COVER SHEET

SEC Registration Number

0 0 0 0 0 0 1 6 6 8 0

Company Name

BENEFICIAL LIFE INSURANCE COMPANY, INC. AND SUBSIDIARY

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	CRMD	N/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, 2021

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 61 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, 2021, regular business accounts for 21% while group business accounts for 75% of the total gross premiums. Inward reinsurance makes up the remaining 4% of the total gross premiums.

Foreign Sales: NONE

Distribution Methods of Product/Service:

The Registrant has always used its agency force nationwide as the main traditional distribution channel. It also set up telemarketing operations in Cebu and Davao and ventured into mall operations in Davao. The Registrant continues to use telemarketing and mall operations channels to this day.

Status of Any Publicly Announced New Product or Service:

The Registrant last introduced a new product in 2016 - its microinsurance product called "Benlife Shield". 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. IC approvals were also secured in the improvements and updating features of the Registrant's existing plans.

Competition:

As of the year ended December 31, 2021, there are 31 life insurance companies operating in the Philippines. Based on the unaudited figures released by the IC for 2021 (source: www.insurance.gov.ph), the Registrant ranks as follows:

According to Premium Income: ***17th***
According to Networth: ***15th***

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." On October 21, 2021, the Board of Directors ("BOD") and stockholders of BFAI approved a resolution for the cessation of its business operations effective December 15, 2021 and shorten the company's term of existence until June 20, 2023.

SIHC is a wholly owned subsidiary of the Registrant. It is an investment company with holdings in foreign securities and bonds. On October 21, 2021, the Board and stockholders of SIHC approved its dissolution and authorized the transfer of its net assets amounting to P143.7Million to the Registrant.

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. 2022/34-R was issued by the IC to the Registrant on December 24, 2021, which took effect on January 1, 2022 and to expire on December 31, 2024.

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, 2021. 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 2021 interim quarterly reports. The IC-approved RBC ratio as of December 31, 2020 is equivalent to 169%.

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, 2021</u>:

Employees: *244*
Full time employees: *244*
No. of anticipated employees for the ensuing year: *258*

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 2021, the following seminars/trainings were taken by the Registrant's appropriate employees and officers:

IIAP – Corporate Governance Seminar
ICD- AMLA Compliance in the Age of the Digital World
AIRDC – Risk Management for Insurance Companies Extended Edition
Salient Provisions of the Revised Corporation Code

JGT Safety Training
First Aid Online Training
Expanded W/Tax
62nd Annual Convention – Actuarial Society of the Philippines, Inc.
Mandatory Continuing Legal Education
PSIM @ 61: VIP (Virus and Insurance Practice
PSIM @ 61: VIP (Virus and Insurance Practice
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 2021 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 2021 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 October 15, 2020.
The stockholders' approved the Minutes and adopted Resolution No. ASM-2021-01 to wit:

> *"Resolved, as it is hereby resolved, that the Minutes of the Annual Stockholders' Meeting of the Company held on October 15, 2020 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-2021-01 are as follows:

	For	Against	Abstain
No. of Voted Shares	588,182,765	0	0
% of Shares Voted	99.9858%	0	0

b. Approval of the 2020 Annual Report and Audited Financial Statements (AFS)
The stockholders' noted the 2020 Annual Report, approved the AFS, and adopted Resolution No. ASM-2021-02 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, 2020 be, as the same are hereby approved."

The final tabulation of votes for the approval and adoption of Resolution No. ASM-2021-02 are as follows:

	For	Against	Abstain
No. of Voted Shares	588,182,765	0	0
% of Shares Voted	99.9858%	0	0

c. Amendment of Article III Section 1 (Number Of Members) and Article VI of the Company's Amended By-Laws and Amended Articles of Incorporation, respectively, to Reduce the Number of Directors of the Company from Eleven (11) to Nine (9) Directors

In order to allow better Board management in terms of meetings schedules and attendance, a more streamlined and efficient discussion, and better quality participation and decision-making, while still maintaining an adequate number to represent the entire shareholders and meet the diversity and skill based expectations from the Board, it was proposed to reduce the Board seat from eleven to a nine-member Board. In this relation, the stockholders approved and adopted below proposed Resolution No. ASM-2021-03, as follows:

Resolution No. ASM-2020-03

*"**RESOLVED**, as it is hereby resolved, that the stockholders representing at least 2/3 of the outstanding capital stock, ratified the resolution passed and approved by at least a majority of the members of the Board of Directors in its meeting held on April 06, 2021 amending Article III Section 1 (Number of Members) and Article VI of the Company's Amended By-Laws and Amended Articles of Incorporation, respectively, to read as follows:*

Article III Section of the Amended By-Laws:

"Article III
Board of Directors

Section 1. Number of Members

The number of directors of the Corporation shall be <u>nine (9)</u> including the independent directors as may be required by law."

Sixth Article of the Amended Articles of Incorporation:

"SIXTH – That the number of directors of said corporation shall be <u>nine (9) who shall serve until their successors are elected and qualified as provided by the By-Laws; and the names, nationalities and residences of the first directors</u> of the corporation are as follows:

Name	*Citizenship*	*Residence*
Vidal A. Tan	*Filipino*	*2 Balete Drive, Quezon City*
Sixto K. Roxas	*Filipino*	*3 First St., Villamor Court, Tambo, Paranaque*
Jose B. Fernandez, Jr.	*Filipino*	*613 Lee St., Mandaluyong MM*
Herminio Ozaeta	*Filipino*	*141 G. Reyes, San Juan MM*
Wellington Koo, Jr.	*Filipino*	*3 Dama de Noche, Quezon City*
Carlos Palanca, Jr.	*Filipino*	*2674 Taft Avenue, Manila*
Aurelio Montinola, Jr.	*Filipino*	*11 Molave Road, Forbes Park, Makati, Metro Manila*

Jose Y. Campos	*Filipino*	*82 Mayflower St., Mandaluyong, Metro Manila*
Francisco V. Del Rosario	*Filipino*	*2240 Sta. Mesa Blvd., Manila"*

The final tabulation of votes for the approval and adoption of Resolution No. ASM-2021-03 are as follows:

	For	Against	Abstain
No. of Voted Shares	588,181,187	1,578	0
% of Shares Voted	93.8497%	0.0003%	0

d. Amendment of Relevant Provisions of the Amended By-Laws of the Company pursuant to and in Compliance with the Sec Directive (Dated 10 February 2021) to the Company

In compliance with the directive of the Securities and Exchange Commission (SEC) in its letter to the Company dated 10 February 2021, the Company's Amended By-Laws needs to be further amended to align relevant provisions of the same with the Revised Corporation Code and pertinent rules in Corporate Governance for public companies such as BenLife, and approve and adopt the following Resolution:

Resolution No. ASM-2021-04

*"**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 April 06, 2021 approving the further amendments to the following relevant provisions of the Amended By-Laws of the Company pursuant to and in compliance with the SEC Directive (dated 10 February 2021) to the Company, to wit:*

a. "Article I

Meeting of Stockholders

Section 1. Annual Meeting xxx

(B) Notice of Annual Meeting

At least <u>twenty-one (21) calendar</u> days prior to the day designated by Clause (A) of this Section for the holding of any annual meeting of stockholders, written notice of the time and place of such meeting shall be served by mail or by <u>electronic mail (email)</u>, telegram, radiogram, cablegram and/or publication upon each stockholder entitled to vote at such meeting or delivered to him personally. xxx"

Section 2. Delayed Annual Meeting

(A) Holding of Delayed Annual Meeting

If for any reason the annual meeting of the stockholders shall not be held on the day designated by Clause (A) of Section 1 of this Article, or on any subsequent day to which it shall have been duly adjourned, <u>the stockholders of record shall be notified of the new schedule of the regular meeting in accordance with Clause B of Section 1 of this Article</u>.

(B) Notice of Delayed Annual Meeting

In case of delayed or postponement of stockholders' annual meeting, written notice thereof and the reason therefor shall be sent to all stockholders of record at least two (2) weeks prior to the date of the meeting as originally scheduled. The stockholders of record shall be notified of the new schedule of the regular meeting in accordance with Clause B of Section 1 of this Article. xxx

Section (6) Voting xxx

(D) Fixing record date for the determination of stockholders entitled to vote

The Board of Directors may designate, but shall not be required to designate in advance, a date, at least twenty (20) days for regular meetings and seven (7) days for special meetings before the scheduled date of the meeting, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting, or entitled to receive payment of any such dividends, or any such allotment of rights, or to exercise the rights with respect to any such change, conversion, or exchange of capital stock, and if the date is so designated only stockholders of records on such date shall be entitled to such notice of, and to vote at, such meeting, or to receive payment of such dividends or allotment of rights, or to exercise such rights, as the case may be, and not withstanding any transfer of any stocks on the books of the Corporation after any such record date designated as aforesaid."

b. *"Article II*

Meeting of the Board of Directors

xxx

Section 2. Regular Meeting

Regular meetings of the Board of Directors shall be held at such places, either within or without the Philippines, and at such times as the Board may determine from time to time.

Section 3. Special Meeting

Special meetings of the Board of Directors may be held at any time and place whenever called by the Chairman of the Board of Directors, by the President, by a Vice President, by the Secretary, or by any three or more directors.

Section 4. Notices of Meetings

(A) Notices Required

Notice of the time, place, and purpose of such meeting shall be served by mail, or by telegram, telephone, radiogram or cablegram upon each member of the Board or delivered to him personally at least two (2) business days prior to the day set for holding any regular or special meeting of the Board.

(B) Waiver of Notice

Notice of time, place or purpose of any meeting of the Board of Directors may be waived by a director either expressly or impliedly.

Section 5. Quorum
A majority of the directors as stated in the articles of incorporation shall constitute a quorum to transact corporate business."

c. *"Article III*

Board of Directors

Section 5. Board Committees and Delegation of Powers
The Board shall have the following Committees: (i) Audit Committee, (ii) Corporate Governance Committee, and (iii) Board Risk Oversight Committee.

The Board of Directors may delegate from time to time to an officer or committee any duties that are authorized or required to be executed during the intervals between meetings of the Board; such officer or committee so delegated shall report to the Board when as required by the Board.

d. *"Article IV*

Officers

Section 1. Enumeration of Officers
The officers of the Corporation shall be a chairman of the Board of Directors, a Vice Chairman of the Board of Directors, a President, one or more Vice Presidents, a Treasurer, one or more Assistant Treasurers, a Secretary, one or more Assistant Secretaries, a Compliance Officer, and such other officers as from time to time shall be designated and elected by the Board of Directors. xxx

Section 4. Duties of Officers xxx

I. Compliance Officer

The Compliance Officer shall be in charge of the compliance function. xxx"

e. *"Article X*

Amendment of By-Laws

These By-Laws may be amended, changed, altered, added to, or repealed at any annual or special meeting of the stockholders duly called for the purpose by a majority of the board of directors and the owners of at least a majority of the outstanding capital stock. The stockholders owning two-thirds (2/3) of the outstanding capital stock may delegate to the Board of Directors the power to amend or repeal the By-Laws or adopt new By-Laws: Provided, That any power delegated to the Board of Directors to amend or repeal the By-Laws or adopt new By-Laws shall be considered as revoked whenever stockholders owning or representing a majority of the outstanding capital stock shall so vote at a regular or special meeting."

The final tabulation of votes for the approval and adoption of Resolution No. ASM-2021-04 are as follows:

	For	Against	Abstain
No. of Voted Shares	588,181,187	1,578	0
% of Shares Voted	93.8497%	0.0003%	0

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 October 15, 2020 until June 24, 2021. 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-2021-05

"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	588,182,765	0	0
% of Shares Voted	99.9858%	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 2021-2022 and until their successors are elected and qualified:

Directors	**FOR**		**AGAINST**	**ABSTAIN**
	No. of shares	**% share**		
Roberto C. Fernandez	**588,182,765**	99.9858%	0%	0%
Jaime C. Fernandez	**588,182,765**	99.9858%	0%	0%
Maria Elena C. Fernandez	**588,182,765**	99.9858%		
*Roberto F. De Ocampo	**588,182,765**	99.9858%	0%	0%
*Jaime F. Panganiban	**588,182,765**	99.9858%	0%	0%
*Cesar O. Virtusio	**588,182,765**	99.9858%	0%	0%
*John E. Huang	**588,182,765**	99.9858%	0%	0%

Paul P. Sagayo Jr.	**588,182,765**	99.9858%	0%	0%
**Santiago Gabriel Fernandez	**588,182,765**	99.9858%	0%	0%

*Messrs. De Ocampo, Virtusio, Panganiban, and Huang have been nominated as Independent Directors.
** Registrant received on June 28, 2021 the letter of resignation of Mr. Santiago Gabriel Fernandez from the Board effective immediately.

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-2021-07

"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 2021"

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	588,182,765	0	0
% of Shares Voted	99.9858%	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:

	2020	**2021**	**2022**
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, 2021: ***6,808***

Top 20 shareholders as of December 31, 2021:

	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. In view thereof, the cash dividends declared by the Board on June 10, 2020 is still subject to, and awaiting approval from, 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

<u>Plan of Operations for 2022</u>:

The Registrant exceeded its own expectations in 2021 and hopes to replicate its performance in 2022. The main focus will be generating new sales from its regular business which was impacted the most during the pandemic. With the easing of the alert levels by the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF), the Registrant is expecting that its agency force can return to its full time selling of individual policies. Most of the target markets still prefer a face-to-face engagement for a full understanding of the products. The Registrant will exercise due care and caution and at all times compliant with the IATF regulations. The Registrant will continue its technology enhancements that will still allow non face-to-face selling, mobile applications and servicing and various online and other payment options. The Registrant expects to retain the existing agencies and regional offices, as well as mall operations up to the end of the year.

The Registrant will continue to rely heavily on business relationships with institutions built over the years in order to generate the much needed premiums. 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 push its sales of the microinsurance products and spot cash, and plans with short term endowments for the year 2022. The Registrant has no plans to offer variable products in the market. The Registrant does not foresee undergoing a bancassurance program in 2022.

The Registrant continues to adhere to the regulations on its Salary Loan Program to the Department of Education (“DepEd”).

The Registrant is expecting to increase its investment and other income over the previous year given that the interest rates have improved. The Registrant can further maximize its returns by using its available 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 2022.

<u>Management’s Discussion and Analysis – 2021 vs. 2020</u>:

The Registrant and its subsidiaries posted an increase in gross premiums by 6.18% from P1.66Billion in 2020 to P1.76Billion in 2021. Net premiums also increased by 4.73% 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:

	2021	2020
Ordinary (individual)	350,710,709	325,111,456
Group	1,327,926,294	1,195,596,581
Microinsurance	3,704,000	2,798,750
Inward reinsurance	78,871,816	135,254,783
	1,761,212,819	1,658,761,570
Less: Premiums ceded	39,897,729	15,258,231
Premiums, net of reinsurance	1,721,315,090	1,643,503,339

Premiums from the ordinary, group and microinsurance businesses increased in 2021 as compared to 2020 while premiums from reinsurance 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 increased significantly by 22% from 2020 to 2021 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 received its maturity value. Death claims still comprise the significant portion of benefits and claims expensed at 80% in 2021 versus 58% in 2020, which is reflective of the effects of the pandemic. 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 decrease in legal policy reserves from 2020 to 2021 amounted to P308,836,955 which includes the effects of the change in inforce policies and in the discount rates used for the GPV valuation.

Year 2021 was marked by a continued decrease in investment and other income by 5% as compared to the 26% decrease in 2020 over 2019. 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 P14.87Million was recognized in 2021 on investment securities and loans and notes, which is 70% lower than the 2020 impairment loss at P49.9Million.

On a year to year basis, the Peso depreciated to P50.999 in 2021 as against the US Dollar. The exchange rate as of year-end 2020 was at P48.023=USD1.00. This resulted in realized and unrealized foreign exchange gain amounting to P156.79Million in 2021 versus P111.88Million loss in 2020.

Commissions and other direct expenses decreased by 16% while general and administrative expenses increased by 3.85% from 2020 to 2021. Consolidated net income for the year ended 2021 amounted to P240.58Million as compared to the P121.15Million in 2020 or a 98% increase. Basic and diluted earnings per share, consequently, increased from P0.19 per share in 2020 to P0.38 in 2021.

The consolidated statement of financial position shows an increase of 5.59% in total assets to P9.48Billion in 2021 from P8.98Billion in 2020. Investment securities comprise 64% of the total assets in 2021, as the Registrant continues 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 P1.309Billion, short term investments of P11Million and accrued income of P64Million shows that the Registrant remains liquid and able to meet its obligations. Total assets of the subsidiary BFAI amount to P2,106,168.

The consolidated stockholders' equity portion reflects a total of P3.43Billion in 2021, which is higher by 19% than the P2.87Billion in 2020.

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 2020 to year 2021:

a. Increase in cash and cash equivalents by 35% was generated from operations;
b. Decrease in short term investments by 81% due to the shift to cash equivalents with maturities of less than 90days.
c. Increase in insurance receivables by 7% represent increase in collectible premiums with due dates falling on or before the year end.
d. Increase in investment securities by 6% was mainly due to the mark-to-market gain on foreign exchange.
e. Decrease in loans receivables by 9% was mainly due to the repayments of mortgage loan, decrease in salary loans portfolio and the set up of allowance for impairment loss.
f. Decrease in accrued income by 12% was mainly due to the decrease on interest collectible from salary loans.
g. Decrease by 7% in the property and equipment at cost was due to depreciation and absence of material acquisitions during the year.
h. Increase in Other assets by 7% represents the installment payments made during the year for the acquisition of two condominium offices.
i. Decrease in policyholders' dividends payable by 8% can be attributed to payments of previously accrued dividends.
j. Decrease in insurance payables by 9% represents payments made to reinsurers.
k. Decrease in loans payable by 79% was due to the payments of fixed term loans and less availments during the year.
l. Net retirement liability increased by 9% mainly because of increase in net remeasurement loss and lesser benefits paid out of the Group Fund.
m. Taxable investment income and foreign exchange loss from 2020, mainly contributed to the decrease in income tax payable by 85%.
n. Overall increase in net income by 98% was mainly due to the foreign exchange gain earned in 2021, coming from a loss incurred during the prior year.

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 2019 to P1.66Billion in 2020. Net premiums also decreased by almost the same percentage between the two comparative years.

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

	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.

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.

The following are the explanations for the changes in material items (increase/decrease equivalent to 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 receivables 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 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 can be attributed to the decrease in benefits, claims and expenses, despite the material 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 year 2021.

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, 2021**:

DIRECTORS:

ROBERTO C. FERNANDEZ	-	*Chairman of the BOD*
JAIME C. FERNANDEZ	-	*Director*
MARIA ELENA 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 P. 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 and HRLRAD Head*
KAIMA VIA B. VELASQUEZ	-	*Compliance Officer*
REX STEWART CHEUNG	-	*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 61, 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 66, 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.

MARIA ELENA C. FERNANDEZ*, age 59, 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 76, 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 71, 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 75, 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 64, 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 55, 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. The Registrant's Corporate Governance Manual requires at least 20% of the Board Membership to be independent directors or two (2) independent directors, the Registrant being a nine (9)-member Board.

For the year 2021, the Corporation had a total of 4 independent directors.

Messrs. Jaime F. Panganiban, Roberto F. De Ocampo, 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), were still nominated as independent directors notwithstanding the nine year limit term in view of their proven independence and integrity. Such, however is still subject to the approval of the majority of the stockholders pursuant to and in accordance with the relevant provisions of the Revised Corporation Code and SEC Rules.

EXECUTIVE OFFICERS:

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

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

MA. EDITHA S. PALTONGAN*, age 55, 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.

REX STEWART Y. CHEUNG, *age 45, Filipino,* is the new Chief Investment Officer and was appointed as such on August 24, 2021. Prior to his appointment as Chief Investment Officer, he was an Investment Counsellor-Director in Bank of Singapore since 2008. He was in charged of the Portfolio Investment Management of the Meralco Foundation Incorporated from November 2003 to December 2007. He served as Senior Financial Analyst in Clemente Capital Consultant Inc. from December 1999 and 2003.

Ms. Cheung successfully passed Series 3 exam (National Commodity Futures Examinations) administered by NASD in 2005. He passed his Chartered Financial Analyst (CFA) Level I examinations in June 2002. He also successfully passed the Philippine Fixed Income Certification for Treasury Operations administered by the SEC in October 2008, and is a licensed (SEC-PSE) stock broker.

He graduated from De La Salle University in 1998 with a degree of Bachelor of Arts Major in Economics and Bachelor of Science in Commerce Major in Management of Financial Institution.

JOY S. VIANZON*, age 53, 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 44*, *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 68, 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 68*, 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 62, 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 61, 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 54, 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 62, 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 50, *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 51, 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 38, 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 Master's 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; Rex Stewart Y. Cheung, VP-Chief Investment Officer; Ma. Editha S. Paltongan, SVP-Comptroller				
Total	*2022**	*18,500,000*	*7,500,000*	*6,000,000*
	2021	*16,597,619*	*5,895,462*	*4,945,770*
**estimate for 2022*	*2020*	*14,629,270*	*3,163,200*	*3,720,250*
All other officers and directors as a group unnamed	*2022**	*18,000,000*	*12,000,000*	*6,500,000*
	2021	*15,281,967*	*9,880,104*	*5,586,567*
	2020	*12,120,995*	*7,588,620*	*5,019,608*

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 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, 2021.

