**Net** (see Note 9)
Ordinary life insurance	**₱47,424,384**	**₱–**	**₱47,424,384**
Group life insurance	**134,574,842**	**9,305,952**	**143,880,794**
Accident and health	**17,289,309**	**–**	**17,289,309**
	₱199,288,535	**₱9,305,952**	**₱208,594,487**

	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

20. General and Administrative Expenses

This account consists of:

	Note	**2020**	2019	2018
Service fees		**₱177,605,077**	₱139,501,837	₱103,721,680
Personnel costs		**140,397,225**	138,373,601	133,095,996
Agency expenses		**55,172,824**	67,149,819	70,848,234
Depreciation	8	**22,684,704**	28,455,993	24,338,609
Professional fees		**17,193,973**	14,412,475	10,624,113
Outside services		**12,302,424**	10,148,000	10,124,405
Advertising and promotions		**11,756,392**	9,566,905	10,563,734
Taxes and licenses		**9,994,174**	4,682,491	4,908,191
Utilities		**6,881,987**	7,370,214	8,314,353
Repairs and maintenance		**6,400,703**	7,759,323	7,875,911
Supplies		**6,090,610**	6,977,212	6,867,380
Conferences and meetings		**5,669,560**	7,108,259	8,076,505
Transportation and travel		**2,033,500**	5,002,512	6,508,388
Entertainment, amusement and recreation		**1,605,374**	2,651,106	2,289,293
Insurance		**1,390,318**	1,465,953	1,563,076
Association dues and fees		**1,259,830**	983,080	1,425,271
Trainings and seminars		**187,353**	358,232	366,933
Others		**9,781,278**	13,811,023	14,178,433
		₱488,407,306	₱465,778,035	₱425,690,505

Personnel costs consist of:

	Note	**2020**	2019	2018
Salaries and wages		**₱92,521,192**	₱96,435,384	₱90,220,045
Retirement benefits cost	22	**23,078,622**	18,186,486	15,705,389
Other employee benefits		**24,797,411**	23,751,731	27,170,562
		₱140,397,225	₱138,373,601	₱133,095,996

Other employee benefits pertain to the Group'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 ₱8.7 million, ₱10.5 million and ₱10.2 million in 2020, 2019 and 2018, respectively (see Note 24).

21. Commissions and Other Direct Expenses and Finance Costs and Charges

Commissions and Other Direct Expenses

This account consists of:

	2020	2019	2018
Commissions:			
Group	**₱129,250,977**	₱171,112,230	₱131,341,441
First year	**34,776,173**	52,128,531	48,708,553
Reinsurance	**20,385,690**	19,271,633	9,509,147
Renewal	**4,353,673**	6,024,030	4,112,148
Direct taxes	**27,288,549**	25,755,708	22,044,853
	₱216,055,062	₱274,292,132	₱215,716,142

Finance Costs and Charges

This account consists of:

	Note	**2020**	2019	2018
Interest expense on:				
Premium deposit fund	11	**₱25,761,882**	₱12,467,170	₱9,235,691
Loans payable	13	**1,644,385**	13,185,165	6,053,149
		27,406,267	25,652,335	15,288,840
Bank charges and other service fees		**8,071,712**	10,258,543	9,769,129
		₱35,477,979	₱35,910,878	₱25,057,969

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, 2020.

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

	2020	2019	2018
Current service cost	**₱20,449,706**	₱11,006,622	₱10,280,333
Net interest expense	**2,628,916**	7,179,864	5,425,056
	₱23,078,622	₱18,186,486	₱15,705,389

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

	2020	2019
Present value of defined benefit obligation	**₱235,893,475**	₱210,076,985
Fair value of plan assets	**(96,896,904)**	(76,763,289)
	₱138,996,571	₱133,313,696

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

	2020	2019
Balance at beginning of year	**₱133,313,696**	₱112,899,225
Current service cost	**20,449,706**	11,006,622
Actual contributions	**(15,000,000)**	(15,000,000)
Net remeasurement loss	**4,848,154**	20,431,553
Net interest expense	**2,628,916**	7,179,864
Benefits paid out of Group fund	**(7,243,901)**	(3,203,568)
Balance at end of year	**₱138,996,571**	₱133,313,696

