



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The management of Philippine AXA Life Insurance Corporation is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2019 and 2018, 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 Philippine AXA Life Insurance Corporation'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 Philippine AXA Life Insurance Corporation or to cease operations, or has no realistic alternative to do so.

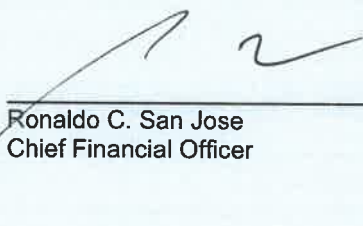
The Board of Directors is responsible for overseeing Philippine AXA Life Insurance Corporation's financial reporting process.

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

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

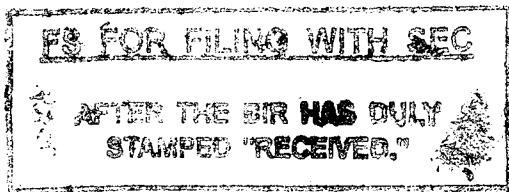


Solomon S. Cua
Chairman of the Board

Rahul Hora
President and Chief Executive Officer

Ronaldo C. San Jose
Chief Financial Officer

Signed this 20th day of April 2020



COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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C	O	R	P	O	R	A	T	I	O	N																			

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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Form Type

A	A	F	S
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Department requiring the report

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Secondary License Type, If
Applicable

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COMPANY INFORMATION

Company's Email Address

www.axa.com.ph

Company's Telephone Number

885-0101

Mobile Number

N/A

No. of Stockholders

46

Annual Meeting (Month / Day)

Any day in April

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Ronaldo San Jose

Email Address

don.sanjose@axa.com.ph

Telephone Number/s

885-0101

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

**34th Floor, GT Tower International, 6813 Ayala Avenue corner H.V. Dela Costa Street,
Makati City**

NOTE 1 : 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.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies



INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Philippine AXA Life Insurance Corporation
34th Floor, GT Tower International
6813 Ayala Avenue corner H.V. Dela Costa Street
Makati City

Report on the Audit of the Parent Company Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company 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.

In connection with our audits of the parent company 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 parent company financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.



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

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

In preparing the parent company financial statements, management is responsible for assessing the Parent 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 Parent Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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

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

- Identify and assess the risks of material misstatement of the parent company 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 Parent 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 Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Our audits were conducted for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 30 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic parent company financial statements. Such information is the responsibility of the management of Philippine AXA Life Insurance Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Juan Carlo Maminta

Juan Carlo B. Maminta

Partner

CPA Certificate No. 115260

SEC Accreditation No. A-1699-A (Group A),

August 16, 2018, valid until August 15, 2021

Tax Identification No. 210-320-399

BIR Accreditation No. 08-001998-132-2018,

February 9, 2018, valid until February 8, 2021

PTR No. 8125258, January 7, 2020, Makati City

April 20, 2020



PHILIPPINE AXA LIFE INSURANCE CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

		December 31	
	Notes	2019	2018
ASSETS			
Cash and cash equivalents	4	₱3,610,752,638	₱3,552,862,997
Insurance receivables	5	424,937,396	293,499,402
Financial assets	6		
Financial assets at fair value through profit or loss		2,017,978,394	1,509,204,606
Available-for-sale financial assets		11,115,743,912	8,854,599,092
Loans and receivables - net		1,061,779,494	947,270,138
Accrued income	7	174,890,352	153,455,170
Investment in a subsidiary	8	5,029,440,576	3,559,440,576
Property and equipment - net	10	848,234,050	462,878,225
Intangible assets - net	11	28,745,346	5,917,186
Deferred tax assets - net	23	387,222,550	98,234,344
Other assets		178,088,267	179,736,666
		24,877,812,975	19,617,098,402
Assets held to cover unit-linked liabilities	12	107,552,485,888	96,629,658,936
		₱132,430,298,863	₱116,246,757,338
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities	13, 14	₱8,010,724,817	₱7,536,685,998
Premium deposit fund		167,836,067	130,165,830
Life insurance deposits		178,993,598	254,177,134
Insurance payables	15	373,924,339	172,586,511
Trade and other liabilities	16	2,161,645,478	1,676,437,414
Lease liability	26	371,497,533	—
Net pension liability	22	267,849,225	172,806,606
Income tax payable		335,338,413	372,611,764
		11,867,809,470	10,315,471,257
Unit-linked liabilities	12	107,552,485,888	96,629,658,936
		119,420,295,358	106,945,130,193
Equity			
Capital stock	17	1,000,000,000	1,000,000,000
Contributed surplus		50,000,000	50,000,000
Contingency surplus		9,343,183	9,343,183
Retained earnings	17	11,287,379,610	8,307,738,057
Revaluation reserves on available-for-sale financial assets	18	736,365,632	(500,170,863)
Remeasurement gains on life insurance reserves	13	70,800,570	512,902,145
Actuarial losses on defined benefit plan	22	(143,722,112)	(78,021,999)
Treasury stock	17	(163,378)	(163,378)
		13,010,003,505	9,301,627,145
		₱132,430,298,863	₱116,246,757,338