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.	34,116	0.0054%
	All officers and directors as group including qualifying shares	166,923	0.0266%

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) CL No. 2020-71 (Revised Code of Corporate Governance for Insurance Commission Regulated Companies) and 2020-72 (Submission of the Annual Corporate Governance Report); (b) CL No. 9-2002 dated May 8, 2002 (Operating Manual against Money-Laundering for Insurance Commission Covered Institutions); (c) CL No. 11-2006 (Money Laundering Self-Rating Form); (d)CL No. 2018-48_Anti-Money Laundering and Combating the Financing of Terrorism Guidelines for Insurance Commission Regulated Entities and (e) CL No. 2015-02-A dated 13 January 2015 (Minimum Capitalization Requirement).

Registrant is likewise required to comply with SEC Memorandum Circular No. 13 Series of 2021 which pertains to the submission to the SEC of the Annual Corporate Governance Report. This is separate and distinct from the requirement of the Insurance Commission.

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 Principal 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**
Appointment of Rex Stewart Y. Cheung as Chief Investment Officer	*August 27, 2021*

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 13 2022

SUBSCRIBED AND SWORN to before me this ____ day of May 2022, 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. P7167294B	07/09/21/ DFA Manila
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. P9135479B	03/08/22/DFA Manila

NOTARY PUBLIC

ATTY. LEONARDO A. SARMIENTO III
Notary Public for the City of Manila
Notarial Commission NO. 2020-049
Extended until 06-30-2022B.M. No. 3795
PTR OR No 0154919/01/04/2022
IBP OR No. 094582/01-04-2022
Roll of Attorney No. 55618
MCLE No. VI-0022740/04-02-19

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Page No. 106
Book No. XVIII
Series of 2022.

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, 2021 and 2020**, 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 7day of April 2022

SUBSCRIBED AND SWORN to before me this APR 29 2022, 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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Book no. 119
Series of 2022

ATTY. JOSHUA P. LAPUZ
Notary Public Makati City
Until Dec. 31, 2023
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BOA/PRC Accreditation No. 4782
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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Beneficial Life Insurance Company, Inc. and Subsidiaries
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, 2021 and 2020, 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, 2021, 2020 and 2019, 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, 2021 and 2020, and its consolidated financial performance and its cash flows for the years ended December 31, 2021, 2020 and 2019 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, 2021, 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, 2021 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
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BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 1788-A
Valid until October 14, 2022
BIR Accreditation No. 08-005144-016-2019
Valid until July 2, 2022
PTR No. 8851719
Issued January 3, 2022, Makati City

April 7, 2022
Makati City, Metro Manila

BENEFICIAL LIFE INSURANCE COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2021**	2020
ASSETS			
Cash and cash equivalents	4	**₱1,309,862,690**	₱972,303,861
Short-term investments	4	**11,880,219**	62,796,981
Insurance receivables	5	**36,080,607**	33,538,391
Investment securities	6	**6,024,903,376**	5,682,055,270
Loans receivables	7	**1,263,540,123**	1,390,963,245
Accrued investment income	6	**64,048,218**	72,813,698
Property and equipment:	8		
At revalued amount		**649,250,307**	647,715,036
At cost		**22,606,953**	24,239,772
Net deferred tax assets	23	**–**	248,976
Other assets		**95,636,691**	89,146,809
		₱9,477,809,184	₱8,975,822,039
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities	9	**₱4,881,495,227**	₱4,912,423,179
Policyholders' dividends payable	10	**130,592,414**	142,208,734
Premium deposit fund	11	**311,114,991**	322,498,519
Insurance payables	12	**85,776,580**	94,278,156
Loans payable	13	**4,811,634**	23,286,209
Accounts payable and accrued expenses	14	**161,286,692**	161,204,052
Net retirement liability	22	**152,145,961**	138,996,571
Net deferred tax liabilities	23	**87,288,622**	90,917,944
Income tax payable		**560,325**	3,658,568
Other liabilities	15	**234,234,971**	216,280,214
Total Liabilities		**6,049,307,417**	6,105,752,146
Equity			
Capital stock		**626,756,494**	626,756,494
Additional paid-in capital		**489,265,675**	489,265,675
Retained earnings:	16		
Appropriated		**90,010,323**	42,873,792
Unappropriated		**1,865,227,773**	1,632,652,204
Other comprehensive income		**357,241,502**	78,521,728
Total Equity		**3,428,501,767**	2,870,069,893
		₱9,477,809,184	₱8,975,822,039

See accompanying Notes to Consolidated Financial Statements.

BENEFICIAL LIFE INSURANCE COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2021**	2020	2019
REVENUES				
Gross premiums on insurance contracts	18	**₱1,761,212,819**	₱1,658,761,570	₱1,668,843,509
Reinsurer's share of gross premiums on insurance contracts	18	**(39,897,729)**	(15,258,231)	(16,953,935)
Net insurance premiums		**1,721,315,090**	1,643,503,339	1,651,889,574
Interest income	4	**295,364,458**	327,209,477	431,700,468
Dividend income	6	**33,280,478**	28,052,375	20,584,189
Net fair value gain on financial assets at fair value through profit or loss (FVPL)	6	**5,075,212**	13,762,986	41,548,414
Gain on sale of investment securities	6	**13,361,893**	7,357,288	18,618,469
Rental income	24	**2,362,288**	3,469,090	4,563,986
Other income		**28,837,311**	16,965,580	17,071,220
		2,099,596,730	2,040,320,135	2,185,976,320
BENEFITS, CLAIMS AND EXPENSES				
Net benefits and claims incurred on insurance contracts	19	**1,191,656,328**	783,857,598	822,912,977
Net change in legal policy reserves	19	**15,824,425**	208,594,487	297,728,566
Net insurance benefits and claims		**1,207,480,753**	992,452,085	1,120,641,543
General and administrative expenses	20	**507,231,953**	488,407,306	465,778,035
Commission and other direct expenses	21	**181,433,269**	216,055,062	274,292,132
Insurance taxes		**34,062,470**	31,268,931	31,340,762
Finance costs and charges	21	**22,761,628**	35,477,979	35,910,878
		1,952,970,073	1,763,661,363	1,927,963,350
INCOME BEFORE FOREIGN EXCHANGE CHANGES AND IMPAIRMENT LOSSES		**146,626,657**	276,658,772	258,012,970
NET FOREIGN EXCHANGE GAIN (LOSS)		**156,790,646**	(111,880,062)	(83,119,139)
PROVISION FOR (REVERSAL OF) IMPAIRMENT LOSSES				
Loans receivables	7	**9,991,075**	38,998,407	35,541,595
Investment securities	6	**1,002,230**	10,985,211	(9,045,552)
Other assets	3	**3,878,206**	–	–
		14,871,511	49,983,618	26,496,043
INCOME BEFORE INCOME TAX		**288,545,792**	114,795,092	148,397,788
INCOME TAX EXPENSE (BENEFIT)	23			
Current		**1,260,918**	6,100,466	14,926,388
Final		**23,201,226**	24,507,310	24,657,771
Deferred		**23,498,372**	(36,965,371)	(521,827)
		47,960,516	(6,357,595)	39,062,332
NET INCOME		**₱240,585,276**	₱121,152,687	₱109,335,456

(Forward)

	Note	2021	2020	2019
		Years Ended December 31		
NET INCOME		**₱240,585,276**	₱121,152,687	₱109,335,456
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	**(44,925,470)**	84,685,053	269,667,728
Cumulative translation adjustment		**(9,180,652)**	(6,130,889)	(5,598,080)
		(54,106,122)	78,554,164	264,069,648
Items that will not be reclassified to profit or loss in subsequent periods:				
Remeasurement gain (loss) on legal policy reserves	9	**324,661,380**	(481,778,294)	(112,342,032)
Change in revaluation reserves on investment securities (equity securities classified as financial assets at FVOCI)	6	**(2,266,495)**	(7,860,631)	(57,437,705)
Remeasurement loss on retirement liability - net of deferred tax	22	**(10,355,674)**	(3,393,708)	(14,302,087)
Increase in revaluation surplus - net of deferred tax	8	**–**	–	184,222,750
		312,039,211	(493,032,633)	140,926
		257,933,089	(414,478,469)	264,210,574
TOTAL COMPREHENSIVE INCOME (LOSS)		**₱498,518,365**	(₱293,325,782)	₱373,546,030

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	**2021**	2020	2019
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		**42,873,792**	80,623,116	112,561,902
Appropriation for (reversal of) negative legal policy reserves		**47,136,531**	(37,749,324)	(31,938,786)
Balance at end of year		**90,010,323**	42,873,792	80,623,116
Unappropriated				
Balance at beginning of year		**1,632,652,204**	1,480,482,230	1,390,529,020
Net income		**240,585,276**	121,152,687	109,335,456
Reversal of (appropriation for) negative legal policy reserves	16	**(47,136,531)**	37,749,324	31,938,786
Transfer from revaluation reserves on investment securities	6	**35,347,300**	(10,511,561)	(28,536,680)
Transfer of revaluation surplus	8	**3,779,524**	3,779,524	6,673,203
Dividend declaration	16	**–**	–	(29,457,555)
Balance at end of year		**1,865,227,773**	1,632,652,204	1,480,482,230
		1,955,238,096	1,675,525,996	1,561,105,346
OTHER COMPREHENSIVE INCOME (LOSS)				
Revaluation reserves on investment securities				
Balance at beginning of year		**(47,731,309)**	(124,555,731)	(336,785,754)
Change in revaluation reserves	6	**(47,191,965)**	76,824,422	212,230,023
Balance at end of year		**(94,923,274)**	(47,731,309)	(124,555,731)
Revaluation surplus on property and equipment - net of deferred tax	8			
Balance at beginning of year		**330,698,577**	333,344,244	153,792,736
Appraisal increase		**–**	–	184,222,750
Transfer of revaluation surplus		**(2,834,643)**	(2,645,667)	(4,671,242)
Effect of change in income tax rate		**23,621,328**	–	–
Balance at end of year		**351,485,262**	330,698,577	333,344,244

(Forward)

		Years Ended December 31		
	Note	**2021**	2020	2019
Cumulative remeasurement gain (loss) on legal policy reserves	9			
Balance at beginning of year		**(₱201,662,671)**	₱280,115,623	₱392,457,655
Remeasurement gain (loss) on legal policy reserves		**324,661,380**	(481,778,294)	(112,342,032)
Balance at end of year		**122,998,709**	(201,662,671)	280,115,623
Cumulative remeasurement loss on retirement liability - net of deferred tax	22			
Balance at beginning of year		**(11,963,521)**	(8,569,813)	5,732,274
Remeasurement loss on retirement liability		**(9,501,137)**	(3,393,708)	(14,302,087)
Effect of change in income tax rate		**(854,537)**	–	–
Balance at end of year		**(22,319,195)**	(11,963,521)	(8,569,813)
Cumulative translation adjustment				
Balance at beginning of year		**9,180,652**	15,311,541	20,909,621
Translation adjustment		**(9,180,652)**	(6,130,889)	(5,598,080)
Balance at end of year		**–**	9,180,652	15,311,541
		357,241,502	78,521,728	495,645,864
		₱3,428,501,767	₱2,870,069,893	₱3,172,773,379

See accompanying Notes to Consolidated Financial Statements.

BENEFICIAL LIFE INSURANCE COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 **2021**	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱288,545,792**	₱114,795,092	₱148,397,788
Adjustments for:				
Interest income	4	**(295,364,458)**	(327,209,477)	(431,700,468)
Unrealized foreign exchange loss (gain)		**(53,084,477)**	99,621,598	71,600,123
Dividend income	6	**(33,280,478)**	(28,052,375)	(20,584,189)
Depreciation	8	**19,843,115**	22,684,704	28,455,993
Retirement benefits cost	22	**15,545,062**	23,078,622	18,186,486
Finance costs	21	**13,847,184**	27,406,267	25,652,335
Gain on sale of investment securities	6	**(13,361,893)**	(7,357,288)	(18,618,469)
Provision for impairment losses on:				
Loans receivables	7	**9,991,075**	38,998,407	35,541,595
Investment securities	6	**1,002,230**	10,985,211	(9,045,552)
Other assets	3	**3,878,206**	–	–
Net fair value loss on financial assets at FVPL	6	**(5,075,212)**	(13,762,986)	(41,548,414)
Operating loss before working capital changes		**(47,513,854)**	(38,812,225)	(193,662,772)
Decrease (increase) in:				
Short-term investments		**50,916,762**	(2,296,981)	(9,765,010)
Insurance receivables		**(2,542,216)**	56,155,323	(66,663,175)
Loans receivables		**117,432,047**	233,839,275	202,568,875
Increase (decrease) in:				
Insurance contract liabilities		**293,733,428**	333,420,731	319,217,359
Policyholders' dividends payable		**(11,616,320)**	8,777,919	34,400,436
Premium deposit fund		**(24,900,730)**	(10,432,815)	4,569,876
Insurance payables		**(8,501,576)**	3,299,549	(19,737,362)
Accounts payable and accrued expenses		**82,640**	29,540,814	(79,312,028)
Other liabilities		**18,008,316**	(309,229)	27,129,182
Net cash generated from operations		**385,098,497**	613,182,361	218,745,381
Income tax paid		**(27,560,387)**	(12,252,435)	(12,862,113)
Contributions to plan assets	22	**(12,000,000)**	(15,000,000)	(15,000,000)
Benefits paid	22	**(3,063,855)**	(7,243,901)	(3,203,568)
Interest paid		**(329,982)**	(1,644,385)	(13,185,165)
Net cash provided by operating activities		**342,144,273**	577,041,640	174,494,535

(Forward)

		Years Ended December 31		
	Note	**2021**	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Investment securities	6	**(₱2,203,229,311)**	(₱3,817,451,516)	(₱1,684,627,404)
Property and equipment	8	**(19,745,567)**	(5,825,337)	(20,009,183)
Other assets		**(10,368,088)**	(4,766,319)	(20,920,880)
Proceeds from sale/maturities of investment securities	6	**1,910,598,424**	2,661,251,739	1,706,679,648
Interest received		**302,531,154**	315,545,608	424,128,929
Dividends received		**34,156,078**	27,559,748	24,451,216
Net cash provided by (used in) investing activities		**13,942,690**	(823,686,077)	429,702,326
CASH FLOWS FROM FINANCING ACTIVITIES				
Loan payments	13	**(249,750,840)**	(983,661,637)	(4,202,823,099)
Loan availments	13	**231,276,265**	977,531,670	3,883,765,938
Cash dividends paid	13	**(53,559)**	(49,606)	(27,661,338)
Net cash used in financing activities		**(18,528,134)**	(6,179,573)	(346,718,499)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**337,558,829**	(252,824,010)	257,478,362
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**972,303,861**	1,225,127,871	967,649,509
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**₱1,309,862,690**	₱972,303,861	₱1,225,127,871

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, 2024.

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

Composition of the Group

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
Beneficial Financial Advisors, Inc. (BFAI)	Philippines	Consultancy and leasing
Solana Investment Holdings Corporation (SIHC)	British Virgin Islands	Investment

On October 21, 2021, the Board of Directors (BOD) and stockholders of BFAI approved a resolution for the cessation of its business operations effective December 15, 2021, and shorten the Company's term of existence until June 30, 2023. Accordingly, BFAI changed its basis of accounting in the preparation of its 2021 financial statements from the going concern basis to liquidation basis. As at report date, BFAI is still in the process of filing its amended Articles of Incorporation with the SEC for the shortening of its corporate term.

Also in 2021, the BOD and stockholders of SIHC approved its dissolution and authorized the transfer of its net assets amounting to ₱143.7 million to the Parent Company. The transfer of the assets was completed in December 2021.

As a result of the dissolution of SIHC, the Group's consolidated statements of financial position as at December 31, 2021 is composed of the assets, liabilities and equity of the Parent Company and BFAI while its consolidated statements of comprehensive income for the year ended December 31, 2021 is composed of the income and expenses of the Group.

Approval and Authorization for Issuance of the Consolidated Financial Statements

The consolidated financial statements as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019 were approved and authorized for issuance by the BOD on April 7, 2022.

2. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of the consolidated financial statements are consistently applied to all the years presented, unless otherwise stated.

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.

In accordance with PAS 1, *Presentation of Financial Statement*, an entity shall prepare consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or cease operations.

As discussed in Note 1 to consolidated financial statements, the BOD and stockholders of BFAI approved a resolution for the cessation of its business operations effective December 15, 2021, and shorten the Company’s term of existence until June 30, 2023. Accordingly, BFAI changed its basis of accounting in the preparation of its 2021 financial statements from the going concern basis to liquidation basis. Under the liquidation basis of accounting, assets are stated at estimated net realizable values and liabilities are stated at estimated settlement amounts. The estimated values may be different from the proceeds that may be ultimately received or payment that may be made.

There is no difference in the amounts presented in the consolidated financial statements as a result of the change in the basis of preparation of BFAI's financial statements from going concern basis to liquidation basis of accounting. BFAI’s assets and liabilities mainly pertains to cash in banks, accounts and other payables, and advance rentals and deposits. These are all measured at amortized costs which approximate its net realizable values or net settlement amounts. Additional disclosures have been included as applicable.

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 (FVPL) and financial assets at fair value through other comprehensive income (FVOCI) 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

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS -

- Amendment to PFRS 16, *Leases - COVID-19-Related Rent Concessions beyond June 30, 2021* – In 2020, PFRS 16 was amended to provide practical expedient to lessees from applying the requirements on lease modifications 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, e.g., as a variable lease payment. This amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted, and covers eligible rent concessions until June 30, 2021.

  Due to continuing impact of the pandemic, another amendment to PFRS 16 was issued in 2021, which allows lessees to extend the application of the practical expedient regarding COVID-19-related rent concessions to reduction in lease payments that are due on or before June 30, 2022. The 2021 amendment is mandatory for entities that elected to apply the previous amendment.

The adoption of the amended PFRS did not materially affect 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, 2021 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 will replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include 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 will ensure that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarified that an acquirer shall not recognize contingent assets acquired in a business combination. 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 applied the amendments.

- Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Asset - 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 component of equity, as applicable. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

    - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include 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 amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendments. Earlier application is permitted.

    - Amendment to PFRS 16 - *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, *Presentation of Financial Statements - 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.

- Amendments to PAS 1 and PFRS Practice Statement 2 - *Making Materiality Judgement*, *Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. 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 IC issued Circular Letter (CL) 2020-062, *Amendment of Section 1 of CL 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.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group, except 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 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 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 12 months after the reporting period; or
- There is no unconditional right to defer settlement of the liability for at least 12 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, 2021 and 2020, the Group does not have financial liabilities measured at FVPL.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity securities.

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

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

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

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

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

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

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

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

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

Insurance Contracts

Product Classification
Insurance contracts are defined as those contracts under which the Group (the insurer) accepts significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Group defines significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variables.

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

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

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

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

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

Reinsurance Contracts

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

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

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

The Group also assumes reinsurance risk in the normal course of business for life insurance contracts. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Estimating amounts payable is consistent with the provisions of the associated reinsurance contract.

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

Property and Equipment

Property and equipment, other than land, buildings and office condominium, are stated at cost less accumulated depreciation and 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.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further charge for depreciation is made in respect of those assets.

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.

Insurance Taxes. Insurance taxes pertain to premium taxes and documentary stamp taxes on life insurance policies 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.

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 net operating loss carryover (NOLCO) and 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.

The Group as a Lessor. Leases where the Group does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Operating lease payments are recognized as revenue in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income.

The Group as a Lessee. At the commencement date, the Group recognizes ROU assets and lease liabilities 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.

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.

Defining 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 ₱9.0 million, ₱8.7 million and ₱10.5 million in 2021, 2020 and 2019, 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 ₱2.4 million, ₱3.5 million and ₱4.6 million in 2021, 2020 and 2019, 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 ₱3,432.1 million and ₱3,740.9 million as at December 31, 2021 and 2020, 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 ₱538.9 million and ₱251.5 million as at December 31, 2021 and 2020, respectively (see Note 9).

Estimating the Allowance for ECL of Financial Assets at Amortized Cost. The Group 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.

The carrying amounts and allowance for ECL of the Group's financial assets at amortized cost are as follows:

		2021		2020	
	Note	**Carrying Amount**	**Allowance for ECL**	Carrying Amount	Allowance for ECL
Cash and cash equivalents	4	**₱1,309,862,690**	**₱–**	₱972,303,861	₱–
Short-term investments	4	**11,880,219**	**–**	62,796,981	–
Insurance receivables	5	**36,080,607**	**–**	33,538,391	–
Investment securities:	6				
Financial assets at FVOCI - debt securities		**2,273,386,423**	**21,458,988**	2,092,928,463	17,301,954
Financial assets at amortized cost		**2,032,634,640**	**1,926,830**	2,178,857,109	5,081,634
Loans receivables	7	**1,263,540,123**	**121,222,251**	1,390,963,245	112,355,838
Accrued income	6	**64,048,218**	**–**	72,813,698	–

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 2021, 2020 and 2019. The carrying amount of property and equipment at cost amounted to ₱22.6 million and ₱24.2 million as at December 31, 2021 and 2020, respectively (see Note 8).