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

	2020	2019
Balance at beginning of year	**₱210,076,985**	₱169,299,026
Current service cost	**20,449,706**	11,006,622
Interest cost	**5,169,953**	12,165,760
Remeasurement loss (gain) due to:		
Changes in financial assumptions	**18,615,795**	15,774,837
Experience adjustments	**(11,175,063)**	6,077,969
Changes in demographic assumptions	**–**	(1,043,661)
Benefits paid out of Company fund	**(7,243,901)**	(3,203,568)
Balance at end of year	**₱235,893,475**	₱210,076,985

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

	2020	2019
Balance at beginning of year	**₱76,763,289**	₱56,399,801
Actual contributions	**15,000,000**	15,000,000
Remeasurement gain	**2,592,578**	377,592
Interest income	**2,541,037**	4,985,896
Balance at end of year	**₱96,896,904**	₱76,763,289

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:

	2020	2019
Government securities	**66%**	71%
Corporate bonds, trust funds and mutual funds	**34%**	29%

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:

	2020		
	Cumulative Remeasurement Loss	**Deferred Tax** (see Note 23)	**Net**
Balance at beginning of year	**₱12,242,590**	**(₱3,672,777)**	**₱8,569,813**
Remeasurement loss	**4,848,154**	**(1,454,446)**	**3,393,708**
Balance at end of year	**₱17,090,744**	**(₱5,127,223)**	**₱11,963,521**

	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

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

	2020	2019
Discount rate	**3.59%**	4.85%
Salary increase rate	**6.00%**	5.00%

The sensitivity analysis of the retirement liability as at December 31, 2020 to changes in assumptions follows:

	Change in variable	Increase (decrease in defined benefit obligation
Discount rate	4.59%	₱219,537,681
	2.59%	254,508,535
Salary increase rate	7.00%	254,817,786
	5.00%	221,144,398

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	₱14,958,868
1 year to less than 5 years	42,268,262
5 years to less than 10 years	198,022,498
10 years to less than 15 years	69,939,265
15 years to less than 20 years	103,813,775
20 years and above	147,990,796

The average duration of the expected benefit payments at the end of the reporting period is 13.4 years.

23. **Income Tax**

The current income tax expense represents MCIT in 2020 and RCIT in 2019.

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

	2020	2019
Deferred tax assets:		
Allowance for impairment losses	**₱340,076**	₱339,189
Unearned rental income	**233,873**	233,873
	573,949	573,062
Deferred tax liability -		
Rent receivable	**324,973**	324,973
Net deferred tax assets	**₱248,976**	₱248,089

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

	2020	2019
Deferred tax assets:		
Unrealized foreign exchange loss	**₱51,366,516**	₱21,480,037
Net retirement liability	**41,698,971**	39,994,109
Provision for impairment of loans and notes	**33,366,675**	31,289,969
Excess MCIT over RCIT	**2,178,427**	–
	128,610,589	92,764,115
Deferred tax liabilities:		
Revaluation surplus	**141,727,963**	142,861,820
Accrued interest using effective interest rate	**74,902,125**	77,474,581
Others	**2,898,445**	2,898,445
	219,528,533	223,234,846
Net deferred tax liabilities	**₱90,917,944**	₱130,470,731

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

	Note	**2020**	2019
Revaluation surplus	8	**₱141,727,963**	₱142,861,820
Cumulative remeasurement loss on net retirement liability	22	**(5,127,223)**	(3,672,777)
		₱136,600,740	₱139,189,043

The presentation of net deferred tax assets (liabilities) is as follows:

	2020	2019
Through profit or loss	**₱45,931,772**	₱8,966,401
Through other comprehensive income	**(136,600,740)**	(139,189,043)
	(₱90,668,968)	(₱130,222,642)

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:

	2020	2019	2018
Income tax expense at statutory income tax rate	**₱32,880,688**	₱41,916,409	₱50,989,965
Tax effects of:			
Interest and dividend income subjected to lower tax rates	**(12,248,250)**	(12,272,181)	(7,297,277)
Nontaxable income	**(5,625,856)**	(19,440,075)	(27,926,903)
Nondeductible expenses	**4,654,647**	5,638,411	12,252,847
Income exempt from tax	**(4,538,787)**	(2,369,379)	(3,841,388)
Others	**(21,480,037)**	25,589,147	–
Effective income tax	**(₱6,357,595)**	₱39,062,332	₱24,177,244

Others pertain to unrealized foreign exchange loss in 2019 realized in 2020 on long-term bonds.