See accompanying Notes to Parent Company Financial Statements.



PHILIPPINE AXA LIFE INSURANCE CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Notes	2019	2018
REVENUE			
Gross premiums on insurance contracts issued		₱26,541,347,883	₱29,708,433,098
Premiums ceded to reinsurers		(304,584,737)	(265,100,272)
Net insurance premiums	19	26,236,763,146	29,443,332,826
Subscriptions allocated to investment in unit-linked funds	12	(16,239,127,375)	(20,564,884,103)
		9,997,635,771	8,878,448,723
Gain on assets held to cover unit-linked liabilities	20	10,335,992,733	–
Decrease in unit-linked liabilities due to loss on assets held to cover unit-linked liabilities	20	–	10,064,064,857
Asset management fees		2,004,134,945	1,765,038,596
Investment income	19	898,161,192	603,957,967
Foreign exchange (losses) gains - net		(28,345,618)	34,273,015
Other income		82,933,614	109,095,904
		23,290,512,637	21,454,879,062
BENEFITS, CLAIMS AND OPERATING EXPENSES			
Gross benefits and claims		16,289,797,880	11,051,699,029
Reinsurers' share of gross benefits and claims	19	(92,339,436)	(68,745,160)
Policyholders' dividends and interest	19	95,572,456	90,493,213
Decrease in unit-linked liabilities due to surrenders	12	(14,738,713,254)	(9,710,664,916)
Net benefits and claims incurred	19	1,554,317,646	1,362,782,166
Decrease in legal policy reserves	13	(616,546,768)	(719,873,293)
Net insurance benefits and claims		937,770,878	642,908,873
Increase in unit-linked liabilities due to gain on assets held to cover unit-linked liabilities	20	10,335,992,733	–
Loss on assets held to cover unit-linked liabilities	20	–	10,064,064,857
Operating and administrative expenses	21	4,862,727,303	4,582,846,848
Commission expense		1,966,907,783	1,879,304,948
Agency development expenses		301,287,556	157,083,027
Premium and documentary stamp taxes		117,375,016	97,621,588
Interest on lease liability	26	37,661,619	–
Interest on defined benefit obligation	22	9,944,904	10,231,420
Medical and inspection fees		3,874,764	5,184,544
Interest on premium deposit fund		3,093,327	4,200,210
		18,576,635,883	17,443,446,315
INCOME BEFORE INCOME TAX		4,713,876,754	4,011,432,747
PROVISION FOR INCOME TAX	23	1,325,235,201	1,276,204,494
NET INCOME		3,388,641,553	2,735,228,253
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified into profit or loss, net of tax:			
Remeasurement (losses) gains on defined benefit plan	22	(65,700,113)	10,696,248
Net change in remeasurement on life insurance reserves	13	(442,101,575)	1,264,089,393
		(507,801,688)	1,274,785,641
Item that will be reclassified into profit or loss:			
Net change in fair value of available-for-sale financial assets	18	1,236,536,495	(677,541,048)
		728,734,807	597,244,593
TOTAL COMPREHENSIVE INCOME		₱4,117,376,360	₱3,332,472,846

See accompanying Notes to Parent Company Financial Statements.