There were no changes in the estimated useful lives of the Group's property and equipment at revalued amounts in 2021, 2020 and 2019. The carrying amount of property and equipment at revalued amounts amounted to ₱649.3 million and ₱647.7 million as at December 31, 2021 and 2020, 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 ₱649.3 million and ₱647.7 million as at December 31, 2021 and 2020, respectively (see Note 8). Management believes that there are no significant differences between the fair value as at December 31, 2021 and 2020 and at valuation date.

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.

In 2021, the Group recognized impairment loss on other assets amounting to ₱3.9 million. No impairment loss was recognized in 2020 and 2019. The carrying amounts of nonfinancial assets are as follows:

Asset Type	Note	**2021**	2020
Property and equipment:	8		
At revalued amounts		**₱649,250,307**	₱647,715,036
At cost		**22,606,953**	24,239,772
Other assets		**95,636,691**	89,146,809

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 ₱152.1 million and ₱139.0 million as at December 31, 2021 and 2020, 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 ₱95.0 million and ₱128.6 million as at December 31, 2021 and 2020, respectively (see Note 23).

The Group's unrecognized deferred tax assets amounted to ₱0.2 million as at December 31, 2021 (see Note 23). Management assessed that it is not probable that there will be sufficient future taxable profit against which these deferred tax assets can be utilized as a result of BFAI's on-going liquidation.

4. Cash, Cash Equivalents and Short-term Investments

Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand	**₱53,000**	₱53,000
Cash in banks	**1,122,603,254**	794,813,873
Cash equivalents	**187,206,436**	177,436,988
	₱1,309,862,690	₱972,303,861

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 ₱11.9 million and ₱62.8 million as at December 31, 2021 and 2020, 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 0.25% to 3.00% and 0.875% to 2.75% in 2021 and 2020, respectively.

Interest Income

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

	Note	2021	2020	2019
Loans receivables	7	**₱85,115,404**	₱108,630,387	₱205,197,740
Investment securities:	6			
Financial assets at amortized cost		**94,565,220**	103,024,123	88,411,448
Financial assets at FVOCI		**69,242,209**	70,796,285	82,292,112
Financial assets at FVPL		**40,148,511**	32,065,701	22,495,845
Cash and cash equivalents		**4,745,277**	11,541,080	12,158,508
Short-term investments		**1,547,837**	1,151,901	21,144,815
		₱295,364,458	₱327,209,477	₱431,700,468

5. **Insurance Receivables**

This account consists of:

	2021	2020
Premiums due and uncollected	**₱21,809,929**	₱16,042,360
Due from reinsurers	**14,270,678**	17,496,031
	₱36,080,607	₱33,538,391

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 ₱25.0 million, ₱34.6 million and ₱15.0 million in 2021, 2020 and 2019, respectively (see Note 19).

6. **Investment Securities**

Movements of this account are as follows:

	2021			
	Financial Assets			
	At FVPL	**At FVOCI**	**At Amortized Cost**	**Total**
Balance at beginning of year	**₱715,849,126**	**₱2,787,349,035**	**₱2,178,857,109**	**₱5,682,055,270**
Additions	**514,579,074**	**1,153,617,494**	**535,032,743**	**2,203,229,311**
Maturities and disposals	**(164,812,699)**	**(1,064,738,310)**	**(681,047,415)**	**(1,910,598,424)**
Fair value changes	**5,075,212**	**(45,589,795)**	**–**	**(40,514,583)**
Foreign exchange changes	**27,600,361**	**59,253,453**	**–**	**86,853,814**
Amortization	**(506,137)**	**4,591,922**	**(3,362,601)**	**723,184**
Reversal of impairment loss	**–**	**–**	**3,154,804**	**3,154,804**
Balance at end of year	**₱1,097,784,937**	**₱2,894,483,799**	**₱2,032,634,640**	**₱6,024,903,376**

	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

Financial Assets at FVPL

This account consists of:

	2021	2020
Private debt securities - foreign	**₱729,635,080**	₱715,849,126
Equity securities	**368,149,857**	–
	₱1,097,784,937	₱715,849,126

Private debt securities earn annual interest of 1.44% to 9.00% and 2.12% to 8.13% in 2021 and 2020, respectively. Interest income earned on these financial assets amounted to ₱40.1 million, ₱32.1 million and ₱22.5 million in 2021, 2020 and 2019, respectively, net of amortization of premium or discount amounting to ₱0.5 million, ₱0.3 million and ₱0.4 million in 2021, 2020 and 2019, 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 ₱6.5 million, ₱4.5 million and ₱10.7 million in 2021, 2020 and 2019, respectively.

Financial Assets at FVOCI

This account consists of:

	2021	2020
Debt securities:		
Government debt securities - foreign	**₱1,390,789,643**	₱1,155,056,170
Private debt securities - foreign	**882,596,780**	937,872,293
	2,273,386,423	2,092,928,463
Equity securities - local and foreign	**621,097,376**	694,420,572
	₱2,894,483,799	₱2,787,349,035

Private and government debt securities earn annual interest of 1.05% to 8.38% in 2021 and 2020. Interest income earned on these financial assets amounted to ₱69.2 million, ₱70.8 million and ₱82.3 million in 2021, 2020 and 2019, respectively, net of amortization of premium or discount amounting to ₱4.6 million, ₱12.4 million and ₱16.0 million in 2021, 2020 and 2019, 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 ₱26.8 million, ₱23.6 million and ₱9.9 million in 2021, 2020 and 2019, respectively.

Movements of revaluation reserves on investment securities are as follows:

	December 31, 2021		
	Fair Value Change	**12-month ECL**	**Total**
Balance at beginning of year	**(₱65,033,263)**	**₱17,301,954**	**(₱47,731,309)**
Change in revaluation reserves:			
Fair value loss	**(45,589,795)**	**–**	**(45,589,795)**
Foreign exchange changes	**42,949,989**	**–**	**42,949,989**
Transfer to retained earnings	**(35,347,300)**	**–**	**(35,347,300)**
Transfers to profit or loss:			
Gain on sale	**(13,361,893)**	**–**	**(13,361,893)**
Impairment loss	**–**	**4,157,034**	**4,157,034**
	(51,348,999)	**4,157,034**	**(47,191,965)**
Balance at end of year	**(₱116,382,262)**	**₱21,458,988**	**(₱94,923,274)**

	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		
	Fair Value Change	12-month ECL	Total
Balance at beginning of year	(₱355,815,170)	₱19,029,416	(₱336,785,754)
Change in revaluation reserves:			
Fair value gain	236,114,956	–	236,114,956
Transfer to retained earnings	28,536,680	–	28,536,680
Foreign exchange changes	(24,201,131)	–	(24,201,131)
Transfers to profit or loss:			
Gain on sale	(18,618,469)	–	(18,618,469)
Impairment loss	–	(9,602,013)	(9,602,013)
	221,832,036	(9,602,013)	212,230,023
Balance at end of year	(₱133,983,134)	₱9,427,403	(₱124,555,731)

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

	2021	2020	2019
Balance at beginning of year	**(₱47,731,309)**	(₱124,555,731)	(₱336,785,754)
Items that will be reclassified to profit or loss	**(44,925,470)**	84,685,053	269,667,728
Items that will not be reclassified into profit or loss	**(2,266,495)**	(7,860,631)	(57,437,705)
Balance at end of year	**(₱94,923,274)**	(₱47,731,309)	(₱124,555,731)

Financial Assets at Amortized Cost
This account consists of:

	2021	2020
Government debt securities - local	**₱1,193,035,321**	₱770,249,776
Private debt securities - local	**841,526,149**	1,413,688,967
	2,034,561,470	2,183,938,743
Allowance for impairment loss (12-month ECL)	**1,926,830**	5,081,634
	₱2,032,634,640	₱2,178,857,109

0.80% to 13.00% and 2.50% to 5.13% in 2021 and 2020, respectively. Interest income earned on these financial assets amounted to ₱94.6 million, ₱103.0 million and ₱88.4 million in 2021, 2020 and 2019, respectively, net of amortization of premium or discount amounting to ₱3.4 million, ₱44,940 and ₱0.5 million in 2021, 2020 and 2019, respectively (see Note 4).

Movements of allowance for impairment loss (12-month ECL) on financial assets at amortized cost in 2021 and 2020 are as follows:

	2021	2020
Balance at beginning of year	**₱5,081,634**	₱1,970,974
Provision for (reversal of) impairment loss	**(3,154,804)**	3,110,660
Balance at end of year	**₱1,926,830**	₱5,081,634

Impairment Losses

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

	2021	2020	2019
Financial assets at FVOCI	**₱4,157,034**	₱7,874,551	(₱9,602,013)
Financial assets at amortized cost	**(3,154,804)**	3,110,660	556,461
	₱1,002,230	₱10,985,211	(₱9,045,552)

Dividend Income

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

	2021	2020	2019
Financial assets at FVOCI	**₱26,772,969**	₱23,578,145	₱9,869,978
Financial assets at FVPL	**6,507,509**	4,474,230	10,714,211
	₱33,280,478	₱28,052,375	₱20,584,189

Accrued Investment Income

Accrued investment income consists of:

	Note	**2021**	2020
Interest:			
hird parties		**₱62,745,571**	₱70,223,629
elated parties	17	**1,302,647**	1,714,469
Dividends		**–**	875,600
		₱64,048,218	₱72,813,698

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

7. **Loans Receivables**

This account consists of:

	Note	**2021**	2020
Salary loans		**₱1,049,317,599**	₱1,135,054,047
Mortgage and collateral loans:			
Related party	17	**103,125,000**	140,625,000
Third parties		**5,683,454**	5,837,168
Policy loans		**97,506,998**	99,393,059
Due from related parties	17	**39,129,078**	49,028,578
Agents' balances		**36,880,308**	33,390,036
Notes receivables		**7,769,336**	8,843,668
Others		**45,350,601**	31,147,527
		1,384,762,374	1,503,319,083
Less allowance for impairment loss		**121,222,251**	112,355,838
		₱1,263,540,123	₱1,390,963,245

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

	2021		
	12-month ECL	**Lifetime ECL**	**Total**
Balance at beginning of year	**₱12,580,921**	**₱99,774,917**	**₱112,355,838**
Provision for impairment loss	**9,991,075**	**–**	**9,991,075**
Transfer from 12-month ECL to lifetime ECL	**(8,843,510)**	**8,843,510**	**–**
Write-off	**(1,124,662)**	**–**	**(1,124,662)**
Balance at end of year	**₱12,603,824**	**₱108,618,427**	**₱121,222,251**

	2020		
	12-month ECL	Lifetime ECL	Total
Balance at beginning of year	₱29,574,910	₱75,855,614	₱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	₱12,580,921	₱99,774,917	₱112,355,838

Composition of allowance for impairment loss are as follows:

	2021	2020
Salary loans	**₱112,561,299**	₱102,561,299
Agents' balances	**4,999,651**	4,999,651
Notes receivables	**2,860,226**	3,014,842
Others	**801,075**	1,780,046
	₱121,222,251	₱112,355,838

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	**2021**	2020	2019
Salary loans		**₱68,775,908**	₱79,605,010	₱135,896,809
Policy loans		**6,014,197**	14,615,875	52,865,358
Mortgage and collateral loans:				
Related party	17	**5,944,777**	9,682,962	10,556,629
Third parties		**45,566**	46,216	15,191
Due from related parties	17	**709,589**	1,143,999	1,344,658
Notes receivables		**909,923**	801,385	1,096,437
Agents' balances		**332,539**	941,260	1,077,273
Others		**2,382,905**	1,793,680	2,345,385
		₱85,115,404	₱108,630,387	₱205,197,740

8. Property and Equipment

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

	2021			
	Land	**Building**	**Office Condominium**	**Total**
Revalued Amounts				
Balance at beginning of year	**₱535,237,999**	**₱376,268,089**	**₱49,709,031**	**₱961,215,119**
Additions	**–**	**8,546,813**	**–**	**8,546,813**
Balance at the end of year	**535,237,999**	**384,814,902**	**49,709,031**	**969,761,932**
Accumulated Depreciation				
Balance at beginning of year	**–**	**286,022,469**	**27,477,614**	**313,500,083**
Depreciation	**–**	**6,044,958**	**966,584**	**7,011,542**
Balance at end of year	**–**	**292,067,427**	**28,444,198**	**320,511,625**
Carrying Amount	**₱535,237,999**	**₱92,747,475**	**₱21,264,833**	**₱649,250,307**

	2020			
	Land	Building	Office Condominium	Total
Revalued Amounts				
Balance at beginning and end of year	₱535,237,999	₱376,268,089	₱49,709,031	₱961,215,119
Accumulated Depreciation				
Balance at beginning of year	–	280,149,089	26,511,030	306,660,119
Depreciation	–	5,873,380	966,584	6,839,964
Balance at end of year	–	286,022,469	27,477,614	313,500,083
Carrying Amount	₱535,237,999	₱90,245,620	₱22,231,417	₱647,715,036

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

Management believes that there are no significant differences between the fair value as at December 31, 2021 and 2020 and at valuation date.

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

Description of the 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.

Had the land, building and office condominium and improvements been carried at cost less accumulated depreciation, the amounts would have been as follows:

	2021			
	Land	**Building**	**Office Condominium**	**Total**
Cost	**₱95,963,907**	**₱140,860,787**	**₱42,323,078**	**₱279,147,772**
Accumulated depreciation	**–**	**(74,082,341)**	**(24,462,140)**	**(98,544,481)**
Carrying amount	**₱95,963,907**	**₱66,778,446**	**₱17,860,938**	**₱180,603,291**

	2020			
	Land	Building	Office Condominium	Total
Cost	₱95,963,907	₱132,313,974	₱42,323,078	₱270,600,959
Accumulated depreciation	–	(70,949,014)	(24,363,449)	(95,312,463)
Carrying amount	₱95,963,907	₱61,364,960	₱17,959,629	₱175,288,496

Transfer of revaluation surplus on property and equipment, net of deferred tax, amounted to ₱2.8 million, ₱1.1 million and ₱4.7 million in 2021, 2020 and 2019, respectively.

Depreciation expense on property and equipment charged to operations amounted to ₱19.8 million, ₱22.7 million and ₱28.5 million in 2021, 2020 and 2019, respectively (see Note 20).

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

	2021		
	Revaluation Surplus	**Deferred Tax** (see Note 23)	**Net**
Balance at beginning of year	**₱472,426,540**	**(₱141,727,963)**	**₱330,698,577**
Transfer to retained earnings	**(3,779,524)**	**944,881**	**(2,834,643)**
Effect of change in income tax rate	**–**	**23,621,328**	**23,621,328**
Balance at end of year	**₱468,647,016**	**(₱117,161,754)**	**₱351,485,262**

	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

Movements of property and equipment at cost are as follows:

	2021		
	Transportation Equipment	**Office Furniture and Equipment**	**Total**
Cost			
Balance at beginning of year	**₱66,211,003**	**₱93,230,459**	**₱159,441,462**
Additions	**6,143,645**	**5,055,109**	**11,198,754**
Balance at end of year	**72,354,648**	**98,285,568**	**170,640,216**
Accumulated Depreciation			
Balance at beginning of year	**55,367,786**	**79,833,904**	**135,201,690**
Depreciation	**5,341,343**	**7,490,230**	**12,831,573**
Balance at end of year	**60,709,129**	**87,324,134**	**148,033,263**
Carrying Amount	**₱11,645,519**	**₱10,961,434**	**₱22,606,953**

	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

There are no temporary idle property and equipment, nor are there property and equipment items pledged as security for loans payable and other obligations.

The Group has fully depreciated property and equipment that are still in use with cost amounting to ₱129.3 million and ₱94.7 million as at December 31, 2021 and 2020, respectively.

9. Insurance Contract Liabilities

This account consists of:

	2021	2020
Legal policy reserves for:		
Ordinary life policies	**₱2,585,701,710**	₱3,055,874,852
Group life policies	**815,165,038**	651,115,642
Accident and health riders	**31,190,853**	33,904,062
	3,432,057,601	3,740,894,556
Policy and contract claims:		
Claims payable	**1,223,787,846**	990,876,723
Maturities and surrenders payable	**225,649,780**	180,651,900
	1,449,437,626	1,171,528,623
	₱4,881,495,227	₱4,912,423,179

Claims payable include provision for claims incurred but not yet reported amounting to ₱538.9 million and ₱251.5 million as at December 31, 2021 and 2020, respectively.

Movements in legal policy reserves are as follows:

	Note	**2021**	2020
Balance at beginning of year		**₱3,740,894,556**	₱3,050,521,775
Recognized in:			
Profit or loss	19	**15,824,425**	208,594,487
Other comprehensive income		**(324,661,380)**	481,778,294
Balance at end of year		**₱3,432,057,601**	₱3,740,894,556

Movements of revaluation of legal policy reserves are as follows:

	2021	2020
Balance at beginning of year	**(₱201,662,671)**	₱280,115,623
Remeasurement gain (loss) due to change in discount rates	**324,661,380**	(481,778,294)
Balance at end of year	**₱122,998,709**	(₱201,662,671)

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 ₱90.0 million and ₱42.9 million as at December 31, 2021 and 2020, respectively (see Note 16).

Movements in policy and contract claims are as follows:

	Note	**2021**	2020
Balance at beginning of year		**₱1,171,528,623**	₱1,046,702,379
Benefits and claims	19	**1,191,656,328**	783,857,598
Payments		**(913,747,325)**	(659,031,354)
Balance at end of year		**₱1,449,437,626**	₱1,171,528,623

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:

	2021	2020
Balance at beginning of year	**₱142,208,734**	₱133,430,815
Acquisitions	**397,609**	16,347,765
Payments	**(12,013,929)**	(7,569,846)
Balance at end of year	**₱130,592,414**	₱142,208,734

11. Premium Deposit Fund

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

Premium deposit fund amounted to ₱311.1 million and ₱322.5 million as at December 31, 2021 and 2020, respectively. Interest expense amounted to ₱13.5 million, ₱25.8 million and ₱12.5 million in 2021, 2020 and 2019, 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	**2021**	2020
Balance at beginning of year		**₱94,278,156**	₱90,978,607
Premiums ceded	18	**39,897,729**	15,258,231
Payments		**(48,399,305)**	(11,958,682)
Balance at end of year		**₱85,776,580**	₱94,278,156

13. Loans Payable

Loans payable pertain to the credit line facility established by the Group with a foreign bank. The maximum loan amount under the agreement is SGD0.1 million and US$7.0 million and bears interest rate of 1.42% to 1.55% and 1.20% to 1.98% per annum in 2021 and 2020, respectively. 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 ₱0.3 million, ₱1.6 million and ₱13.2 million in 2021, 2020 and 2019, respectively (see Note 21).

The changes in liabilities arising from financing activities as at December 31, 2021 and 2020 are as follow:

	2021		
	Loans Payable	**Dividends Payable** (see Note 15)	**Total**
Balance at beginning of year	**₱23,286,209**	**₱73,812,692**	**₱97,098,901**
Changes from financing cash flows:			
Loan availments	**231,276,265**	**–**	**231,276,265**
Loan payments	**(249,750,840)**	**–**	**(249,750,840)**
Dividends paid	**–**	**(53,559)**	**(53,559)**
Balance at end of year	**₱4,811,634**	**₱73,759,133**	**₱78,570,767**

	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 availments	977,531,670	–	977,531,670
Loan payments	(983,661,637)	–	(983,661,637)
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

14. Accounts Payable and Accrued Expenses

This account consists of:

	2021	2020
Accounts payable	**₱121,678,147**	₱94,899,435
Accrued expenses	**21,469,821**	44,415,588
Statutory payables	**18,138,724**	21,889,029
	₱161,286,692	₱161,204,052

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 payables 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	2021	2020
Life insurance deposits		**₱128,543,575**	₱109,583,857
Dividends payable	13	**73,759,133**	73,812,692
Agents' fund		**28,190,403**	29,325,958
Others		**3,741,860**	3,557,707
		₱234,234,971	₱216,280,214

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 ₱2.1 million as at December 31, 2021 and 2020 (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, 2021, 2020 and 2019, the Parent Company's unappropriated retained earnings amounting to ₱1,865.2 million, ₱1,632.7 million and ₱1,480.5 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:

	2021	2020
Balance at beginning of year	**₱42,873,792**	₱80,623,116
Additional (reversal of) appropriation	**47,136,531**	(37,749,324)
Balance at end of year	**₱90,010,323**	₱42,873,792

Dividend Declaration

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 summarizes the Group's transactions and outstanding balances with its related parties.