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") was approved and signed into law by the country's President. Under the CREATE, the regular corporate income tax (RCIT) of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the minimum corporate income tax (MCIT) was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

Since the signing into law of CREATE is considered as a non-adjusting subsequent event for financial reporting, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively.

The table below summarizes the financial impact of the change in income tax rate to the Group's financial statements had the CREATE been substantively enacted as at December 31, 2020:

	Audited Balances (Based on Old Income Tax Rate)	Balances Using Revised Income Tax Rate	Differences
Prepaid income tax	₱164,210	₱193,904	(₱29,694)
Net deferred tax assets	248,976	165,984	82,992
Net deferred tax liabilities	90,917,944	76,570,466	14,347,478
Income tax payable	3,658,568	2,177,992	1,480,576
Retained earnings	1,675,525,996	1,668,533,961	6,992,035
Other comprehensive income	78,521,728	101,288,519	(22,766,791)
Income tax expense - current	6,100,466	4,590,196	1,510,270
Income tax expense - deferred	(36,965,371)	(28,354,741)	(8,610,630)
Net income	121,152,687	114,052,327	7,100,360

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 ₱3.5 million, ₱4.6 million and ₱4.5 million in 2020, 2019 and 2018, respectively.

Advance rentals and deposits amounted to ₱2.0 million as at December 31, 2020 and 2019 (see Note 15).

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

	2020	2019
Within one year	**₱3,225,092**	₱4,961,648
After one year but not more than five years	**6,639,697**	8,429,517
More than five years	**363,142**	1,798,415
	₱10,227,931	₱15,189,580

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 three (3) years with annual escalation of 5% to 10%. Rent expense included under "General and administrative expenses" account in the consolidated statements of comprehensive income amounted to ₱8.7 million, ₱10.5 million and ₱10.2 million in 2020, 2019 and 2018, respectively (see Note 20).

Future minimum lease payments under non-cancellable operating leases as at December 31, 2020 and 2019 are as follows:

	2020	2019
Within one year	**₱8,570,538**	₱7,636,967
After one year but not more than five years	**2,373,374**	3,873,296
	₱10,943,912	₱11,510,263

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 2020 and 2019, 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 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, 2020 and 2019 are as follows:

	2020	2019
Cash and cash equivalents	**₱1,735,812**	₱730,419
Insurance receivables	**–**	4,368,603
Financial assets at FVPL	**581,214,954**	365,493,557
Financial assets at FVOCI	**663,468,348**	990,501,894
Loans receivables	**140,429,215**	147,839,819
Accrued income	**16,164,537**	11,778,756
Property and equipment	**445,239,357**	413,461,455
Investment in subsidiaries	**95,370,937**	95,370,937
Other assets	**35,792,450**	58,596,706
	₱1,979,415,610	₱2,088,142,146

As at December 31, 2020 and 2019, the Parent Company's net worth and its excess over the requirement are as follows:

	2020	2019
Total assets	**₱8,965,427,664**	₱8,440,716,131
Total liabilities	**6,078,310,984**	5,246,638,645
Equity	**2,887,116,680**	3,194,077,486
Less: Non-admitted assets	**1,979,415,610**	2,088,142,146
Net worth	**907,701,070**	1,105,935,340
Less: Net worth requirement	**900,000,000**	900,000,000
Excess over net worth requirement	**₱7,701,070**	₱205,935,340

As at December 31, 2020 and 2019, 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, 2020 and 2019 was determined by the Parent Company based on its internal calculations:

	2020	2019
Total available capital	**₱2,158,992,955**	₱1,778,373,720
RBC requirement	**1,308,741,320**	1,003,431,382
RBC ratio	**165%**	177%

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 being different 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:

	2020		2019	
	Number of Policies	**Amount of Coverage**	Number of Policies	Amount of Coverage
Whole life	**79,705**	**₱10,508,760,603**	78,702	₱10,415,410,347
Endowment	**7,831**	**900,245,931**	9,331	2,101,283,594
Term	**7,213**	**982,084,761**	5,980	785,422,536
Group life	**481**	**216,847,730,409**	243	158,441,382,959
	95,230	**₱229,238,821,704**	94,256	₱171,743,499,436

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

	2020	2019
Ordinary life	**₱3,055,874,852**	₱2,500,153,915
Group life	**651,115,642**	507,234,847
Accident and health	**33,904,062**	43,133,013
	₱3,740,894,556	₱3,050,521,775

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	
	2020	2019	**2020**	2019
Ordinary life	**1980 CSO, 1959 ADB, and 1952 Disability**	1941 CSO, 1958 CSO, 1980 CSO	**1.6% to 4.6%**	3.7% to 6.4%
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.

	2020		
Change in Assumptions	**Increase (Decrease) in Liabilities**	**Increase (Decrease) in Income Before Income Tax**	**Increase (Decrease) in Equity**
+10%	**(₱58,892,920)**	**₱58,892,920**	**₱54,774,236**
-10%	**118,756,439**	**(118,756,439)**	**(150,836,204)**

	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

<u>Financial Risk</u>
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, 2020 and 2019:

	2020		2019	
	Fair Value	**Carrying Amount**	Fair Value	Carrying Amount
Financial Assets				
Cash and cash equivalents	**₱972,250,861**	**₱972,250,861**	₱1,225,074,323	₱1,225,074,323
Short-term investments	**62,796,981**	**62,796,981**	60,500,000	60,500,000
Insurance receivables	**33,538,391**	**33,538,391**	89,693,714	89,693,714
Investment securities	**5,808,021,916**	**5,682,055,270**	4,667,232,849	4,578,348,114
Loans receivables	**1,528,438,740**	**1,390,963,245**	1,837,833,752	1,663,800,927
Accrued income	**72,813,698**	**72,813,698**	63,641,862	63,641,862
	₱8,477,860,587	**₱8,214,418,446**	₱7,943,976,500	₱7,681,058,940
Financial Liabilities				
Insurance contract liabilities	**₱4,912,423,179**	**₱4,912,423,179**	₱4,097,224,154	₱4,097,224,154
Policyholders' dividends payable	**142,208,734**	**142,208,734**	133,430,815	133,430,815
Premium deposit fund	**322,498,519**	**322,498,519**	307,169,452	307,169,452
Insurance payables	**94,278,156**	**94,278,156**	90,978,607	90,978,607
Loans payable	**23,286,209**	**23,286,209**	31,081,586	31,081,586
Accounts payable and accrued expenses*	**139,315,023**	**139,315,023**	114,313,444	114,313,444
Other liabilities	**216,280,214**	**216,280,214**	216,639,049	216,639,049
	₱5,850,290,034	**₱5,850,290,034**	₱4,990,837,107	₱4,990,837,107

**Excluding statutory payables amounting to ₱21.9 million and ₱17.3 million as at December 31, 2020 and 2019, 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 when a party to a financial instrument fails 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:

	2020	2019
Cash in banks and cash equivalents	**₱972,250,861**	₱1,225,074,323
Short-term investments	**62,796,981**	60,500,000
Insurance receivables	**33,538,391**	89,693,714
Investment securities	**5,682,055,270**	4,578,348,114
Loans receivables	**1,390,963,245**	1,663,800,927
Accrued income	**72,813,698**	63,641,862
	₱8,214,418,446	₱7,681,058,940

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 ₱519.1 million and ₱574.3 million in 2020 and 2019, 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, 2020 and 2019. 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, 2020			
	12-month ECL	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Total**
Cash in banks and cash equivalents	**₱972,250,861**	**₱–**	**₱–**	**₱972,250,861**
Short-term investments	**62,796,981**	**–**	**–**	**62,796,981**
Insurance receivables	**33,538,391**	**–**	**–**	**33,538,391**
Investment securities	**5,682,055,270**	**–**	**–**	**5,682,055,270**
Loans receivables	**1,403,092,126**	**–**	**100,226,957**	**1,503,319,083**
Accrued income	**72,813,698**	**–**	**–**	**72,813,698**
	₱8,226,547,327	**₱–**	**₱100,226,957**	**₱8,326,774,284**