PHILIPPINE AXA LIFE INSURANCE CORPORATION
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 17)	Contributed Surplus	Contingency Surplus	Revaluation Reserves on Available-for- sale Financial Assets (Note 18)	Remeasurement Gains (Loss) on Life Insurance Reserves (Note 13)	Actuarial Losses on Defined Benefit Plan (Note 22)	Retained Earnings (Note 17)	Treasury Stock (Note 17)	Total
Balances as at January 1, 2019	₱1,000,000,000	₱50,000,000	₱9,343,183	(₱500,170,863)	₱512,902,145	(₱78,021,999)	₱8,307,738,057	(₱163,378)	₱9,301,627,145
Net income for the year	—	—	—	—	—	—	3,388,641,553	—	3,388,641,553
Other comprehensive income (loss)	—	—	—	1,236,536,495	(442,101,575)	(65,700,113)	—	—	728,734,807
Total comprehensive income (loss)	—	—	—	1,236,536,495	(442,101,575)	(65,700,113)	3,388,641,553	—	4,117,376,360
Cash dividends	—	—	—	—	—	—	(409,000,000)	—	(409,000,000)
As of December 31, 2019	₱1,000,000,000	₱50,000,000	₱9,343,183	₱736,365,632	₱70,800,570	(₱143,722,112)	₱11,287,379,610	(₱163,378)	₱ 13,010,003,505
Balances as at January 1, 2018	₱1,000,000,000	₱50,000,000	₱9,343,183	₱177,370,185	(₱751,187,248)	(₱88,718,247)	₱7,167,509,804	(₱163,378)	₱7,564,154,299
Net income for the year	—	—	—	—	—	—	2,735,228,253	—	2,735,228,253
Other comprehensive income (loss)	—	—	—	(677,541,048)	1,264,089,393	10,696,248	—	—	597,244,593
Total comprehensive income (loss)	—	—	—	(677,541,048)	1,264,089,393	10,696,248	2,735,228,253	—	3,332,472,846
Cash dividends	—	—	—	—	—	—	(1,595,000,000)	—	(1,595,000,000)
As of December 31, 2018	₱1,000,000,000	₱50,000,000	₱9,343,183	(₱500,170,863)	₱512,902,145	(₱78,021,999)	₱8,307,738,057	(₱163,378)	₱9,301,627,145

See accompanying Notes to Parent Company Financial Statements.



PHILIPPINE AXA LIFE INSURANCE CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		₱4,713,876,754	₱4,011,432,747
Adjustments for:			
Interest income	19	(766,319,127)	(659,423,821)
Depreciation and amortization	10, 11	299,902,861	128,691,485
Fair value losses (gains) on financial assets at fair value through profit or loss	6	(109,772,571)	99,164,712
Retirement expense	22	75,066,487	58,117,512
Interest on lease liability	26	37,661,619	–
Amortization of bond discount	6	(27,526,805)	76,832,797
Unrealized foreign exchange losses (gains)		28,345,618	(34,273,015)
Dividend income	19	(20,870,886)	(16,039,437)
Interest on defined benefit obligation	22	9,944,904	10,231,420
Provision for credit losses on loans and receivables	6	2,863,675	9,886,640
Provision for impairment loss on investment in a subsidiary	8	–	342,519,424
Loss on disposal of property and equipment	10	–	1,302,044
Operating income before changes in working capital		4,243,172,529	4,028,442,508
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Other assets		1,648,399	(53,444,124)
Insurance receivables		(131,437,994)	6,034,244
Loans and receivables		(117,373,031)	(30,914,580)
Increase (decrease) in:			
Trade and other liabilities		496,868,059	(84,444,908)
Insurance contract liabilities		(157,534,860)	(731,595,232)
Life insurance deposits		(75,183,536)	(5,611,652)
Premium deposit fund		37,670,237	26,568,832
Insurance payables		201,337,828	13,565,759
Net cash generated from operations		4,499,167,631	3,168,600,847
Proceeds from disposal/maturities of:			
Available-for-sale financial assets	6	3,094,356,000	3,897,025,824
Financial assets at fair value through profit or loss	6	1,007,179,891	457,579,276
Acquisitions of:			
Available-for-sale financial assets	6	(4,091,437,520)	(5,489,919,104)
Financial assets at fair value through profit or loss	6	(1,406,181,108)	(620,925,937)
Interest received		744,533,093	652,865,644
Interest paid on lease obligation		(37,661,619)	–
Contributions paid to the pension fund	22	(85,011,393)	(90,232,794)
Dividends received		21,221,738	16,140,453
Income taxes paid		(1,433,867,463)	(1,046,591,346)
Net cash provided by operating activities		2,312,299,250	944,542,863