	Note	Transactions During the Year 2021	Transactions During the Year 2020	Balance at End of Year 2021	Balance at End of Year 2020	Nature	Terms and Conditions
Due from related parties	7						
Entity under common control		**(₱10,000,000)**	₱–	**₱16,162,424**	₱26,162,424	Advances for working capital	2-5 years, 4%-7% interest, payable annually, unsecured, no impairment, payable in cash
Key management personnel		**100,500**	–	**22,966,654**	22,866,154	Advances to officers	Non-interest bearing, unsecured, no impairment, payable in cash
				₱39,129,078	₱49,028,578		
Mortgage loan receivable							
Entity under common control	7	**(₱37,500,000)**	(₱9,375,000)	**₱103,125,000**	₱140,625,000	Mortgage loan	7% interest, payable in 6 years, no impairment, payable in cash
Accrued investment income	6						
Entities under common control		**₱6,654,366**	₱10,826,961	**₱1,302,647**	₱1,714,469	Interest income	Due and demandable

Compensation of Key Management Personnel

The compensation of key management personnel are as follows:

	2021	2020	2019
Salaries and other employee benefits	**₱44,640,410**	₱41,589,485	₱44,849,948
Retirement expense	**9,061,966**	4,834,830	12,231,753
	₱53,702,376	₱46,424,315	₱57,081,701

18. Net Insurance Premiums

The gross premiums on insurance contracts consist of:

	2021	2020	2019
Direct:			
Group life insurance	**₱1,327,926,294**	₱1,195,596,581	₱1,158,794,760
Ordinary life insurance	**332,133,091**	306,054,917	350,240,278
Accident and health	**22,281,618**	21,855,290	30,680,922
	1,682,341,003	1,523,506,788	1,539,715,960
Assumed -			
Group life insurance	**78,871,816**	135,254,782	129,127,549
	₱1,761,212,819	₱1,658,761,570	₱1,668,843,509

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

	2021	2020	2019
Group life insurance	**₱39,391,990**	₱14,745,003	₱15,835,759
Ordinary life insurance	**399,573**	410,758	972,507
Accident and health	**106,166**	102,470	145,669
	₱39,897,729	₱15,258,231	₱16,953,935

19. Net Insurance Benefits and Claims

Net benefits and claims incurred on insurance contracts consist of:

	Note	2021	2020	2019
Claims		**₱998,733,622**	₱511,497,745	₱561,296,822
Maturities and surrenders		**208,634,769**	272,933,159	255,967,260
Experience refunds		**9,308,292**	34,074,689	20,609,332
Gross benefits and claims		**1,216,676,683**	818,505,593	837,873,414
Reinsurers' share	5	**(25,020,355)**	(34,647,995)	(14,960,437)
		₱1,191,656,328	₱783,857,598	₱822,912,977

Net change in legal policy reserves consists of:

	2021		
	Gross change in legal policy reserves	**Reinsurers' share of change in legal policy reserves**	**Net** (see Note 9)
Ordinary life insurance	**(₱148,750,744)**	**₱–**	**(₱148,750,744)**
Group life insurance	**164,510,916**	**(461,520)**	**164,049,396**
Accident and health	**525,773**	**–**	**525,773**
	₱16,285,945	**(₱461,520)**	**₱15,824,425**

	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
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

20. **General and Administrative Expenses**

This account consists of:

	Note	**2021**	2020	2019
Service fees		**₱203,170,030**	₱177,605,077	₱139,501,837
Personnel costs		**128,729,504**	140,397,225	138,373,601
Agency expenses	24	**62,671,134**	55,172,824	67,149,819
Professional fees		**20,715,108**	17,193,973	14,412,475
Depreciation	8	**19,843,115**	22,684,704	28,455,993
Outside services		**14,856,516**	12,302,424	10,148,000
Taxes and licenses		**10,847,147**	9,994,174	4,682,491
Entertainment, amusement and recreation		**8,690,995**	1,605,374	2,651,106
Utilities		**7,582,420**	6,881,987	7,370,214
Advertising and promotions		**6,945,011**	11,756,392	9,566,905
Supplies		**5,606,875**	6,090,610	6,977,212
Repairs and maintenance		**5,173,786**	6,400,703	7,759,323
Conferences and meetings		**4,304,869**	5,669,560	7,108,259
Insurance		**1,268,400**	1,390,318	1,465,953
Transportation and travel		**791,420**	2,033,500	5,002,512
Association dues and fees		**714,024**	1,259,830	983,080
Trainings and seminars		**124,893**	187,353	358,232
Others		**5,196,706**	9,781,278	13,811,023
		₱507,231,953	₱488,407,306	₱465,778,035

Personnel costs consist of:

	Note	2021	2020	2019
Salaries and wages		**₱90,864,454**	₱92,521,192	₱96,435,384
Retirement benefits cost	22	**15,545,062**	23,078,622	18,186,486
Other employee benefits		**22,319,988**	24,797,411	23,751,731
		₱128,729,504	₱140,397,225	₱138,373,601

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 ₱9.0 million, ₱8.7 million and ₱10.5 million in 2021, 2020 and 2019, respectively (see Note 24).

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

Commissions and Other Direct Expenses

This account consists of:

	2021	2020	2019
Commissions:			
Group	**₱106,815,727**	₱129,250,977	₱171,112,230
First year	**30,943,987**	34,776,173	52,128,531
Reinsurance	**9,691,614**	20,385,690	19,271,633
Renewal	**3,909,816**	4,353,673	6,024,030
Direct taxes	**30,072,125**	27,288,549	25,755,708
	₱181,433,269	₱216,055,062	₱274,292,132

Finance Costs and Charges

This account consists of:

	Note	2021	2020	2019
Interest expense on:				
Premium deposit fund	11	**₱13,517,202**	₱25,761,882	₱12,467,170
Loans payable	13	**329,982**	1,644,385	13,185,165
		13,847,184	27,406,267	25,652,335
Bank charges and other service fees		**8,914,444**	8,071,712	10,258,543
		₱22,761,628	₱35,477,979	₱35,910,878

Bank charges and other service fees represent warehousing fees on investments in 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, 2021.

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

	2021	2020	2019
Current service cost	**₱10,957,898**	₱20,449,706	₱11,006,622
Net interest expense	**4,587,164**	2,628,916	7,179,864
	₱15,545,062	₱23,078,622	₱18,186,486

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

	2021	2020
Present value of defined benefit obligation	**₱262,044,645**	₱235,893,475
Fair value of plan assets	**(109,898,684)**	(96,896,904)
	₱152,145,961	₱138,996,571

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

	2021	2020
Balance at beginning of year	**₱138,996,571**	₱133,313,696
Current service cost	**10,957,898**	20,449,706
Net interest expense	**4,587,164**	2,628,916
Net remeasurement loss	**12,668,183**	4,848,154
Actual contributions	**(12,000,000)**	(15,000,000)
Benefits paid out of Group fund	**(3,063,855)**	(7,243,901)
Balance at end of year	**₱152,145,961**	₱138,996,571

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

	2021	2020
Balance at beginning of year	**₱235,893,475**	₱210,076,985
Current service cost	**10,957,898**	20,449,706
Interest cost	**8,244,322**	5,169,953
Remeasurement loss (gain) due to:		
Experience adjustments	**15,079,168**	(11,175,063)
Changes in financial assumptions	**(5,066,363)**	18,615,795
Benefits paid out of Group fund	**(3,063,855)**	(7,243,901)
Balance at end of year	**₱262,044,645**	₱235,893,475

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

	2021	2020
Balance at beginning of year	**₱96,896,904**	₱76,763,289
Actual contributions	**12,000,000**	15,000,000
Interest income	**3,657,158**	2,541,037
Remeasurement gain (loss)	**(2,655,378)**	2,592,578
Balance at end of year	**₱109,898,684**	₱96,896,904

The Group expects to contribute ₱34.9 million to the plan assets in the next reporting period.

The distribution of the plan assets is as follows:

	2021	2020
Government securities	**88%**	66%
Corporate bonds, trust funds and mutual funds	**12%**	34%

The plan exposes the Group to the following risks:

- Salary Risk - any increase in the retirement plan participants' salary will increase the retirement
- 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 on net retirement liability recognized in other comprehensive income is as follows:

	2021		
	Cumulative Remeasurement Loss	**Deferred Tax** (see Note 23)	**Net**
Balance at beginning of year	**₱17,090,744**	**(₱5,127,223)**	**₱11,963,521**
Remeasurement loss	**12,668,183**	**(3,167,046)**	**9,501,137**
Effect of change in income tax rate	**–**	**854,537**	**854,537**
Balance at end of year	**₱29,758,927**	**(₱7,439,732)**	**₱22,319,195**

	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

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

	2021	2020
Discount rate	**4.89%**	3.59%
Salary increase rate	**6.00%**	6.00%

The sensitivity analysis of the retirement liability as at December 31, 2021 to changes in assumptions follows:

	Change in variable	Present value of defined benefit obligation
Discount rate	5.89%	₱245,410,350
	3.89%	280,897,998
Salary increase rate	7.00%	281,207,769
	5.00%	244,381,097

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	₱15,030,755
1 year to less than 5 years	211,753,711
5 years to less than 10 years	68,948,478
10 years to less than 15 years	94,902,705
15 years to less than 20 years	119,589,643
20 years and above	201,252,262

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 2021 and 2020.

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

	2021	2020
Deferred tax assets:		
Allowance for impairment losses	**₱–**	₱340,076
Unearned rental income	**–**	233,873
	–	573,949
Deferred tax liability -		
Rent receivable	**–**	324,973
Net deferred tax assets	**₱–**	₱248,976

In 2021, the deferred tax asset amounting to ₱0.2 million which pertains to unearned rental income was not recognized as management assessed that it is not probable that there will be sufficient future taxable profit against which these deferred tax assets can be utilized as a result of BFAI's on-going liquidation.

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

	2021	2020
Deferred tax assets:		
Net retirement liability	**₱38,036,491**	₱41,698,971
Provision for impairment of loans and notes	**30,305,563**	33,366,675
Unrealized foreign exchange loss	**13,497,604**	51,366,516
NOLCO	**9,425,991**	–
Excess MCIT over RCIT	**3,753,982**	2,178,427
	95,019,631	128,610,589
Deferred tax liabilities:		
Revaluation surplus	**117,161,754**	141,727,963
Accrued interest using effective interest rate	**62,731,128**	74,902,125
Others	**2,415,371**	2,898,445
	182,308,253	219,528,533
Net deferred tax liabilities	**₱87,288,622**	₱90,917,944

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

	Note	**2021**	2020
Revaluation surplus	8	**₱117,161,754**	₱141,727,963
Cumulative remeasurement loss on net retirement liability	22	**(7,439,732)**	(5,127,223)
		₱109,722,022	₱136,600,740

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

	2021	2020
Through profit or loss	**(₱22,433,400)**	₱45,931,772
Through other comprehensive income	**109,722,022**	(136,600,740)
	₱87,288,622	(₱90,668,968)

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:

	2021	2020	2019
Income tax expense at statutory tax rate	**₱72,136,448**	₱34,438,528	₱44,519,336
Effect of change in income tax rates	**7,100,361**	–	–
Change in unrecognized deferred tax asset	**155,915**	–	–
Tax effects of:			
Nondeductible expenses	**17,499,192**	4,654,647	5,638,905
Nontaxable income	**(13,947,264)**	(5,625,856)	(19,440,075)
Interest and dividend income subjected to lower tax rates	**(5,708,644)**	(12,248,250)	(12,272,673)
Income exempt from tax	**(5,373,498)**	(4,538,787)	(2,369,381)
Effect of consolidation	**1,003,406**	(1,557,840)	(2,602,927)
Others	**(24,905,400)**	(21,480,037)	25,589,147
Effective income tax	**₱47,960,516**	(₱6,357,595)	₱39,062,332

Others pertain to unrealized foreign exchange loss in 2020 realized in 2021 on long-term bonds.

Details of the Group's MCIT which can be claimed as tax credit against future income tax due are as follows:

Year Incurred	Beginning Balance	Incurred	Expired	Impact of change in tax rate	Ending Balance	Expiry Date
2021	₱–	₱2,744,141	₱–	₱–	₱2,744,141	2026
2020	2,178,427	–	–	(1,168,586)	1,009,841	2025
	₱2,178,427	₱2,744,141	₱–	(₱1,168,586)	₱3,753,982	

Under the Republic Act No. 11494, also known as "Bayanihan to Recover as One Act" and Revenue Regulation No. 25-2020, the Group is allowed to carry-over its operating losses incurred for taxable years 2020 and 2021 for the next five (5) years immediately following the year of such loss. Consequently, NOLCO incurred in 2021 amounting to ₱37.7 million can be claimed as deduction from future taxable profit until 2026.

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 RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets and total amount of taxable income. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates retrospectively became effective beginning July 1, 2020.

The income tax rates used in preparing the financial statements as at and for the year ended December 31, 2021 are the transitional income tax rates of 25% and 1% for RCIT and MCIT, respectively.

The effect of the reduction in tax rates in 2020 was recognized as part of the 2021 income tax expense, as required by PAS 12, *Income Taxes*. Details of adjustments are as follows:

	Current	Deferred	Final	Total
Income tax expense	₱2,771,188	₱14,887,741	₱23,201,226	₱40,860,155
Effect of change in income tax rate	(1,510,270)	8,610,631	–	7,100,361
Adjusted income tax expense	₱1,260,918	₱23,498,372	₱23,201,226	₱47,960,516

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 ₱2.4 million, ₱3.5 million and ₱4.6 million in 2021, 2020 and 2019, respectively.

Advance rentals and deposits amounted to ₱2.1 million as at December 31, 2021 and 2020 (see Note 15).

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

	2021	2020
Within one year	**₱3,469,964**	₱3,225,092
After one year but not more than five years	**369,364**	6,639,697
More than five years	**–**	363,142
	₱3,839,328	₱10,227,931

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 "Agency fees" in "General and administrative expenses" account in the consolidated statements of comprehensive income amounted to ₱9.0 million, ₱8.7 million and ₱10.5 million in 2021, 2020 and 2019, respectively (see Note 20). The Company assessed that these lease agreements qualify as leases of low value assets or short-term leases.

Future minimum lease payments under non-cancellable operating leases as at December 31, 2021 and 2020 are as follows:

	2021	2020
Within one year	**₱9,155,634**	₱8,570,538
After one year but not more than five years	**4,088,490**	2,373,374
	₱13,244,124	₱10,943,912

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 2021 and 2020, 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, 2021 and 2020 are as follows:

	2021	2020
Cash and cash equivalents	**₱9,420,636**	₱3,074,795
Insurance receivables	**3,383,813**	3,577,725
Financial assets at FVPL	**297,701,308**	663,956,182
Financial assets at FVOCI	**507,584,691**	833,314,570
Financial assets at amortized cost	**–**	1,158,947
Loans receivables	**308,211,366**	226,608,002
Accrued income	**9,069,255**	19,513,562
Property and equipment	**17,204,385**	20,072,383
Investment in subsidiaries	**–**	95,370,937
Other assets	**85,950,237**	75,417,940
	₱1,238,525,691	₱1,942,065,043

As at December 31, 2021 and 2020, the Parent Company's net worth and its excess over the requirement are as follows:

	2021	2020
Total assets	**₱9,475,408,563**	₱8,965,427,664
Total liabilities	**6,046,582,583**	6,078,310,984
Equity	**3,428,825,980**	2,887,116,680
Less: Non-admitted assets	**1,238,525,691**	1,942,065,043
Net worth	**2,190,300,289**	945,051,637
Less: Net worth requirement	**900,000,000**	900,000,000
Excess over net worth requirement	**₱1,290,300,289**	₱45,051,637

As at December 31, 2021 and 2020, 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, 2021 and 2020 was determined by the Parent Company based on its internal calculations:

	2021	2020
Tier 1	**₱2,981,632,178**	₱2,775,354,130
Tier 2	**452,164,777**	117,072,385
Deductions	**(222,159,059)**	(694,949,956)
Total available capital	**3,211,637,896**	2,197,476,559
RBC requirement	**1,275,251,724**	1,300,346,095
RBC ratio	**252%**	169%

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

<u>Insurance Risk</u>

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:

	2021		2020	
	Number of Policies	**Amount of Coverage**	Number of Policies	Amount of Coverage
Whole life	**76,588**	**₱10,140,923,964**	79,705	₱10,508,760,603
Endowment	**6,526**	**809,238,571**	7,831	900,245,931
Term	**11,003**	**1,451,475,203**	7,213	982,084,761
Accident and health	**7,964**	**1,544,972,508**	6,937	1,013,371,716
Group life	**618**	**398,656,814,649**	481	216,847,730,409
	102,699	**₱412,603,424,895**	102,167	₱230,252,193,420

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

	2021	2020
Ordinary life	**₱2,585,701,710**	₱3,055,874,852
Group life	**815,165,038**	651,115,642
Accident and health	**31,190,853**	33,904,062
	₱3,432,057,601	₱3,740,894,556

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	
	2021	2020	**2021**	2020
Ordinary life	**2017 PICM, 1959 ADB, and 1952 Disability**	1980 CSO, 1959 ADB, and 1952 Disability	**2.0% to 5.3%**	1.6% to 4.6%
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.

	2021		
Change in Assumptions	**Increase (Decrease) in Liabilities**	**Increase (Decrease) in Income Before Income Tax**	**Increase (Decrease) in Equity**
+10%	**(₱97,055,490)**	**₱97,055,490**	**₱61,740,196**
-10%	**130,319,593**	**(130,319,593)**	**(119,720,455)**

	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)

Financial Risk

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

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

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

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

Financial Instruments

The following table sets forth the estimated fair values and carrying values of financial assets and liabilities recognized as at December 31, 2021 and 2020:

	2021		2020	
	Fair Value	**Carrying Amount**	Fair Value	Carrying Amount
Financial Assets				
Cash and cash equivalents	**₱1,309,809,690**	**₱1,309,809,690**	₱972,250,861	₱972,250,861
Short-term investments	**11,880,219**	**11,880,219**	62,796,981	62,796,981
Insurance receivables	**36,080,607**	**36,080,607**	33,538,391	33,538,391
Investment securities	**6,106,524,052**	**6,024,903,376**	5,808,021,916	5,682,055,270
Loans receivables	**1,317,610,250**	**1,263,540,123**	1,528,438,740	1,390,963,245
Accrued income	**64,048,218**	**64,048,218**	72,813,698	72,813,698
	₱8,845,953,036	**₱8,710,262,233**	₱8,477,860,587	₱8,214,418,446
Financial Liabilities				
Insurance contract liabilities	**₱4,881,495,227**	**₱4,881,495,227**	₱4,912,423,179	₱4,912,423,179
Policyholders' dividends payable	**130,592,414**	**130,592,414**	142,208,734	142,208,734
Premium deposit fund	**311,114,991**	**311,114,991**	322,498,519	322,498,519
Insurance payables	**85,776,580**	**85,776,580**	94,278,156	94,278,156
Loans payable	**4,811,634**	**4,811,634**	23,286,209	23,286,209
Accounts payable and accrued expenses*	**143,147,968**	**143,147,968**	139,315,023	139,315,023
Other liabilities	**234,234,971**	**234,234,971**	216,280,214	216,280,214
	₱5,791,173,785	**₱5,791,173,785**	₱5,850,290,034	₱5,850,290,034

**Excluding statutory payables amounting to ₱18.1 million and ₱21.9 million as at December 31, 2021 and 2020, 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.

There were no transfers between fair value hierarchies in 2021 and 2020.