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

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, 2020 and 2019:

	2020	2019
Insurance contract liabilities	**₱1,822,644,265**	₱1,553,937,226
Policyholders' dividends payable	**142,208,734**	133,430,815
Premium deposit fund	**322,498,519**	307,169,452
Insurance payables	**94,278,156**	90,978,607
Loans payable	**23,286,209**	31,081,586
Accounts payable and accrued expenses*	**139,315,023**	114,313,444
Other liabilities	**214,178,155**	216,639,049
	₱2,758,409,061	₱2,447,550,179

**Excluding statutory payables amounting to ₱21.9 million and ₱17.3 million as at December 31, 2020 and 2019, 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.

	2020								
	USD	**SGD**	**EUR**	**BRL**	**AUD**	**HKD**	**GBP**	**CHF**	**TOTAL (PHP)**
Assets									
Cash and cash equivalents	**$1,273,947**	**$–**	**€2,276**	**R$–**	**A$197,624**	**HKD22,520**	**£–**	**SFR–**	**₱68,644,689**
Loans and receivables	**9,197**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**441,678**
Investment securities	**53,886,995**	**149,081**	**215,516**	**–**	**1,809,944**	**2,955,645**	**111,170**	**–**	**2,697,245,494**
Accrued income	**721,650**	**–**	**–**	**–**	**13,629**	**–**	**–**	**–**	**35,151,847**
	55,891,789	**149,081**	**217,792**	**–**	**2,021,197**	**2,978,165**	**111,170**	**–**	**2,801,483,708**
Liabilities									
Accounts payable and accrued expenses	**24,828**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,049,704**
Insurance contract liabilities	**1,403,944**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**67,421,585**
Loans payable	**23,286,229**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**23,286,229**
Premium deposit fund	**1,725**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**82,857**
Other liabilities	**5,592**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**268,556**
	24,722,318	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**92,108,931**
	$31,169,471	**$149,081**	**€217,792**	**R$–**	**A$2,021,197**	**HKD2,978,165**	**£111,170**	**SFR–**	**₱2,709,374,777**

	2019								
	USD	SGD	EUR	BRL	AUD	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	–	1,955,786	4,014,807	175,714	–	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	£175,714	SFR–	₱2,672,737,272

For purposes of restating the outstanding balances of the Group's foreign currency-denominated financial assets and liabilities as at December 31, 2020 and 2019, the following exchange rates were applied:

	2020	2019
USD	**₱48.02**	₱50.64
SGD	**36.12**	37.49
EUR	**58.69**	56.35
AUD	**36.40**	35.26
HKD	**6.19**	6.52
GBP	**64.62**	65.99

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, 2020 and 2019:

	2020			2019		
	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	**-3.89%**	**(₱92,566,559)**	**(₱67,110,755)**	-3.88%	(₱75,426,516)	(₱65,380,160)
	3.89%	**92,566,559**	**67,110,755**	3.88%	75,426,516	65,380,160
SGD	**-4.11%**	**–**	**(923,716)**	-3.42%	–	(798,970)
	4.11%	**–**	**923,716**	3.42%	–	798,970
EUR	**-5.34%**	**–**	**(1,167,579)**	-4.95%	–	(1,040,670)
	5.34%	**–**	**1,167,579**	4.95%	–	1,040,670
AUD	**-5.69%**	**(1,306,898)**	**(3,410,624)**	-5.97%	(1,327,051)	(3,009,254)
	5.69%	**1,306,898**	**3,410,624**	5.97%	1,327,051	3,009,254
HKD	**-3.77%**	**–**	**(1,443,542)**	-4.03%	–	(1,627,060)
	3.77%	**–**	**1,443,542**	4.03%	–	1,627,060
GBP	**5.09%**	**–**	**(960,905)**	5.09%	–	(1,427,673)
	-5.09%	**–**	**960,905**	-5.09%	–	1,427,673

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.