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:

	2021	2020
Cash in banks and cash equivalents	**₱1,309,809,690**	₱972,250,861
Short-term investments	**11,880,219**	62,796,981
Insurance receivables	**36,080,607**	33,538,391
Investment securities	**6,024,903,376**	5,682,055,270
Loans receivables	**1,263,540,123**	1,390,963,245
Accrued income	**64,048,218**	72,813,698
	₱8,710,262,233	₱8,214,418,446

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 ₱517.2 million and ₱519.1 million in 2021 and 2020, 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 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, 2021 and 2020. 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, 2021

	12-month ECL	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Total**
Cash in banks and cash equivalents	**₱1,309,809,690**	**₱–**	**₱–**	**₱1,309,809,690**
Short-term investments	**11,880,219**	**–**	**–**	**11,880,219**
Insurance receivables	**36,080,607**	**–**	**–**	**36,080,607**
Investment securities	**6,024,903,376**	**–**	**–**	**6,024,903,376**
Loans receivables	**1,276,143,947**	**–**	**108,618,427**	**1,384,762,374**
Accrued income	**64,048,218**	**–**	**–**	**64,048,218**
	₱8,722,866,057	**₱–**	**₱108,618,427**	**₱8,831,484,484**

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

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, 2021 and 2020:

	2021	2020
Insurance contract liabilities	**₱2,264,602,663**	₱1,822,644,265
Policyholders' dividends payable	**130,592,414**	142,208,734
Premium deposit fund	**311,114,991**	322,498,519
Insurance payables	**85,776,580**	94,278,156
Loans payable	**4,811,634**	23,286,209
Accounts payable and accrued expenses*	**143,147,968**	139,315,023
Other liabilities	**232,132,912**	214,178,155
	₱3,172,179,162	₱2,758,409,061

**Excluding statutory payables amounting to ₱18.1 million and ₱21.9 million as at December 31, 2021 and 2020, 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)

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

	2021						
	USD	SGD	EUR	AUD	HKD	GBP	Total (PHP)
Financial Assets							
Cash and cash equivalents	$3,183,784	SGD–	€8,996	AUD42,198	HKD85,811	£1,017	₱165,068,659
Accrued investment income	663,354	–	–	20,232	–	–	34,575,049
Investment securities	48,040,203	297,312	281,151	1,896,845	2,313,431	143,721	2,572,063,187
Loans and receivables	2,381	–	–	–	–	–	121,420
	$51,889,722	SGD297,312	€290,147	AUD1,959,275	HKD2,399,242	£144,738	₱2,771,828,315
Financial Liabilities							
Accounts payable and accrued expenses	$19,337	SGD –	€–	AUD –	HKD –	£–	₱986,174
Insurance contract liabilities	1,296,587	–	–	–	–	–	66,124,644
Loans payable	–	128,123	–	–	–	–	4,811,633
Premium deposit fund	1,931	–	–	–	–	–	98,458
Other current liabilities	5,592	–	–	–	–	–	285,199
	$1,323,447	SGD128,123	€–	AUD –	HKD –	£–	₱72,306,108

	2020						
	USD	SGD	EUR	AUD	HKD	GBP	Total (PHP)
Financial Assets							
Cash and cash equivalents	$1,273,947	SGD–	€2,276	AUD197,624	HKD22,520	£–	₱68,644,689
Accrued investment income	721,650	–	–	13,629	–	–	35,151,847
Investment securities	53,886,995	149,081	215,516	1,809,944	2,955,645	111,170	2,697,245,494
Loans and receivables	9,197	–	–	–	–	–	441,678
	$55,891,789	SGD149,081	€217,792	AUD2,021,197	HKD2,978,165	£111,170	₱2,801,483,708
Financial Liabilities							
Accounts payable and accrued expenses	$24,828	SGD –	€–	AUD –	HKD –	£–	₱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 current liabilities	5,592	–	–	–	–	–	268,556
	$24,722,318	SGD –	€–	AUD –	HKD –	£–	₱92,108,931

For purposes of restating the outstanding balances of the Group's foreign currency-denominated financial assets and liabilities as at December 31, 2021 and 2020, the following exchange rates were applied:

	2021	2020
USD	**₱51.00**	₱48.02
SGD	**37.55**	36.12
EUR	**57.51**	58.69
AUD	**36.81**	36.40
HKD	**6.51**	6.19
GBP	**68.53**	64.62

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, 2021 and 2020:

	2021			2020		
	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	**3.64%**	**₱86,824,925**	**₱62,948,070**	-3.89%	(₱92,566,559)	(₱67,110,755)
	(3.64%)	**(86,824,925)**	**(62,948,070)**	3.89%	92,566,559	67,110,755
SGD	**4.31%**	**–**	**1,216,350**	-4.11%	–	(923,716)
	(4.31%)	**–**	**(1,216,350)**	4.11%	–	923,716
EUR	**6.42%**	**–**	**1,475,612**	-5.34%	–	(1,167,579)
	(6.42%)	**–**	**(1,475,612)**	5.34%	–	1,167,579
AUD	**5.38%**	**1,611,686**	**3,657,564**	-5.69%	(1,306,898)	(3,410,624)
	(5.38%)	**(1,611,686)**	**(3,657,564)**	5.69%	1,306,898	3,410,624
HKD	**3.53%**	**–**	**1,423,735**	-3.77%	–	(1,443,542)
	(3.53%)	**–**	**(1,423,735)**	3.77%	–	1,443,542
GBP	**5.09%**	**–**	**483,783**	5.09%	–	(960,905)
	(5.09%)	**–**	**(483,783)**	-5.09%	–	960,905

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.

	2021			
	Up to 1 year	**1-3 years**	**3-5 years**	**Over 5 years**
Financial assets at FVOCI	**₱757,742,278**	**₱253,352,944**	**₱197,763,011**	**₱1,064,528,190**
Financial assets at FVPL	**–**	**17,586,495**	**61,429,060**	**650,619,523**

	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

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, 2021 and 2020:

	2021		
	Change in Variable	**Impact on Income Before Tax**	**Impact on Equity**
USD	**5.3611%**	**₱7,029,285**	**₱166,391,684**
	(5.3611%)	**(7,029,285)**	**(166,391,684)**
AUD	**4.6667%**	**–**	**1,007,633**
	(4.6667%)	**–**	**(1,007,633)**

	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)

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 2021 and 2020, 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, 2021 and 2020:

	2021		
Market Indices	**Change in Stock Index**	**Impact on Income Before Tax**	**Impact on Equity**
Hang Seng Index (HSI)	**17.62%**	**₱–**	**₱491,957**
	(17.62%)	**–**	**(491,957)**
PSEi	**4.74%**	**1,554,309**	**2,103,626**
	(4.74%)	**(1,554,309)**	**(2,103,626)**
Financial Times Stock Exchange (FTSE)	**11.68%**	**–**	**258,360**
	(11.68%)	**–**	**(258,360)**
Standard and Poor's Index (SPX)	**1.18%**	**–**	**30,628**
	(1.18%)	**–**	**(30,628)**
FTSE Straits Times Index (FSSTI)	**2.63%**	**–**	**171,645**
	(2.63%)	**–**	**(171,645)**

	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)

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, 2021 and 2020 are as follows:

	2021	2020
Current assets:		
Cash and cash equivalents	**₱1,309,862,690**	₱972,303,861
Short-term investments	**11,880,219**	62,796,981
Insurance receivables	**36,080,607**	33,538,391
Investment securities	**1,223,738,800**	1,030,859,989
Loans receivables	**701,521,268**	657,054,314
Accrued income	**64,048,218**	72,813,698
Other current assets	**1,181,045**	5,175,452
	₱3,348,312,847	₱2,834,542,686
Current liabilities:		
Insurance contract liabilities	**₱2,264,602,663**	₱1,822,644,265
Policyholders' dividends payable	**130,592,414**	142,208,734
Premium deposit fund	**311,114,991**	322,498,519
Insurance payables	**85,776,580**	94,278,156
Loans payable	**4,811,634**	23,286,209
Accounts payable and accrued expenses	**161,286,692**	161,204,052
Income tax payable	**560,325**	3,658,568
Other liabilities	**232,132,912**	214,178,155
	₱3,190,878,211	₱2,783,956,658

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.

REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES

The Stockholders and Board of Directors
Beneficial Life Insurance Company, Inc. and Subsidiaries
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, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019 and have issued our report thereon dated April 7, 2022. 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.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782; Valid until April 13, 2024
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. 8851719
Issued January 3, 2022, Makati City

April 7, 2022
Makati City, Metro Manila

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BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying separate financial statements of Beneficial Life Insurance Company, Inc. (the Company), which comprise the separate statements of financial position as at December 31, 2021 and 2020, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (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 Separate Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to the audit of the separate financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate 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 Company to cease to continue as a going concern.

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

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

REYES TACANDONG & CO.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No. 107615
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Valid until July 2, 2022
PTR No. 8851719
Issued January 3, 2022, Makati City

April 7, 2022
Makati City, Metro Manila

BENEFICIAL LIFE INSURANCE COMPANY, INC.

SEPARATE STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2021	2020
ASSETS			
Cash and cash equivalents	4	**₱1,307,756,522**	₱970,320,403
Short-term investments	4	**11,880,219**	62,796,981
Insurance receivables	5	**36,080,607**	33,538,391
Investment securities	6	**6,024,903,376**	5,530,771,055
Loans receivables	7	**1,263,540,123**	1,444,508,037
Accrued investment income	6	**64,048,218**	71,357,112
Property and equipment:	9		
At revalued amount		**649,250,307**	647,715,036
At cost		**22,606,953**	24,239,772
Investments in subsidiaries	8	**–**	95,370,937
Other assets		**95,342,238**	84,809,940
		₱9,475,408,563	₱8,965,427,664
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities	10	**₱4,881,495,227**	₱4,912,423,179
Policyholders' dividends payable	11	**130,592,414**	142,208,734
Premium deposit fund	12	**311,114,991**	322,498,519
Insurance payables	13	**85,776,580**	94,278,156
Loans payable	14	**4,811,634**	–
Accounts payable and accrued expenses	15	**160,663,917**	159,151,158
Net retirement liability	23	**152,145,961**	138,996,571
Net deferred tax liabilities	24	**87,288,622**	90,917,944
Income tax liability		**560,325**	3,658,568
Other liabilities	16	**232,132,912**	214,178,155
		6,046,582,583	6,078,310,984
Equity			
Capital stock		**626,756,494**	626,756,494
Additional paid-in capital		**489,265,675**	489,265,675
Retained earnings:	17		
Appropriated		**90,010,323**	42,873,792
Unappropriated		**1,865,551,986**	1,670,455,107
Other comprehensive income		**357,241,502**	57,765,612
Total Equity		**3,428,825,980**	2,887,116,680
		₱9,475,408,563	₱8,965,427,664

See accompanying Notes to Separate Financial Statements.

BENEFICIAL LIFE INSURANCE COMPANY, INC.

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2021**	2020
REVENUES			
Gross premiums on insurance contracts	19	**₱1,761,212,819**	₱1,658,761,570
Reinsurer's share of gross premiums on insurance contracts	19	**(39,897,729)**	(15,258,231)
Net insurance premiums		**1,721,315,090**	1,643,503,339
Interest income	4	**291,368,441**	321,899,397
Dividend income	6	**32,216,489**	26,828,704
Net fair value gain on financial assets at fair value through profit or loss (FVPL)	6	**5,075,212**	13,760,921
Gain on sale of investment securities	6	**2,454,130**	7,357,288
Rental income	25	**1,170,930**	–
Other income		**87,929,501**	16,601,917
		2,141,529,793	2,029,951,566
BENEFITS, CLAIMS AND EXPENSES			
Net benefits and claims incurred on insurance contracts	20	**1,191,656,328**	783,857,598
Net change in legal policy reserves	20	**15,824,425**	208,594,487
Net insurance benefits and claims		**1,207,480,753**	992,452,085
General and administrative expenses	21	**496,146,641**	478,940,806
Commission and other direct expenses	22	**189,144,269**	222,059,291
Insurance taxes		**34,062,470**	31,268,931
Finance costs and charges	22	**22,198,233**	34,377,770
		1,949,032,366	1,759,098,883
INCOME BEFORE FOREIGN EXCHANGE CHANGES AND IMPAIRMENT LOSSES		**192,497,427**	270,852,683
NET FOREIGN EXCHANGE GAIN (LOSS)		**136,898,052**	(111,871,562)
PROVISION FOR IMPAIRMENT LOSSES			
Loans receivables	7	**65,403,023**	38,995,449
Investments in subsidiaries	8	**12,169,453**	–
Investment securities	6	**1,002,230**	10,880,621
		78,574,706	49,876,070
INCOME BEFORE INCOME TAX		**250,820,773**	109,105,051
INCOME TAX EXPENSE (BENEFIT)	24		
Current		**1,263,565**	5,922,306
Final		**23,201,226**	24,507,310
Deferred		**23,249,396**	(36,964,484)
		47,714,187	(6,534,868)
NET INCOME		**₱203,106,586**	₱115,639,919

(Forward)

		Years Ended December 31	
	Note	**2021**	2020
NET INCOME		**₱203,106,586**	₱115,639,919
OTHER COMPREHENSIVE INCOME (LOSS)			
Item 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	**(33,350,006)**	64,675,449
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on legal policy reserves	10	**324,661,380**	(481,778,294)
Remeasurement loss on retirement liability - net of deferred tax	23	**(10,355,674)**	(3,393,708)
Change in revaluation reserves on investment securities (equity instruments classified as financial assets at FVOCI)	6	**(2,266,495)**	7,273,532
		312,039,211	(477,898,470)
		278,689,205	(413,223,021)
TOTAL COMPREHENSIVE INCOME (LOSS)		**₱481,795,791**	(₱297,583,102)

See accompanying Notes to Separate Financial Statements.

BENEFICIAL LIFE INSURANCE COMPANY, INC.

SEPARATE STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31	
	Note	**2021**	2020
CAPITAL STOCK - ₱1 par value			
Authorized - 1,000,000,000 shares			
Issued and outstanding - 626,756,494 shares		**₱626,756,494**	₱626,756,494
ADDITIONAL PAID-IN CAPITAL		**489,265,675**	489,265,675
RETAINED EARNINGS			
Appropriation for Negative Legal Policy Reserves	17		
Balance at beginning of year		**42,873,792**	80,623,116
Appropriation for (reversal of) negative legal policy reserves		**47,136,531**	(37,749,324)
Balance at end of year		**90,010,323**	42,873,792
Unappropriated			
Balance at beginning of year		**1,670,455,107**	1,523,797,901
Net income		**203,106,586**	115,639,919
Reversal of (appropriation for) negative legal policy reserves	17	**(47,136,531)**	37,749,324
Transfer from revaluation reserves on investment securities	6	**35,347,300**	(10,511,561)
Transfer of revaluation surplus	9	**3,779,524**	3,779,524
Balance at end of year		**1,865,551,986**	1,670,455,107
		1,955,562,309	1,713,328,899
OTHER COMPREHENSIVE INCOME (LOSS)			
Revaluation Reserves on Investment Securities			
Balance at beginning of year		**(59,306,773)**	(131,255,754)
Change in revaluation reserves	6	**(35,616,501)**	71,948,981
Balance at end of year		**(94,923,274)**	(59,306,773)
Revaluation Surplus on Property and Equipment - Net of Deferred Tax	9		
Balance at beginning of year		**330,698,577**	333,344,244
Transfer of revaluation surplus		**(2,834,643)**	(2,645,667)
Effect of change in income tax rate		**23,621,328**	–
Balance at end of year		**351,485,262**	330,698,577

(Forward)

	Note	Years Ended December 31 2021	2020
Cumulative Remeasurement Gain (Loss) on Legal Policy Reserves	10		
Balance at beginning of year		**(₱201,662,671)**	₱280,115,623
Remeasurement gain (loss) on legal policy reserves		**324,661,380**	(481,778,294)
Balance at end of year		**122,998,709**	(201,662,671)
Cumulative Remeasurement Loss on Retirement Liability - Net of Deferred Tax	23		
Balance at beginning of year		**(11,963,521)**	(8,569,813)
Remeasurement loss on retirement liability		**(9,501,137)**	(3,393,708)
Effect of change in income tax rate		**(854,537)**	–
Balance at end of year		**(22,319,195)**	(11,963,521)
		357,241,502	57,765,612
		₱3,428,825,980	₱2,887,116,680

See accompanying Notes to Separate Financial Statements.

BENEFICIAL LIFE INSURANCE COMPANY, INC.

SEPARATE STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2021**	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱250,820,773**	₱109,105,051
Adjustments for:			
Interest income	4	**(291,368,441)**	(321,899,397)
Provision for impairment losses on:			
Loans receivables	7	**65,403,023**	38,995,449
Investments in subsidiaries	8	**12,169,453**	–
Investment securities	6	**1,002,230**	10,880,621
Gain on transfer of assets	8	**(60,532,986)**	–
Unrealized foreign exchange loss (gain)		**(43,903,825)**	99,621,598
Dividend income	6	**(32,216,489)**	(26,828,704)
Depreciation	21	**19,843,115**	22,684,704
Retirement benefits cost	23	**15,545,062**	23,078,622
Finance costs	22	**13,585,952**	26,873,618
Net fair value gain on financial assets at FVPL	6	**(5,075,212)**	(13,760,921)
Gain on sale of investment securities	6	**(2,454,130)**	(7,357,288)
Operating loss before working capital changes		**(57,181,475)**	(38,606,647)
Decrease (increase) in:			
Short-term investments		**50,916,762**	(2,296,981)
Insurance receivables		**(2,542,216)**	56,155,323
Loans receivables		**115,564,891**	234,996,012
Increase (decrease) in:			
Insurance contract liabilities		**293,733,428**	333,420,731
Policyholders’ dividends payable		**(11,616,320)**	8,777,919
Premium deposit fund		**(24,900,730)**	(10,432,815)
Insurance payables		**(8,501,576)**	3,299,549
Accounts payable and accrued expenses		**1,512,759**	29,580,112
Other liabilities		**18,008,316**	(441,848)
Net cash generated from operations		**374,993,839**	614,451,355
Income tax paid		**(27,563,034)**	(12,074,273)
Contributions to plan assets	23	**(12,000,000)**	(15,000,000)
Benefits paid	23	**(3,063,855)**	(7,243,901)
Interest paid		**(68,750)**	(1,111,736)
Net cash provided by operating activities		**332,298,200**	579,021,445

(Forward)

		Years Ended December 31	
	Note	**2021**	2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Investment securities	6	**(₱2,210,111,355)**	(₱3,817,451,516)
Property and equipment	9	**(19,745,567)**	(5,825,337)
Other assets		**(10,532,298)**	(4,621,234)
Proceeds from sale/maturities of investment securities	6	**1,910,598,424**	2,661,251,735
Interest received		**297,078,551**	309,766,130
Dividends received		**33,092,089**	26,336,077
Net cash provided by (used in) investing activities		**379,844**	(830,544,145)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan availments	14	**33,543,126**	625,104,201
Loan payments	14	**(28,731,492)**	(625,104,201)
Cash dividends paid	14	**(53,559)**	(49,606)
Net cash provided by (used in) financing activities		**4,758,075**	(49,606)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**337,436,119**	(251,572,306)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**970,320,403**	1,221,892,709
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**₱1,307,756,522**	₱970,320,403
NONCASH FINANCIAL INFORMATION			
Transfer of assets from a subsidiary	8	**₱143,734,470**	₱–

See accompanying Notes to Separate Financial Statements.

BENEFICIAL LIFE INSURANCE COMPANY, INC.
NOTES TO SEPARATE FINANCIAL STATEMENTS

1. Corporate Information

Beneficial Life Insurance Company, Inc. (the 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 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 Company shall have perpetual existence. The Company is also licensed to engage in the reinsurance business. The Company's Certificate of Authority issued by the Insurance Commission (IC) is valid until December 31, 2024.

The Company is 81%-owned by FMF Development Corporation (FMF or Parent Company), a holding 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 Company's registered office address is located at Beneficial Life Building, 166 Salcedo Street, Legaspi Village, Makati City.

The accompanying separate financial statements of the Company as at and for the years ended December 31, 2021 and 2020 were approved and authorized for issuance by the Board of Directors (BOD) on April 7, 2022.

2. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of the separate financial statements are consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation and Statement of Compliance

The separate financial statements of the Company 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 and adopted by the SEC, including SEC pronouncements.

The Company also prepares and issues consolidated financial statements in accordance with PFRS. In the consolidated financial statements, the undertakings of the subsidiaries have been fully consolidated. Users of these separate financial statements should refer to the consolidated financial statements as at and for the years ended December 31, 2021 and 2020 in order to obtain full information on the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company and its subsidiaries. The consolidated financial statements are available for public use and can be obtained at the Company's registered office address and the SEC.

Measurement Bases

The separate financial statements are presented in Philippine Peso (PHP), the Company's functional currency. All values represent absolute amounts unless otherwise stated.

The separate financial statements of the Company have been prepared on a historical cost basis, except for financial assets at FVPL and financial assets at fair value FVOCI 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 transaction date. The Company 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 separate 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 separate financial statements on a recurring basis, the Company 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 Company 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 9: Property and Equipment
- Note 27: 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 adoption of the following amended PFRS -

- Amendment to PFRS 16, *Leases - COVID-19-Related Rent Concessions beyond June 30, 2021* – In 2020, PFRS 16 was amended to provide practical expedient to lessees from applying the requirements on lease modifications 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, e.g., as a variable lease payment. This amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted, and covers eligible rent concessions until June 30, 2021.

  Due to continuing impact of the pandemic, another amendment to PFRS 16 was issued in 2021, which allows lessees to extend the application of the practical expedient regarding COVID-19-related rent concessions to reduction in lease payments that are due on or before June 30, 2022. The 2021 amendment is mandatory for entities that elected to apply the previous amendment.

The adoption of the amended PFRS did not materially affect the separate financial statements of the Company. Additional disclosures were included in the separate financial statements, as applicable.

<u>New and Amended PFRS Issued But Not Yet Effective</u>

Relevant new and amended PFRS, which are not yet effective as at December 31, 2021 and have not been applied in preparing the separate financial statements, are summarized below.

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

- 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 applied the amendments.

- Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Asset - 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 component of equity, as applicable. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

    - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include 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 amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendments. Earlier application is permitted.

    - Amendment to PFRS 16 - *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, *Presentation of Financial Statements - 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.

- Amendments to PAS 1 and PFRS Practice Statement 2 - *Making Materiality Judgement*, *Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2, *Making Materiality Judgements*, is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. 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 IC issued Circular Letter (CL) 2020-062, *Amendment of Section 1 of CL 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 separate financial statements of the Company. Additional disclosures will be included in the separate financial statements, as applicable.

Current and Noncurrent Classification

The Company presents assets and liabilities in the separate statements of financial position based on liquidity. The current portion is presented in Note 28.

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 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 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 12 months after the reporting period; or
- There is no unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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

Debt Instruments at FVOCI. Debt instruments 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 instruments measured at FVOCI are recognized directly in profit or loss. Changes in the fair value of these instruments 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 Company's investments in private and government debt securities which are denominated in foreign currencies are classified under this category.

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

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

The Company's investments in equity instruments which are irrevocably designated 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 instruments to be classified at amortized cost or at FVOCI, debt instruments 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 Company's investments in private debt securities which are held for trading and preferred equity instruments are classified under this category.

Impairment
The Company recognizes an allowance for expected credit losses (ECL) for all debt instruments 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 Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

The Company's financial assets at amortized cost and debt instruments 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company'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 Company could be required to repay.

Financial Liabilities

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

As at December 31, 2021 and 2020, the Company 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 Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

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

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 Company 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 separate 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 separate statements of financial position.

Insurance Contracts

Product Classification
Insurance contracts are defined as those contracts under which the Company (the insurer) accepts significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. 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 company, 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 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 separate statements of financial position. Amounts due to reinsurers representing their share in premiums are presented under "Insurance payables" account in the separate 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 Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is charged to profit or loss.

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

The Company also assumes reinsurance risk in the normal course of business for life insurance contracts. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. 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.

Investments in Subsidiaries

The Company's investments in subsidiaries are accounted for in the separate financial statements at cost less any impairment in value. Under the cost method, the Company recognizes income from the investment only to the extent that the Company receives distributions from accumulated profits of the subsidiaries after the date of acquisition. Distributions received in excess of such profits are regarded as a reduction of the cost of the investment.

A subsidiary is an entity in which the Company has control. The Company controls an investee if, and only if, the Company has:

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

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

An assessment of the carrying amount of the investments in subsidiaries is performed when there is an indication that these investments are impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investments and their recoverable amount. Impairment loss is recognized in profit or loss.

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 Company 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 Company'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 separate 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 and 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
Buildings 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.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further charge for depreciation is made in respect of those assets.

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 Company 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 Company’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 Company’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 Company 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 Company's right to receive the payment is established.

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

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.

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

Finance Costs and Charges. Finance costs and charges consist mainly of interest expense and bank charges incurred by the Company. 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.

Employee Benefits

Short-term Benefits. The Company 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 Company 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 Company 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 Company 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 Company nor can they be paid directly to the Company. 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 separate financial statements do not differ materially from the amounts that would be determined at the reporting date.

Income Taxes

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.

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.

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 net operating loss carryover (NOLCO) and 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 NOLCO and 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 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 appropriated and therefore is not available for any dividend declaration.

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

Leases

A contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company 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 Company 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 Company 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.

The Company as a Lessor. Leases where the Company does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Operating lease payments are recognized as revenue in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income.

The Company as a Lessee. At the commencement date, the Company recognizes ROU assets and lease liabilities 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 Company and its related parties, regardless whether a price is charged.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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 separate 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 separate 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 Company's separate financial position at the end of reporting year (adjusting events) are reflected in the separate financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to separate financial statements when material.

3. **Significant Judgments, Accounting Estimates and Assumptions**

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

Judgments

In the process of applying the Company'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 separate financial statements.

Identifying the Product Classification. The Company 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 Company 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 Company 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" test performed by the Company. The Company exercises judgment in determining the business model to be used in managing its financial instruments to achieve their business objectives.

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

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

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

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

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

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

Determining Control. Control is presumed to exist when an investor 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. The management has determined that the Company has control over its subsidiaries by virtue of its existing rights that give it the current ability to direct the relevant activities of its subsidiaries as evidenced by its majority ownership of voting rights and/or ability to direct its relevant activities.

Determining the Lease Commitments - Company as a Lessor. The Company has entered into lease agreements as a lessor on its properties. The Company has determined that it retains the significant risks and rewards of ownership of the leased properties. The leases are therefore accounted for as operating leases.

Rental income earned by the Company amounted to ₱1.2 million in 2021 (see Note 25).

Determining the Lease Commitments - Company as a Lessee. The Company has lease agreements for its branches and agency offices. The Company 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 Company 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 ₱9.0 million and ₱8.7 million in 2021 and 2020, respectively (see Note 25).

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 separate statements of financial position. The Company 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 ₱3,432.1 million and ₱3,740.9 million as at December 31, 2021 and 2020, respectively (see Note 10).

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 Company's experience and historical data. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in separate statements of comprehensive income of subsequent years.

The carrying amount of claims which are incurred but not reported and included under policy and contract claims amounted to ₱538.9 million and ₱251.5 million as at December 31, 2021 and 2020, respectively (see Note 10).

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

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

The carrying amounts and allowance for ECL of the Company's financial assets at amortized cost are as follows:

		2021		2020	
	Note	**Carrying Amount**	**Allowance for ECL**	Carrying Amount	Allowance for ECL
Cash and cash equivalents	4	**₱1,307,756,522**	**₱–**	₱970,320,403	₱–
Short-term investments	4	**11,880,219**	**–**	62,796,981	–
Insurance receivables	5	**36,080,607**	**–**	33,538,391	–
Investment securities:	6				
Financial assets at FVOCI - debt securities		**2,273,386,423**	**21,354,398**	2,003,366,001	17,197,364
Financial assets at amortized cost		**2,032,634,640**	**1,926,830**	2,178,857,109	5,081,634
Loans receivables	7	**1,263,540,123**	**176,625,274**	1,444,508,037	111,222,251
Accrued investment income	6	**64,048,218**	**–**	71,357,112	–

Estimating the Useful Lives of Property and Equipment. The useful life of each of the Company'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 Company's property and equipment at cost in 2021 and 2020. The carrying amount of property and equipment at cost amounted to ₱22.6 million and ₱24.2 million as at December 31, 2021 and 2020, respectively (see Note 9).

There were no changes in the estimated useful lives of the Company's property and equipment at revalued amounts in 2021 and 2020. The carrying amount of property and equipment at revalued amounts amounted to ₱649.3 million and ₱647.7 million as at December 31, 2021 and 2020, respectively (see Note 9).

Determining the Revalued Amount of Property and Equipment. The Company 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 carrying amount of property and equipment at revalued amounts amounted to ₱649.3 million and ₱647.7 million as at December 31, 2021 and 2020, respectively (see Note 9). Management believes that there are no significant differences between the fair value as at December 31, 2021 and 2020 and at valuation date.

Assessing the Impairment of Nonfinancial Assets. The Company 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 Company considers important which could trigger an impairment review include the following:

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

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds 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.

The Company recognized impairment loss on investments in subsidiaries amounting to ₱12.2 million in 2021 (see Note 8). No impairment loss was recognized in 2020. The carrying amounts of nonfinancial assets are as follows:

Asset Type	Note	2021	2020
Property and equipment:	9		
At revalued amounts		**₱649,250,307**	₱647,715,036
At cost		**22,606,953**	24,239,772
Other assets		**95,342,238**	84,809,940
Investments in subsidiaries	8	**–**	95,370,937

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 23 to the separate financial statements and include, among others, discount rate and salary increase rate. Actual results that differ from the Company'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 ₱152.1 million and ₱139.0 million as at December 31, 2021 and 2020, respectively (see Note 23).

Assessing the Realizability of Deferred Tax Assets. The Company's assessment of the recognition of deferred tax assets on deductible temporary differences is based on the Company'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 Company's recognized deferred tax assets amounted to ₱95.0 million and ₱128.6 million as at December 31, 2021 and 2020, respectively (see Note 24).

4. Cash, Cash Equivalents and Short-term Investments

Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand	**₱53,000**	₱53,000
Cash in banks	**1,120,497,086**	792,830,415
Short-term deposits	**187,206,436**	177,436,988
	₱1,307,756,522	₱970,320,403

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 cash requirements of the Company.

Short-term Investments

Short-term investments amounted to ₱11.9 million and ₱62.8 million as at December 31, 2021 and 2020, 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 0.25% to 3.00% and 0.875% to 2.75% in 2021 and 2020, respectively.

Interest Income

Interest income recognized in the separate statements of comprehensive income are as follows:

	Note	**2021**	2020
Cash and cash equivalents		**₱4,744,129**	₱11,490,596
Short-term investments		**1,547,837**	1,151,901
Investment securities:	6		
Financial assets at amortized cost		**94,565,220**	103,024,123
Financial assets at FVOCI		**65,247,340**	67,264,725
Financial assets at FVPL		**40,148,511**	30,337,665
Loans receivables	7	**85,115,404**	108,630,387
		₱291,368,441	₱321,899,397

5. Insurance Receivables

This account consists of:

	2021	2020
Premiums due and uncollected	**₱21,809,929**	₱16,042,360
Due from reinsurers	**14,270,678**	17,496,031
	₱36,080,607	₱33,538,391

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

Due from reinsurers pertain to claims recoverable from reinsurers. These receivables are due and demandable.

6. **Investment Securities**

Movements of this account are as follows:

	2021			
	Financial Assets			
	At FVPL	**At FVOCI**	**At Amortized Cost**	**Total**
Balance at beginning of year	**₱694,118,238**	**₱2,657,795,708**	**₱2,178,857,109**	**₱5,530,771,055**
Additions	**536,309,962**	**1,282,503,120**	**535,032,743**	**2,353,845,825**
Maturities and disposals	**(164,812,699)**	**(1,064,738,310)**	**(681,047,415)**	**(1,910,598,424)**
Fair value changes	**5,075,212**	**(44,922,094)**	**–**	**(39,846,882)**
Foreign exchange changes	**27,600,361**	**59,253,453**	**–**	**86,853,814**
Amortization	**(506,137)**	**4,591,922**	**(3,362,601)**	**723,184**
Reversal of impairment loss	**–**	**–**	**3,154,804**	**3,154,804**
Balance at end of year	**₱1,097,784,937**	**₱2,894,483,799**	**₱2,032,634,640**	**₱6,024,903,376**

	2020			
	Financial Assets			
	At FVPL	At FVOCI	At Amortized Cost	Total
Balance at beginning of year	₱455,672,987	₱2,270,565,226	₱1,697,414,811	₱4,423,653,024
Additions	709,545,100	1,210,973,291	1,896,933,125	3,817,451,516
Maturities and disposals	(459,335,857)	(789,490,771)	(1,412,425,107)	(2,661,251,735)
Fair value changes	13,760,921	67,192,310	–	80,953,231
Foreign exchange changes	(25,202,450)	(89,554,250)	–	(114,756,700)
Amortization	(322,463)	(11,890,098)	44,940	(12,167,621)
Provision for impairment loss	–	–	(3,110,660)	(3,110,660)
Balance at end of year	₱694,118,238	₱2,657,795,708	₱2,178,857,109	₱5,530,771,055

Financial Assets at FVPL

This account consists of:

	2021	2020
Private debt securities - foreign	**₱729,635,079**	₱694,118,238
Equity securities	**368,149,858**	–
	₱1,097,784,937	₱694,118,238

Private debt securities earn annual interest of 1.44% to 9.00% and 2.12% to 8.13% in 2021 and 2020, respectively. Interest income amounted to ₱40.1 million and ₱30.3 million in 2021 and 2020, respectively, net of amortization of premium or discount amounting to ₱0.5 million and ₱0.3 million in 2021 and 2020, respectively (see Note 4).

Equity securities pertain to preferred shares which are listed in the Philippine Stock Exchange Index. Dividend income earned on these financial assets at FVPL amounted to ₱5.4 million and ₱3.3 million in 2021 and 2020, respectively.

Financial Assets at FVOCI

This account consists of:

	2021	2020
Debt securities:		
Government - foreign	**₱1,390,789,643**	₱1,119,033,974
Private - foreign	**882,596,780**	884,332,027
	2,273,386,423	2,003,366,001
Equity securities - local and foreign	**621,097,376**	654,429,707
	₱2,894,483,799	₱2,657,795,708

Private and government debt securities earn annual interest of 1.05% to 8.38% in 2021 and 2020. Interest income amounted to ₱65.2 million and ₱67.3 million in 2021 and 2020, respectively, net of amortization of premium or discount amounting to ₱4.6 million and ₱11.9 million in 2021 and 2020, respectively (see Note 4).

Equity securities pertain to investments in shares listed in the Philippine Stock Exchange Index and other foreign stock exchange markets. Dividend income earned from financial assets at FVOCI amounted to ₱26.8 million and ₱23.6 million in 2021 and 2020, respectively.

Movements of revaluation reserves on investment securities are as follows:

	December 31, 2021		
	Fair Value Change	**12-month ECL**	**Total**
Balance at beginning of year	**(₱76,504,137)**	**₱17,197,364**	**(₱59,306,773)**
Change in revaluation reserves:			
Fair value changes	**(44,922,094)**	**–**	**(44,922,094)**
Foreign exchange changes	**42,949,989**	**–**	**42,949,989**
Transfer to retained earnings	**(35,347,300)**	**–**	**(35,347,300)**
Transfers to profit or loss:			
Gain on sale	**(2,454,130)**	**–**	**(2,454,130)**
Provision for impairment loss	**–**	**4,157,034**	**4,157,034**
	(39,773,535)	**4,157,034**	**(35,616,501)**
Balance at end of year	**(₱116,277,672)**	**₱21,354,398**	**(₱94,923,274)**

	December 31, 2020		
	Fair Value Change	12-month ECL	Total
Balance at beginning of year	(₱140,683,157)	₱9,427,403	(₱131,255,754)
Change in revaluation reserves:			
Fair value changes	67,192,310	–	67,192,310
Transfer to retained earnings	10,511,561	–	10,511,561
Foreign exchange changes	(6,167,563)	–	(6,167,563)
Transfers to profit or loss:			
Gain on sale	(7,357,288)	–	(7,357,288)
Provision for impairment loss	–	7,769,961	7,769,961
	64,179,020	7,769,961	71,948,981
Balance at end of year	(₱76,504,137)	₱17,197,364	(₱59,306,773)

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

	2021	2020
Balance at beginning of year	**(₱59,306,773)**	(₱131,255,754)
Items that will be reclassified to profit or loss	**(33,350,006)**	64,675,449
Items that will not be reclassified into profit or loss	**(2,266,495)**	7,273,532
Balance at end of year	**(₱94,923,274)**	(₱59,306,773)

Financial Assets at Amortized Cost

This account consists of:

	2021	2020
Private debt securities - local	**₱1,193,035,321**	₱1,413,688,967
Government debt securities - local	**841,526,149**	770,249,776
	2,034,561,470	2,183,938,743
Allowance for impairment loss (12-month ECL)	**1,926,830**	5,081,634
	₱2,032,634,640	₱2,178,857,109

Government and private debt securities earn annual interest of 0.80% to 13.00% and 2.50% to 5.13% in 2021 and 2020, respectively. Interest income amounted to ₱94.6 million and ₱103.0 million in 2021 and 2020, respectively, net of amortization of premium or discount amounting to ₱3.4 million and ₱44,940 in 2021 and 2020, respectively (see Note 4).

Movement of allowance for impairment loss on financial assets at amortized cost follows:

	2021	2020
Balance at beginning of year	**₱5,081,634**	₱1,970,974
Provision for (reversal of) impairment loss	**(3,154,804)**	3,110,660
Balance at end of year	**₱1,926,830**	₱5,081,634

Impairment Losses

Provision for (reversal of) impairment losses on investment securities recognized in the separate statements of comprehensive income follow:

	2021	2020
Financial assets at FVOCI	**₱4,157,034**	₱7,769,961
Financial assets at amortized cost	**(3,154,804)**	3,110,660
	₱1,002,230	₱10,880,621

Dividend Income

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

	2021	2020
Financial assets at FVOCI	**₱26,772,969**	₱23,578,145
Financial assets at FVPL	**5,443,520**	3,250,559
	₱32,216,489	₱26,828,704

Accrued Investment Income

This account consists of:

	2021	2020
Interest	**₱64,048,218**	₱70,481,512
Dividends	**–**	875,600
	₱64,048,218	₱71,357,112

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

7. Loans Receivables

This account consists of:

	Note	2021	2020
Salary loans		**₱1,049,317,599**	₱1,135,054,047
Mortgage and collateral loans:			
Related party	18	**103,125,000**	140,625,000
Third parties		**5,683,454**	5,837,168
Policy loans		**97,506,998**	99,393,059
Due from related parties	18	**94,532,101**	104,066,302
Agents' balances		**36,880,308**	33,390,036
Notes receivables		**7,769,336**	8,688,521
Others		**45,350,601**	28,676,155
		1,440,165,397	1,555,730,288
Less allowance for impairment loss		**176,625,274**	111,222,251
		₱1,263,540,123	₱1,444,508,037

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

		2021	
	12-month ECL	**Lifetime ECL**	**Total**
Balance at beginning of year	**₱11,447,334**	**₱99,774,917**	**₱111,222,251**
Provision for impairment loss	**65,403,023**	**–**	**65,403,023**
Transfer from 12-month ECL to lifetime ECL	**(8,843,510)**	**8,843,510**	**–**
Balance at end of year	**₱68,006,847**	**₱108,618,427**	**₱176,625,274**

		2020	
	12-month ECL	Lifetime ECL	Total
Balance at beginning of year	₱28,444,281	₱75,855,614	₱104,299,895
Provision for impairment loss	38,995,449	–	38,995,449
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	₱11,447,334	₱99,774,917	₱111,222,251

Composition of allowance for impairment loss are as follows:

	Note	**2021**	2020
Salary loans		**₱112,561,299**	₱102,561,299
Due from related parties	18	**55,403,023**	–
Agents' balances		**4,999,651**	4,999,651
Notes receivables		**2,860,226**	2,860,226
Others		**801,075**	801,075
		₱176,625,274	₱111,222,251

Salary loans consist of loans granted to the employees and teachers of the Department of Education (DepEd). The 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 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 loans receivables recognized in the separate statements of comprehensive income follows (see Note 4):

	Note	**2021**	2020
Salary loans		**₱68,775,908**	₱79,605,010
Policy loans		**6,014,197**	14,615,875
Mortgage and collateral loans:			
Related party	18	**5,944,777**	9,682,962
Third parties		**45,566**	46,216
Due from related parties	18	**709,589**	1,143,999
Agents' balances		**332,539**	941,260
Notes receivables		**909,923**	801,385
Others		**2,382,905**	1,793,680
		₱85,115,404	₱108,630,387

8. Investments in Subsidiaries

The Company's investments in subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Nature of Business	Effective Percentage of Ownership	Cost 2021	Cost 2020
Beneficial Financial Advisors, Inc. (BFAI)	Philippines	Consultancy and leasing	100%	**₱12,169,453**	₱12,169,453
Solana Investment Holdings Corporation (SIHC)	British Virgin Islands	Investment	100%	**–**	83,201,484
				12,169,453	95,370,937
Less allowance for impairment loss				**12,169,453**	–
				₱–	₱95,370,937

BFAI
The principal office of BFAI is located at 3rd floor, Beneficial Life Building, 166 Salcedo Street, Legaspi Village, Makati City.

In 2021, the BOD and stockholders of BFAI approved a resolution on the cessation of BFAI's business operations effective December 15, 2021. The Company recognized impairment loss on its investment in BFAI amounting to ₱12.2 million because the management has assessed that the investment is no longer recoverable. Moreover, the Company has outstanding receivables from BFAI recorded as part of "Due from related parties" under "Loans receivables" account in the separate statements of financial position amounting to ₱55.4 million, for which full impairment loss is also recognized in 2021 (see Note 18).

SIHC
The principal office of SIHC is located at Columbus Center, 2nd floor, Suite 210, Road Town, Tortola VG1110, British Virgin Islands.

In 2021, the BOD approved the dissolution of SIHC and authorized the transfer of all its assets amounting to ₱143.7 million to the Company, resulting to a gain of ₱60.5 million recorded as part of "Other income" in the separate statements of comprehensive income.

The financial information of the Company's subsidiaries is as follows:

	2021	2020
BFAI		
Total assets	**₱2,106,168**	₱6,829,379
Total liabilities	**2,724,834**	59,050,049
Revenue	**61,634,109**	5,590,961
Net income	**51,602,004**	319,970
SIHC		
Total assets	**–**	152,920,935
Total liabilities	**–**	23,428,837
Revenue	**–**	6,485,332
Net income	**–**	5,192,798

9. Property and Equipment

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

		2021			
	Note	**Land**	**Buildings**	**Office Condominium**	**Total**
Revalued amounts					
Balance at beginning of year		**₱535,237,999**	**₱376,268,089**	**₱49,709,031**	**₱961,215,119**
Additions		**–**	**8,546,813**	**–**	**8,546,813**
Balance at end of year		**535,237,999**	**384,814,902**	**49,709,031**	**969,761,932**
Accumulated Depreciation					
Balance at beginning of year		**–**	**286,022,469**	**27,477,614**	**313,500,083**
Depreciation	21	**–**	**6,044,958**	**966,584**	**7,011,542**
Balance at end of year		**–**	**292,067,427**	**28,444,198**	**320,511,625**
Carrying Amount		**₱535,237,999**	**₱92,747,475**	**₱21,264,833**	**₱649,250,307**

		2020			
	Note	Land	Buildings	Office Condominium	Total
Revalued amounts					
Balance at beginning and end of year		₱535,237,999	₱376,268,089	₱49,709,031	₱961,215,119
Accumulated Depreciation					
Balance at beginning of year		–	280,149,089	26,511,030	306,660,119
Depreciation	21	–	5,873,380	966,584	6,839,964
Balance at end of year		–	286,022,469	27,477,614	313,500,083
Carrying Amount		₱535,237,999	₱90,245,620	₱22,231,417	₱647,715,036

The latest independent property valuation of land, building and office condominium was on February 3, 2020. Management believes that there are no significant differences between the fair value as at December 31, 2021 and 2020 and at valuation date.

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

Description of the 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

(Forward)

Location	Valuation techniques	Unobservable inputs used	Range (weighted average)
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 Company's property and equipment are as follows:

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

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

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

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

	2021			
	Land	**Buildings**	**Office Condominium**	**Total**
Cost	**₱95,963,907**	**₱140,860,787**	**₱42,323,078**	**₱279,147,772**
Accumulated depreciation	**–**	**(74,082,341)**	**(24,462,140)**	**(98,544,481)**
Carrying amount	**₱95,963,907**	**₱66,778,446**	**₱17,860,938**	**₱180,603,291**

	2020			
	Land	Buildings	Office Condominium	Total
Cost	₱95,963,907	₱132,313,974	₱42,323,078	₱270,600,959
Accumulated depreciation	–	(70,949,014)	(24,363,449)	(95,312,463)
Carrying amount	₱95,963,907	₱61,364,960	₱17,959,629	₱175,288,496

Transfer of revaluation surplus on property and equipment, net of deferred tax, amounted to ₱2.8 million and ₱2.6 million in 2021 and 2020, respectively.