	2020			
	Up to 1 year	**1-3 years**	**3-5 years**	**Over 5 years**
Financial assets at FVOCI	**₱486,108,607**	**₱217,195,515**	**₱261,672,131**	**₱1,127,952,234**
Financial assets at FVPL	**19,259,144**	**29,058,237**	**57,708,279**	**609,823,466**

	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

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, 2020 and 2019:

	2020		
	Change in Variable	**Impact on Income Before Tax**	**Impact on Equity**
USD	**5.2072%**	**₱26,889,473**	**₱21,404,647**
	-5.2072%	**(26,889,473)**	**(21,404,647)**
AUD	**5.1250%**	**–**	**2,348,565**
	-5.1250%	**–**	**(2,348,565)**
PHP	**2.1164%**	**–**	**2,193,205**
	-2.1164%	**–**	**(2,193,205)**

	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)

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 2020 and 2019, 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 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, 2020 and 2019:

	2020		
Market Indices	**Change in Stock Index**	**Impact on Income Before Tax**	**Impact on Equity**
Hang Seng Index (HSI)	**10.36%**	**₱–**	**₱377,691**
	(10.36%)	**–**	**(377,691)**
PSEi	**3.60%**	**–**	**489,855**
	(3.60%)	**–**	**(489,855)**
Financial Times Stock Exchange (FTSE)	**18.71%**	**–**	**306,921**
	(18.71%)	**–**	**(306,921)**
Standard and Poor's Index (SPX)	**4.04%**	**–**	**104,284**
	(4.04%)	**–**	**(104,284)**
FTSE Straits Times Index (FSSTI)	**10.64%**	**–**	**572,903**
	(10.64%)	**–**	**(572,903)**

	2019		
Market Indices	Change in Stock Index	Impact on Income Before Tax	Impact on Equity
Hang Seng 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)

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, 2020 and 2019 are as follows:

	2020	2019
Current assets:		
Cash and cash equivalents	**₱972,303,861**	₱1,225,127,871
Short-term investments	**62,796,981**	60,500,000
Insurance receivables	**33,538,391**	89,693,714
Investment securities	**1,030,859,989**	879,127,413
Loans receivables	**657,054,314**	530,354,879
Accrued income	**72,813,698**	63,641,862
Other current assets	**5,175,452**	8,052,486
	₱2,834,542,686	₱2,856,498,225
Current liabilities:		
Insurance contract liabilities	**₱1,822,644,265**	₱1,553,937,226
Policyholders' dividends payable	**142,208,734**	133,430,815
Premium deposit fund	**322,498,519**	307,169,452
Insurance payables	**94,278,156**	90,978,607
Loans payable	**23,286,209**	31,081,586
Accounts payable and accrued expenses	**161,204,052**	131,663,238
Income tax payable	**3,658,568**	9,810,535
Other liabilities	**214,178,155**	216,639,049
	₱2,783,956,658	₱2,474,710,508

28. Other Matter

The country is currently experiencing a pandemic virus crisis resulting in a slowdown in the Philippine economy because of mandated lockdowns all over the country. The continuing effect of the crisis on the Group's financial performance, however, cannot be reasonably determined as at report date. Nonetheless, the Group believes that it can remain as going concern given its access to short-term and long-term funding from banks and its stockholders.

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

BDO Towers Valero (formerly Citibank Tower)
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with the Philippine Standards on Auditing, the consolidated financial statements of the Beneficial Life Insurance Company, Inc. (the Parent Company) and Subsidiaries (collectively referred to as the Group) as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 and have issued our report thereon dated April 6, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary Schedules for the submission to the Securities and Exchange Commission are the responsibility of the Group's management. These supplementary schedules include the following:

- Reconciliation of the Retained Earnings Available for Dividend Declaration of the Parent Company
- Schedules required by Part II of Securities Regulation Code (SRC) Rule 68, as Amended

These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

DRGalangad

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782; Valid until August 15, 2021
IC Accreditation No. 107615-IC
Issued August 12, 2020
Valid for Financial Periods 2019 to 2023
SEC Accreditation No. 1788-A
Valid until October 14, 2022
BIR Accreditation No. 08-005144-016-2019
Valid until July 2, 2022
PTR No. 8534288
Issued January 5, 2021, Makati City

April 6, 2021
Makati City, Metro Manila