Depreciation expense on property and equipment charged to operations amounted to ₱19.8 million and ₱22.7 million in 2021 and 2020, respectively (see Note 21).

The Company entered into a property management agreement with BFAI covering a portion of the Company's office building. The agreement specifies that BFAI shall be responsible for administration and supervision of the property. In return, BFAI is entitled to a professional fee equivalent to the rental value of all vacant spaces designated. Hence, BFAI can lease out such vacant spaces to third parties in its own name to compensate itself for the services it will render to the Company. The portion of the Company's office building covered by this agreement is considered insignificant in relation to the portion occupied by the Company, hence, the entire office building is accounted for as property and equipment. In 2021, all existing lease agreements with third parties were transferred to the Company due to the approval of cessation of BFAI's business operations effective December 31, 2021 (see Note 25).

Movements of revaluation surplus recognized in equity are as follows:

	2021		
	Cumulative Revaluation Surplus	**Deferred Tax** (see Note 24)	**Net**
Balance at beginning of year	**₱472,426,540**	**(₱141,727,963)**	**₱330,698,577**
Transfer to retained earnings	**(3,779,524)**	**944,881**	**(2,834,643)**
Effect of change in income tax rate	**–**	**23,621,328**	**23,621,328**
Balance at end of year	**₱468,647,016**	**(₱117,161,754)**	**₱351,485,262**

	2020		
	Cumulative Revaluation Surplus	Deferred Tax (see Note 24)	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

Movements of property and equipment at cost are as follows:

		2021		
	Note	**Transportation Equipment**	**Office Furniture and Equipment**	**Total**
Cost				
Balance at beginning of year		**₱66,211,003**	**₱93,230,459**	**₱159,441,462**
Additions		**6,143,645**	**5,055,109**	**11,198,754**
Balance at end of year		**72,354,648**	**98,285,568**	**170,640,216**
Accumulated Depreciation				
Balance at beginning of year		**55,367,786**	**79,833,904**	**135,201,690**
Depreciation	21	**5,341,343**	**7,490,230**	**12,831,573**
Balance at end of year		**60,709,129**	**87,324,134**	**148,033,263**
Carrying Amount		**₱11,645,519**	**₱10,961,434**	**₱22,606,953**

	Note	2020 Transportation Equipment	2020 Office Furniture and Equipment	2020 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	21	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

There are no temporary idle property and equipment, nor are there property and equipment items pledged as security for loans payable and other obligations.

The Company has fully depreciated property and equipment that are still in use with cost amounting to ₱129.3 million and ₱94.7 million as at December 31, 2021 and 2020, respectively.

10. Insurance Contract Liabilities

This account consists of:

	2021	2020
Legal policy reserves for:		
Ordinary life policies	**₱2,585,701,710**	₱3,055,874,852
Group life policies	**815,165,038**	651,115,642
Accident and health riders	**31,190,853**	33,904,062
	3,432,057,601	3,740,894,556
Policy and contract claims:		
Claims payable	**1,223,787,846**	990,876,723
Maturities and surrenders payable	**225,649,780**	180,651,900
	1,449,437,626	1,171,528,623
	₱4,881,495,227	₱4,912,423,179

Claims payable include provision for claims incurred but not yet reported amounting to ₱538.9 million and ₱251.5 million as at December 31, 2021 and 2020, respectively.

Movements in legal policy reserves are as follows:

	Note	**2021**	2020
Balance at beginning of year		**₱3,740,894,556**	₱3,050,521,775
Recognized in:			
Profit or loss	20	**15,824,425**	208,594,487
Other comprehensive income		**(324,661,380)**	481,778,294
Balance at end of year		**₱3,432,057,601**	₱3,740,894,556

Movement of cumulative remeasurement gain (loss) on legal policy reserves follows:

	2021	2020
Balance at beginning of year	**(₱201,662,671)**	₱280,115,623
Remeasurement gain (loss) due to changes in discount rates	**324,661,380**	(481,778,294)
Balance at end of year	**₱122,998,709**	(₱201,662,671)

In compliance with the IC CL No. 2017-30, the Company 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 ₱90.0 million and ₱42.9 million as at December 31, 2021 and 2020, respectively (see Note 17).

Movements in policy and contract claims are as follows:

	Note	**2021**	2020
Balance at beginning of year		**₱1,171,528,623**	₱1,046,702,379
Benefits and claims	20	**1,191,656,328**	783,857,598
Payments		**(913,747,325)**	(659,031,354)
Balance at end of year		**₱1,449,437,626**	₱1,171,528,623

11. **Policyholders' Dividends Payable**

Policyholders' dividends pertain to returns of policyholders through participation in the income of the Company, which is subject to the discretion of the Company.

Movements in policyholders' dividends payable are as follows:

	2021	2020
Balance at beginning of year	**₱142,208,734**	₱133,430,815
Dividends declared	**397,609**	16,347,765
Payments	**(12,013,929)**	(7,569,846)
Balance at end of year	**₱130,592,414**	₱142,208,734

12. **Premium Deposit Fund**

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

Premium deposit fund amounted to ₱311.1 million and ₱322.5 million as at December 31, 2021 and 2020, respectively. Interest expense amounted to ₱13.5 million and ₱25.8 million in 2021 and 2020, respectively (see Note 22).

13. Insurance Payables

Insurance payables pertain to amounts due to reinsurers arising from premiums ceded under the reinsurance contracts which are payable within 90 days. The movements in this account are as follows:

	Note	2021	2020
Balance at beginning of year		**₱94,278,156**	₱90,978,607
Premiums ceded	19	**39,897,729**	15,258,231
Payments		**(48,399,305)**	(11,958,682)
Balance at end of year		**₱85,776,580**	₱94,278,156

14. Loans Payable

Loans payable pertain to the credit line facility established by the Company with a foreign bank. The maximum loan amount under the agreement is SGD0.1 million and US$7.0 million and bears interest rate of 1.42% to 1.55% and 1.20% to 1.98% per annum in 2021 and 2020, respectively. The loans are payable on a monthly basis. The credit facility is used to advance the funds needed by the Company in the acquisition of foreign investments.

Outstanding loans payable amounted to ₱4.8 million as at December 31, 2021. Interest expense amounted to ₱68,750 and ₱1.1 million in 2021 and 2020, respectively (see Note 22).

The changes in liabilities arising from financing activities as at December 31, 2021 and 2020 are as follows:

	2021		
	Loans Payable	**Dividends Payable** (see Note 16)	**Total**
Balance at beginning of year	**₱–**	**₱73,812,692**	**₱73,812,692**
Changes from financing cash flows:			
Loan availments	**33,543,126**	**–**	**33,543,126**
Loan payments	**(28,731,492)**	**–**	**(28,731,492)**
Dividends paid	**–**	**(53,559)**	**(53,559)**
Balance at end of year	**₱4,811,634**	**₱73,759,133**	**₱78,570,767**

	2020		
	Loans Payable	Dividends Payable (see Note 16)	Total
Balance at beginning of year	₱–	₱73,862,298	₱73,862,298
Changes from financing cash flows:			
Loan availments	625,104,201	–	625,104,201
Loan payments	(625,104,201)	–	(625,104,201)
Dividends paid	–	(49,606)	(49,606)
Balance at end of year	₱–	₱73,812,692	₱73,812,692

15. Accounts Payable and Accrued Expenses

This account consists of:

	2021	2020
Accounts payable	**₱121,551,211**	₱94,752,975
Accrued expenses	**20,982,627**	43,638,701
Statutory payables	**18,130,079**	20,759,482
	₱160,663,917	₱159,151,158

Accounts payable pertain to unpaid service fees and Company's share in social security system (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 payables consist of withholding taxes, premium tax and documentary stamps tax that are payable on the next reporting period.

16. Other Liabilities

This account consists of:

	Note	**2021**	2020
Life insurance deposits		**₱128,543,575**	₱109,583,857
Dividends payable	14	**73,759,133**	73,812,692
Agents' fund		**28,190,403**	29,325,958
Others		**1,639,801**	1,455,648
		₱232,132,912	₱214,178,155

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

Dividends payable include amounts payable to Company's stockholders for their share in the Company's earnings.

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

17. 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.

The Company's unappropriated retained earnings amounting to ₱1,865.6 million and ₱1,670.5 million as at December 31, 2021 and 2020, respectively, is in excess of its paid-up capital. The retention of excess retained earnings is mainly due to the compliance requirements of IC for minimum statutory net worth. Moreover, the Company intends to use the excess retained earnings for future stock dividends and 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 value of gross premiums exceeds the present value of benefits and expenses.

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

	2021	2020
Balance at beginning of year	**₱42,873,792**	₱80,623,116
Appropriation (reversal)	**47,136,531**	(37,749,324)
Balance at end of year	**₱90,010,323**	₱42,873,792

18. Related Party Transactions

The table below summarizes the Company's transactions and outstanding balances with its related parties.

		Transactions During the Year		Balance at End of Year			Terms and
	Note	**2021**	2020	**2021**	2020	Nature	Conditions
Due from related parties	7						
Subsidiary - BFAI		**₱365,299**	₱5,756,588	**₱55,403,023**	₱55,037,724	Advances for working capital purposes	Non-interest bearing, unsecured, payable in cash, fully impaired
		2,514,542	1,707,724	**–**	–	Consultancy fees	Non-interest bearing, unsecured, payable in cash
Entity under common control		**(10,000,000)**	–	**16,162,424**	26,162,424	Advances for working capital purposes	2-5 years, 4%-7% interest, payable annually, unsecured, no impairment, payable in cash
Key management personnel		**100,500**	–	**22,966,654**	22,866,154	Advances to officers	Non-interest bearing, unsecured, no impairment, payable in cash
		(7,019,659)	7,464,312	**94,532,101**	104,066,302		
Allowance for impairment loss		**(55,403,023)**	–	**(55,403,023)**	–		
				₱39,129,078	₱104,066,302		
Accrued investment income							
Entity under common control		**₱709,589**	₱1,143,999	**₱45,370**	₱–	Interest income	Due and demandable
Mortgage loan receivable	7						
Entity under common control		**(₱37,500,000)**	(₱9,375,000)	**₱103,125,000**	₱140,625,000	Mortgage loan	7% interest, payable in 6 years, no impairment, payable in cash
		5,944,777	9,682,962	**1,257,277**	1,714,469	Interest income	Due and demandable
				₱104,382,277	₱142,339,469		

Compensation of Key Management Personnel

The compensation of key management personnel are as follows:

	2021	2020
Salaries and other employee benefits	**₱44,640,410**	₱41,589,485
Retirement expense	**9,061,966**	4,834,830
	₱53,702,376	₱46,424,315

19. **Net Insurance Premiums**

The gross premiums on insurance contracts consist of:

	2021	2020
Direct:		
Group life insurance	**₱1,327,926,294**	₱1,195,596,581
Ordinary life insurance	**332,133,091**	306,054,917
Accident and health	**22,281,618**	21,855,290
	1,682,341,003	1,523,506,788
Assumed -		
Group life insurance	**78,871,816**	135,254,782
	₱1,761,212,819	₱1,658,761,570

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

	2021	2020
Group life insurance	**₱39,391,990**	₱14,745,003
Ordinary life insurance	**399,573**	410,758
Accident and health	**106,166**	102,470
	₱39,897,729	₱15,258,231

20. **Net Insurance Benefits and Claims**

Net benefits and claims incurred on insurance contracts consist of:

	2021	2020
Claims	**₱998,733,622**	₱511,497,745
Maturities and surrenders	**208,634,769**	272,933,159
Experience refunds	**9,308,292**	34,074,689
Gross benefits and claims	**1,216,676,683**	818,505,593
Reinsurers' share	**(25,020,355)**	(34,647,995)
	₱1,191,656,328	₱783,857,598

Net change in legal policy reserves consists of:

	2021		
	Gross Change in Legal Policy Reserves	**Reinsurers' Share of Change in Legal Policy Reserves**	**Net** (see Note 10)
Ordinary life insurance	**(₱148,750,744)**	**₱–**	**(₱148,750,744)**
Group life insurance	**164,510,916**	**(461,520)**	**164,049,396**
Accident and health	**525,773**	**–**	**525,773**
	₱16,285,945	**(₱461,520)**	**₱15,824,425**

	2020		
	Gross Change in Legal Policy Reserves	Reinsurers' Share of Change in Legal Policy Reserves	Net (see Note 10)
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

21. General and Administrative Expenses

This account consists of:

	Note	**2021**	2020
Service fees		**₱203,170,030**	₱177,605,077
Personnel costs		**127,775,183**	139,496,292
Agency expenses	25	**62,671,133**	55,172,824
Professional fees		**20,300,937**	16,984,799
Depreciation	9	**19,843,115**	22,684,704
Outside services		**14,856,516**	12,302,424
Taxes and licenses		**10,783,354**	9,897,124
Utilities		**7,538,670**	6,837,880
Advertising and promotions		**6,945,011**	11,756,392
Supplies		**5,606,615**	6,089,637
Conferences and meetings		**4,304,869**	5,666,432
Repairs and maintenance		**1,874,595**	3,064,272
Insurance		**1,267,443**	1,357,004
Association dues and fees		**714,024**	1,259,830
Transportation and travel		**438,765**	1,709,339
Trainings and seminars		**124,893**	187,353
Representation and entertainment		**–**	1,384,650
Others		**7,931,488**	5,484,773
		₱496,146,641	₱478,940,806

Personnel costs consist of:

	Note	**2021**	2020
Salaries and wages		**₱90,864,454**	₱92,521,192
Retirement benefits cost	23	**15,545,062**	23,078,622
Other employee benefits		**21,365,667**	23,896,478
		₱127,775,183	₱139,496,292

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

Agency expenses include rent, utilities and other expenses incurred for branch and agency operations. Rent expense amounted to ₱9.0 million and ₱8.7 million in 2021 and 2020, respectively (see Note 25).

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

Commissions and Other Direct Expenses

This account consists of:

	2021	2020
Commissions:		
Group	**₱109,330,269**	₱130,958,701
First year	**30,943,987**	34,776,173
Reinsurance	**9,691,614**	20,385,690
Renewal	**3,909,816**	4,353,673
Direct taxes	**35,268,583**	31,585,054
	₱189,144,269	₱222,059,291

Finance Costs and Charges

This account consists of:

	Note	**2021**	2020
Interest expense on:			
Premium deposit fund	12	**₱13,517,202**	₱25,761,882
Loans payable	14	**68,750**	1,111,736
		13,585,952	26,873,618
Bank charges and other service fees		**8,612,281**	7,504,152
		₱22,198,233	₱34,377,770

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

23. Retirement Liability

The Company 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, 2021.

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

	2021	2020
Current service cost	**₱10,957,898**	₱20,449,706
Net interest expense	**4,587,164**	2,628,916
	₱15,545,062	₱23,078,622

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

	2021	2020
Present value of defined benefit obligation	**₱262,044,645**	₱235,893,475
Fair value of plan assets	**(109,898,684)**	(96,896,904)
	₱152,145,961	₱138,996,571

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

	2021	2020
Balance at beginning of year	**₱138,996,571**	₱133,313,696
Current service cost	**10,957,898**	20,449,706
Net interest expense	**4,587,164**	2,628,916
Net remeasurement loss	**12,668,183**	4,848,154
Actual contributions	**(12,000,000)**	(15,000,000)
Benefits paid out of Company fund	**(3,063,855)**	(7,243,901)
Balance at end of year	**₱152,145,961**	₱138,996,571

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

	2021	2020
Balance at beginning of year	**₱235,893,475**	₱210,076,985
Current service cost	**10,957,898**	20,449,706
Interest cost	**8,244,322**	5,169,953
Remeasurement loss (gain) due to:		
Experience adjustments	**15,079,168**	(11,175,063)
Changes in financial assumptions	**(5,066,363)**	18,615,795
Benefits paid out of Company fund	**(3,063,855)**	(7,243,901)
Balance at end of year	**₱262,044,645**	₱235,893,475

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

	2021	2020
Balance at beginning of year	**₱96,896,904**	₱76,763,289
Actual contributions	**12,000,000**	15,000,000
Interest income	**3,657,158**	2,541,037
Remeasurement gain (loss)	**(2,655,378)**	2,592,578
Balance at end of year	**₱109,898,684**	₱96,896,904

The Company expects to contribute ₱34.9 million to the plan assets in the next reporting period.

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

	2021	2020
Government securities	**88%**	66%
Corporate bonds, trust funds and mutual funds	**12%**	34%

The plan exposes the Company to the following risks:

- Salary Risk - any increase in the retirement plan participants' salary will increase the retirement plan's liability
- Longevity 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 on net retirement liability recognized in other comprehensive income is as follows:

	2021		
	Cumulative Remeasurement Loss	**Deferred Tax** (see Note 24)	**Net**
Balance at beginning of year	**₱17,090,744**	**(₱5,127,223)**	**₱11,963,521**
Remeasurement loss	**12,668,183**	**(3,167,046)**	**9,501,137**
Effect of change in income tax rate	**–**	**854,537**	**854,537**
Balance at end of year	**₱29,758,927**	**(₱7,439,732)**	**₱22,319,195**

	2020		
	Cumulative Remeasurement Loss	Deferred Tax (see Note 24)	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

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

	2021	2020
Discount rate	**4.89%**	3.59%
Salary increase rate	**6.00%**	6.00%

The sensitivity analysis of the retirement liability as at December 31, 2021 to changes in assumptions follows:

	Change in variable	Present value of defined benefit obligation
Discount rate	5.89%	₱245,410,350
	3.89%	280,897,998
Salary increase rate	7.00%	281,207,769
	5.00%	244,381,097

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 as at December 31, 2021 follow:

Period	Amount
Less than 1 year	₱15,030,755
1 year to less than 5 years	211,753,711
5 years to less than 10 years	68,948,478
10 years to less than 15 years	94,902,705
15 years to less than 20 years	119,589,643
20 years and above	201,252,262

The average duration of the expected benefit payments at the end of the reporting period is 13.44 years.

24. Income Tax

The current income tax expense represents MCIT in 2021 and 2020. The components of net deferred liabilities presented in separate statements of financial position are as follows:

	2021	2020
Deferred tax assets:		
Net retirement liability	**₱38,036,491**	₱41,698,971
Provision for impairment of loans and notes	**30,305,563**	33,366,675
Unrealized foreign exchange loss	**13,497,604**	51,366,516
NOLCO	**9,425,991**	–
Excess MCIT over RCIT	**3,753,982**	2,178,427
	95,019,631	128,610,589
Deferred tax liabilities:		
Revaluation surplus	**117,161,754**	141,727,963
Accrued interest using effective interest rate	**62,731,128**	74,902,125
Others	**2,415,371**	2,898,445
	182,308,253	219,528,533
Net deferred tax liabilities	**₱87,288,622**	₱90,917,944

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

	Note	2021	2020
Revaluation surplus	9	**₱117,161,754**	₱141,727,963
Cumulative remeasurement loss on net retirement liability	23	**(7,439,732)**	(5,127,223)
		₱109,722,022	₱136,600,740

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

	2021	2020
Through profit or loss	**(₱22,433,400)**	(₱45,682,796)
Through other comprehensive income	**109,722,022**	136,600,740
	₱87,288,622	₱90,917,944

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

	2021	2020
Income tax expense at statutory income tax rate (25% in 2021 and 30% in 2020)	**₱62,705,193**	₱32,731,515
Effect of change in income tax rate	**6,938,738**	–
Tax effects of:		
Nondeductible expenses	**16,599,427**	4,625,856
Interest and dividend income subjected to lower tax rates	**(5,708,587)**	(12,247,559)
Income exempt from tax	**(5,373,498)**	(4,538,787)
Nontaxable income	**(2,541,686)**	(5,625,856)
Others	**(24,905,400)**	(21,480,037)
	₱47,714,187	(₱6,534,868)

Others pertain to unrealized foreign exchange loss in 2020 realized in 2021 on long-term bonds.

Details of the Company's MCIT which can be claimed as tax credit against future income tax due are as follows:

Year Incurred	Beginning Balance	Incurred	Expired	Impact of change in tax rate	Ending Balance	Expiry Date
2021	₱–	₱2,744,141	₱–	₱–	₱2,744,141	2024
2020	2,178,427	–	–	(1,168,586)	1,009,841	2023
	₱2,178,427	₱2,744,141	₱–	(₱1,168,586)	₱3,753,982	

Under the Republic Act No. 11494, also known as "Bayanihan to Recover as One Act" and Revenue Regulation No. 25-2020, the Company is allowed to carry-over its operating losses incurred for taxable years 2020 and 2021 for the next five (5) years immediately following the year of such loss. Consequently, NOLCO incurred in 2021 amounting to ₱37.7 million can be claimed as deduction from future taxable profit until 2026.

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 RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets and total amount of taxable income. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates retrospectively became effective beginning July 1, 2020.

The income tax rates used in preparing the financial statements as at and for the year ended December 31, 2021 are the transitional income tax rates of 25% and 1% for RCIT and MCIT, respectively.

The effect of the reduction in tax rates in 2020 was recognized as part of the 2021 income tax expense, as required by PAS 12, *Income Taxes*. Details of adjustments are as follows:

	Current	Deferred	Final	Total
Income tax expense	₱2,744,141	₱14,830,082	₱23,201,226	₱40,775,449
Effect of change in income tax rate	(1,480,576)	8,419,314	–	6,938,738
Adjusted income tax expense	₱1,263,565	₱23,249,396	₱23,201,226	₱47,714,187

25. **Commitments and Contingencies**

Company as a Lessor

As discussed in Note 8 to the financial statements, the BOD of BFAI approved a resolution approving the cessation of BFAI's business operations effective December 15, 2021, and shorten BFAI's term of existence until June 2023. In December 2021, all existing lease agreements with third parties were transferred to the Company. Accordingly, all rental payments will be received by the Company following the cessation of BFAI's business operations.

Rental income recognized amounted to ₱1.2 million in 2021.

Company as a Lessee

The Company 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 3% to 10%. Rent expense included under "Agency fees" in "General and administrative expenses" account in the separate statements of comprehensive income amounted to ₱9.0 million and ₱8.7 million in 2021 and 2020, respectively
(see Note 21). The Company assessed that these lease agreements qualify as leases of low value assets or short-term leases.

Future minimum lease payments under non-cancellable operating leases as at December 31, 2021 and 2020 are as follows:

	2021	2020
Within one (1) year	**₱9,155,634**	₱8,570,538
After one (1) year but not more than five (5) years	**4,088,490**	2,373,374
	₱13,244,124	₱10,943,912

26. Capital Management and Regulatory Framework

Capital Management Framework

It is the 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 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 Company assesses its capital adequacy annually by adopting an internal capital measurement framework that reflects the regulatory capital definitions and the Company's view of its exposure to risk. In 2021 and 2020, the Company has complied with all imposed capital requirements. In any event that the capital adequacy assessment falls below the minimum standard set, it is the 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 Company is satisfactorily managing affairs for the policyholders' benefit. At the same time, the regulators are also interested in ensuring that the 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 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 and 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 the Republic Act No. 10607 to be known as "The Insurance Code" 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:

Required 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 supersedes the 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 as at December 31, 2021 and 2020 are as follows:

	2021	2020
Cash and cash equivalents	**₱9,420,636**	₱3,074,795
Insurance receivables	**3,383,813**	3,577,725
Financial assets at FVPL	**297,701,308**	663,956,182
Financial assets at FVOCI	**507,584,691**	833,314,570
Financial assets at amortized cost	**–**	1,158,947
Loans and receivables	**308,211,366**	226,608,002
Accrued investment income	**9,069,255**	19,513,562
Property and equipment	**17,204,385**	20,072,383
Investment in subsidiaries	**–**	95,370,937
Other assets	**85,950,237**	75,417,940
	₱1,238,525,691	₱1,942,065,043

As at December 31, 2021 and 2020, the Company's net worth and its excess over the requirement are as follows:

	2021	2020
Total assets	**₱9,475,408,563**	₱8,965,427,664
Total liabilities	**6,046,582,583**	6,078,310,984
Equity	**3,428,825,980**	2,887,116,680
Less: Non-admitted assets	**1,238,525,691**	1,942,065,043
Net worth	**2,190,300,289**	945,051,637
Less: Net worth requirement	**900,000,000**	900,000,000
Excess over net worth requirement	**₱1,290,300,289**	₱45,051,637

As at December 31, 2021 and 2020, the 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 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 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 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 RBC2 Framework and shall include asset default risk, insurance pricing risk, interest rate risk and general business risk.

The following table shows how the RBC ratio as at December 31, 2021 and 2020 was determined by the Company based on its internal calculations:

	2021	2020
Tier 1	**₱2,981,632,178**	₱2,775,354,130
Tier 2	**452,164,777**	117,072,385
Deductions	**(222,159,059)**	(694,949,956)
Total available capital	**3,211,637,896**	2,197,476,559
RBC requirement	**1,275,251,724**	1,300,346,095
RBC ratio	**252%**	169%

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

27. Risk Management Objectives and Policies

<u>**Insurance Risk**</u>

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

Life insurance contracts offered by the Company mainly include whole life, term insurance 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 Company 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 Company 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 Company from its direct obligations to its insured, an efficient and effective reinsurance program substantially limits the Company's exposure to potentially significant losses.

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

	2021		2020	
	Number of Policies	**Coverage**	Number of Policies	Coverage
Whole life	**76,588**	**₱10,140,923,964**	79,705	₱10,508,760,603
Endowment	**6,526**	**809,238,571**	7,831	900,245,931
Term	**11,003**	**1,451,475,203**	7,213	982,084,761
Accident and health	**7,964**	**1,544,972,508**	6,937	1,013,371,716
Group life	**618**	**398,656,814,649**	481	216,847,730,409
	102,699	**₱412,603,424,895**	102,167	₱230,252,193,420

The table below sets out the concentration of legal policy reserves by type of contract (see Note 10):

	2021	2020
Ordinary life	**₱2,585,701,710**	₱3,055,874,852
Group life	**815,165,038**	651,115,642
Accident and health	**31,190,853**	33,904,062
	₱3,432,057,601	₱3,740,894,556

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 Company 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 Company'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 Company'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 separate statements of financial position and separate statements of comprehensive income are listed below.

	Mortality and Morbidity Rates		Discount Rates	
	2021	2020	**2021**	2020
Ordinary life	**2017 PICM, 1959 ADB, and 1952 Disability**	1980 CSO, 1959 ADB, and 1952 Disability	**2.0% to 5.3%**	1.6% to 4.6%
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.
The effects of changes in assumptions follow:

	2021		
Change in Assumptions	**Increase (Decrease) in Liabilities**	**Increase (Decrease) in Income Before Income Tax**	**Increase (Decrease) in Equity**
+10%	**(₱97,055,490)**	**₱97,055,490**	**₱61,740,196**
-10%	**130,319,593**	**(130,319,593)**	**(119,720,455)**

	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)

Financial Risk
The Company'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 Company's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance.

The Company'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 Company 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 Company'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 amount and estimated fair value of financial assets and liabilities recognized as at December 31, 2021 and 2020:

	2021		2020	
	Fair Value	**Carrying Amount**	Fair Value	Carrying Amount
Financial Assets				
Cash and cash equivalents	**₱1,307,756,522**	**₱1,307,756,522**	₱970,320,403	₱970,320,403
Short-term investments	**11,880,219**	**11,880,219**	62,796,981	62,796,981
Insurance receivables	**36,080,607**	**36,080,607**	33,538,391	33,538,391
Investment securities	**6,106,524,052**	**6,024,903,376**	5,656,737,701	5,530,771,055
Loans receivables	**1,317,610,250**	**1,263,540,123**	1,581,983,530	1,444,508,037
Accrued investment income	**64,048,218**	**64,048,218**	71,357,112	71,357,112
	₱8,843,899,868	**₱8,708,209,065**	₱8,376,734,118	₱8,113,291,979

	2021		2020	
	Fair Value	**Carrying Amount**	Fair Value	Carrying Amount
Financial Liabilities				
Insurance contract liabilities	**₱4,881,495,227**	**₱4,881,495,227**	₱4,912,423,179	₱4,912,423,179
Policyholders' dividends payable	**130,592,414**	**130,592,414**	142,208,734	142,208,734
Premium deposit fund	**311,114,991**	**311,114,991**	322,498,519	322,498,519
Insurance payables	**85,776,580**	**85,776,580**	94,278,156	94,278,156
Loans payable	**4,811,634**	**4,811,634**	–	–
Accounts payable and accrued expenses*	**142,533,838**	**142,533,838**	138,391,676	138,391,676
Other liabilities	**232,132,912**	**232,132,912**	214,178,155	214,178,155
	₱5,788,457,596	**₱5,788,457,596**	₱5,823,978,419	₱5,823,978,419

**Excluding statutory payables amounting to ₱18.1 million and ₱20.8 million as at December 31, 2021 and 2020, respectively.*

Due to the short-term nature of cash and cash equivalents, short-term investments, insurance receivables, accrued investment income, insurance contract liabilities, policyholders' dividends payable, premium deposit fund, insurance payables, loans payable, 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 Company 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 Company; 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 Company 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 Company selects only domestic and foreign companies with strong financial standing and excellent track records which are allowed to participate in the Company's reinsurance programs.

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

The Company 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 Company 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 Company 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 Company 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 Company's financial instruments before credit enhancements:

	2021	2020
Cash in banks and cash equivalents	**₱1,307,703,522**	₱970,267,403
Short-term investments	**11,880,219**	62,796,981
Insurance receivables	**36,080,607**	33,538,391
Investment securities	**6,024,903,376**	5,530,771,055
Loans receivables	**1,263,540,123**	1,444,508,037
Accrued investment income	**64,048,218**	71,357,112
	₱8,708,156,065	₱8,113,238,979

The carrying amount of the financial assets represents the gross maximum exposure to credit risk at reporting date except for policy loans and mortgage and collateral loans. The financial effect of collateral or credit enhancement amounted to ₱517.2 million and ₱519.1 million in 2021 and 2020, respectively. The Company holds cash surrender values of policyholder's insurance policy and Transfer Certificate of Title (TCT) for real properties as collaterals.

The Company has no significant concentration of credit risk on any single or group of counterparties. The Company's financial assets are categorized based on its collection experience with the counterparties and classified based on the following credit rating:

- 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 Company's cash in banks and cash equivalents, short-term investments and investment securities are classified under this category.

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

The following table summarizes the impairment analysis of the Company's financial assets as at December 31, 2021 and 2020. 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.

	2021			
	12-month ECL	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Total**
Cash in banks and cash equivalents	**₱1,307,703,522**	**₱–**	**₱–**	**₱1,307,703,522**
Short-term investments	**11,880,219**	**–**	**–**	**11,880,219**
Insurance receivables	**36,080,607**	**–**	**–**	**36,080,607**
Investment securities	**6,024,903,376**	**–**	**–**	**6,024,903,376**
Loans receivables	**1,331,546,970**	**–**	**108,618,427**	**1,440,165,397**
Accrued investment income	**64,048,218**	**–**	**–**	**64,048,218**
	₱8,776,162,912	**₱–**	**₱108,618,427**	**₱8,884,781,339**

	2020			
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total
Cash in banks and cash equivalents	₱970,267,403	₱–	₱–	₱970,267,403
Short-term investments	62,796,981	–	–	62,796,981
Insurance receivables	33,538,391	–	–	33,538,391
Investment securities	5,530,771,055	–	–	5,530,771,055
Loans receivables	1,455,955,371	–	99,774,917	1,555,730,288
Accrued investment income	71,357,112	–	–	71,357,112
	₱8,124,686,313	₱–	₱99,774,917	₱8,224,461,230

Liquidity Risk Management

The Company'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 Company maintains a conservative liquidity position that exceeds all the liabilities payable on demand. To strengthen its liquidity further, the Company 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 Company's historical cash flows, management believes that the cash flow from operating activities will continue to provide sufficient liquidity for the Company to satisfy all future obligations.

The table below summarizes the financial liabilities of the Company which are due within one year based on remaining contractual undiscounted cash flows as at December 31, 2021 and 2020:

	2021	2020
Insurance contract liabilities	**₱2,264,602,663**	₱1,822,644,265
Policyholders' dividends payable	**130,592,414**	142,208,734
Premium deposit fund	**311,114,991**	322,498,519
Insurance payables	**85,776,580**	94,278,156
Loans payable	**4,811,634**	–
Accounts payable and accrued expenses*	**142,533,838**	138,391,676
Other liabilities	**232,132,912**	214,178,155
	₱3,171,565,032	₱2,734,199,505

**Excluding statutory payables amounting to ₱18.1 million and ₱20.8 million as at December 31, 2021 and 2020, respectively.*

The portion of insurance contract liabilities which are due beyond one year amounted to ₱2,616.9 million and ₱3,089.8 million as at December 31, 2021 and 2020, 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 Company'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 instruments, as well as from listed equity investments.

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

The Company 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 Company 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 Company's principal transactions are carried out in PHP and its exposure to foreign currency risk arise primarily with respect to the Company's investments in foreign currency-denominated debt and equity instruments 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)

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

	2021						
	USD	**SGD**	**EUR**	**AUD**	**HKD**	**GBP**	**Total (PHP)**
Financial Assets							
Cash and cash equivalents	**$3,182,810**	**SGD–**	**€8,996**	**AUD42,198**	**HKD85,811**	**£1,017**	**₱165,018,991**
Accrued investment income	**663,354**	**–**	**–**	**20,232**	**–**	**–**	**34,575,049**
Investment securities	**48,040,203**	**297,312**	**281,151**	**1,896,845**	**2,313,431**	**143,721**	**2,572,063,187**
Loans and receivables	**2,381**	**–**	**–**	**–**	**–**	**–**	**121,420**
	$51,888,748	**SGD297,312**	**€290,147**	**AUD1,959,275**	**HKD2,399,242**	**£144,738**	**₱2,771,778,647**
Financial Liabilities							
Accounts payable and accrued expenses	**$19,337**	**SGD –**	**€–**	**AUD –**	**HKD –**	**£–**	**₱986,174**
Insurance contract liabilities	**1,296,587**	**–**	**–**	**–**	**–**	**–**	**66,124,644**
Loans payable	**–**	**128,123**	**–**	**–**	**–**	**–**	**4,811,633**
Premium deposit fund	**1,931**	**–**	**–**	**–**	**–**	**–**	**98,458**
Other current liabilities	**5,592**	**–**	**–**	**–**	**–**	**–**	**285,199**
	$1,323,447	**SGD128,123**	**€–**	**AUD –**	**HKD –**	**£–**	**₱72,306,108**

	2020						
	USD	SGD	EUR	AUD	HKD	GBP	Total (PHP)
Financial Assets							
Cash and cash equivalents	$1,270,196	SGD–	€2,276	AUD197,624	HKD22,520	£–	₱68,464,574
Accrued investment income	691,318	–	–	13,629	–	–	33,695,245
Investment securities	50,816,044	149,081	173,268	1,809,944	2,955,645	91,086	2,545,961,244
Loans and receivables	9,197	–	–	–	–	–	441,678
	$52,786,755	SGD149,081	€175,544	AUD2,021,197	HKD2,978,165	£91,086	₱2,648,562,741
Financial Liabilities							
Accounts payable and accrued expenses	$21,858	SGD –	€–	AUD –	HKD –	£–	₱1,049,704
Insurance contract liabilities	1,403,944	–	–	–	–	–	67,421,585
Loans payable	–	–	–	–	–	–	–
Premium deposit fund	1,725	–	–	–	–	–	82,857
Other current liabilities	5,592	–	–	–	–	–	268,556
	$1,433,119	SGD –	€–	AUD –	HKD –	£–	₱68,822,702

For purposes of restating the outstanding balances of the Company's foreign currency-denominated financial assets and liabilities as at December 31, 2021 and 2020, the following exchange rates were applied:

	2021	2020
USD	**₱51.00**	₱48.02
SGD	**37.55**	36.12
EUR	**57.51**	58.69
AUD	**36.81**	36.40
HKD	**6.51**	6.19
GBP	**68.53**	64.62

The following table demonstrates the sensitivity to reasonably possible change in foreign exchange rate, with all other variables held constant, of the Company's income before tax as at December 31, 2021 and 2020:

	2021			2020		
	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	**3.64%**	**₱86,824,925**	**₱62,948,070**	3.89%	₱87,504,332	₱63,440,641
	(3.64%)	**(86,824,925)**	**(62,948,070)**	(3.89%)	(87,504,332)	(63,440,641)
SGD	**4.31%**	**–**	**1,216,350**	4.11%	–	923,716
	(4.31%)	**–**	**(1,216,350)**	(4.11%)	–	(923,716)
EUR	**6.42%**	**–**	**1,475,612**	5.34%	–	1,021,239
	(6.42%)	**–**	**(1,475,612)**	(5.34%)	–	(1,021,239)
AUD	**5.38%**	**1,611,686**	**3,657,564**	5.69%	1,306,898	3,410,624
	(5.38%)	**(1,611,686)**	**(3,657,564)**	(5.69%)	(1,306,898)	(3,410,624)
HKD	**3.53%**	**–**	**1,423,735**	3.77%	–	1,443,542
	(3.53%)	**–**	**(1,423,735)**	(3.77%)	–	(1,443,542)
GBP	**5.09%**	**–**	**483,783**	5.09%	–	813,784
	(5.09%)	**–**	**(483,783)**	(5.09%)	–	(813,784)

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

The Company'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 Company's risk management process consists of measuring and monitoring the risks associated with fluctuations in market interest rates on the Company'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 Company's financial instruments that are exposed to fair value interest rate risk presented by maturity profile.

		2021		
	Up to 1 year	**1-3 years**	**3-5 years**	**Over 5 years**
Financial assets at FVOCI	**₱757,742,278**	**₱253,352,944**	**₱197,763,011**	**₱1,064,528,190**
Financial assets at FVPL	**–**	**17,586,495**	**61,429,060**	**650,619,523**

		2020		
	Up to 1 year	1-3 years	3-5 years	Over 5 years
Financial assets at FVOCI	₱486,108,607	₱195,223,792	₱261,672,131	₱1,060,361,472
Financial assets at FVPL	19,259,144	29,058,237	57,708,279	588,092,578

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, 2021 and 2020:

	2021		
	Change in Variable	**Impact on Income Before Tax**	**Impact on Equity**
USD	**5.3611%**	**₱7,029,285**	**₱166,391,684**
	(5.3611%)	**(7,029,285)**	**(166,391,684)**
AUD	**4.6667%**	**–**	**1,007,633**
	(4.6667%)	**–**	**(1,007,633)**

	2020		
	Change in Variable	Impact on Income Before Tax	Impact on Equity
USD	5.1939%	₱28,069,471	₱21,420,013
	(5.1939%)	(28,069,471)	(21,420,013)
AUD	5.1250%	–	2,348,565
	(5.1250%)	–	(2,348,565)
SGD	2.1164%	–	2,193,205
	(2.1164%)	–	(2,193,205)

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

In 2021 and 2020, the Company determined the reasonably possible change in interest rates using the percentages changes in weighted average yield rates of outstanding securities for the past five years.

Equity Price Risk

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

The Company'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, 2021 and 2020:

	2021		
Market Indices	**Change in Stock Index**	**Impact on Income Before Tax**	**Impact on Equity**
Hang Seng Index (HSI)	**17.62%**	**₱–**	**₱491,957**
	(17.62%)	**–**	**(491,957)**
PSEi	**4.74%**	**1,554,309**	**2,103,626**
	(4.74%)	**(1,554,309)**	**(2,103,626)**
Financial Times Stock Exchange (FTSE)	**11.68%**	**–**	**258,360**
	(11.68%)	**–**	**(258,360)**
Standard and Poor's Index (SPX)	**1.18%**	**–**	**30,628**
	(1.18%)	**–**	**(30,628)**
FTSE Straits Times Index (FSSTI)	**2.63%**	**–**	**171,645**
	(2.63%)	**–**	**(171,645)**

	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%	–	354,872
	(18.71%)	–	(354,872)
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)

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 indeces and the specific adjusted beta of each stock the Company 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 Company's equity already excludes the impact on transactions affecting the separate statements of comprehensive income.

28. Classification of Separate Statements of Financial Position Accounts

The current portions of the Company's assets and liabilities as at December 31, 2021 and 2020 are as follows:

	2021	2020
Current assets:		
Cash and cash equivalents	**₱1,307,756,522**	₱970,320,403
Short-term investments	**11,880,219**	62,796,981
Insurance receivables	**36,080,607**	33,538,391
Investment securities	**1,223,738,800**	1,030,859,989
Loans receivables	**701,521,268**	657,054,314
Accrued investment income	**64,048,218**	71,357,112
Other current assets	**1,181,045**	1,133,036
	₱3,346,206,679	₱2,827,060,226

	2021	2020
Current liabilities:		
Insurance contract liabilities	**₱2,264,602,663**	₱1,822,644,265
Policyholders' dividends payable	**130,592,414**	142,208,734
Premium deposit fund	**311,114,991**	322,498,519
Insurance payables	**85,776,580**	94,278,156
Loans payable	**4,811,634**	–
Accounts payable and accrued expenses	**160,663,917**	159,151,158
Income tax liability	**560,325**	3,658,568
Other liabilities	**232,132,912**	214,178,155
	₱3,190,255,436	₱2,758,617,555

29. 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 Company's financial performance, however, cannot be reasonably determined as at report date. Nonetheless, the Company believes that it can remain as going concern given its access to short-term and long-term funding from banks and its stockholders.

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

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 separate financial statements of the Beneficial Life Insurance Company, Inc. as at and for the years ended December 31, 2021 and 2020 and have issued our report thereon dated April 7, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary Schedule of Retained Earnings Available for Dividend Declaration as at December 31, 2021 for the submission to the Securities and Exchange Commission is the responsibility of the Company's management. The supplementary schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic financial statements. The supplementary schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

REYES TACANDONG & CO.

DARRYLL REESE Q. SALANGAD
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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. 8851719
Issued January 3, 2022, Makati City

April 7, 2022
Makati City, Metro Manila