(Forward)



		Years Ended December 31	
	Notes	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturity of:			
Short-term investment		₱—	₱1,048,400,600
Acquisitions of:			
Property and equipment	10	(225,402,502)	(297,798,374)
Intangible assets	11	(25,198,987)	—
Capital infusion to investment in a subsidiary	8	(1,470,000,000)	—
Net cash (used in) provided by investing activities		(1,720,601,489)	750,602,226
CASH FLOWS FROM FINANCING ACTIVITY			
Cash dividends paid	17	(409,000,000)	(1,595,000,000)
Payment of principal portion of lease liabilities	26	(96,462,502)	—
Net cash used in financing activities		(505,462,502)	(1,595,000,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS		86,235,259	100,145,089
EFFECTS OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS		(28,345,618)	34,273,015
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		3,552,862,997	3,418,444,893
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	₱3,610,752,638	₱3,552,862,997

See accompanying Notes to Parent Company Financial Statements.



PHILIPPINE AXA LIFE INSURANCE CORPORATION

NOTES TO PARENT COMPANY TO FINANCIAL STATEMENTS

1. Corporate Information

Philippine AXA Life Insurance Corporation (the Parent Company) was incorporated in the Philippines on April 12, 1962 to engage in selling personal and group insurance, including life insurance, accident and other insurance products that are permitted to be sold by a life insurance company in the Philippines. On May 22, 2003, the Insurance Commission (IC) approved the Parent Company's license to sell variable or unit-linked insurance, a life insurance product which is linked to investment funds. On December 19, 2011, the Securities and Exchange Commission (SEC) approved the Parent Company's application for extension of its corporate life for another 50 years after December 4, 2012.

The Parent Company is 45% owned by the AXA Group of Companies through AXA Asia, a company based in France, 28% owned by First Metro Investment Corporation (FMIC), a domestic corporation, 25% owned by GT Capital Holdings, Inc. (GT Capital), a domestic corporation, and 2% owned by individual stockholders. Its principal place of business is at 34th Floor GT Tower International, 6813 Ayala Avenue corner H.V. Dela Costa Street, Makati City, 1227 Metro Manila, Philippines.

The accompanying parent company financial statements were authorized for issue by the Board of Directors (BOD) on April 20, 2020.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements of the Parent Company have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets and financial assets at fair value through profit or loss (FVPL), which have been measured at fair value. The parent company financial statements are presented in Philippine Peso (₱), which is the Parent Company's functional currency. All values are rounded to the nearest peso except when otherwise stated.

The accompanying financial statements are the separate financial statements of the Parent Company and have been prepared for submission to the Securities and Exchange Commission (SEC) and the Bureau of Internal Revenue (BIR). The Parent Company also issues and submits to SEC consolidated financial statements for the same period as the parent company financial statements presented in compliance with Philippine Financial Reporting Standards (PFRSs).

Statement of Compliance

The parent company financial statements have been prepared in compliance with PFRSs.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Parent Company has adopted the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements did not have any significant impact on the Parent Company's financial position or performance unless otherwise indicated.



- PFRS 16, *Leases*

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

Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 did not have an impact for leases where the Parent Company is the lessor.

The Parent Company adopted PFRS 16 using the modified retrospective approach upon adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Parent Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at January 1, 2019. Instead, the Parent Company applied the standard only to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application. The Parent Company did not restate comparative figures and recognized a lease liability and right-of-use assets at the date of initial application for lease previously classified as an operating lease applying PAS 17, except for short-term leases and leases of low value assets. The Parent Company measured the lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The Parent Company measured the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that recognized in the statement of financial position. Accordingly, the adoption of PFRS 16 has no impact to the Parent Company's 'Retained earnings' as of January 1, 2019 and the 2018 comparative financial statements are not comparable to the information presented for 2019.

The effect of adoption PFRS 16 as at January 1, 2019 is, as follows:

	Increase (decrease)
Asset	
Property and equipment	₱389,094,669
Liabilities	
Lease liabilities	399,569,345
Trade and other payables	(10,474,676)

Before the adoption of PFRS 16, the Parent Company classified each of its leases (as lessee) at the inception date as an operating lease. Upon adoption of PFRS 16, the Parent Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets (see Note 2).

The Parent Company applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application



- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

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

Operating lease commitments as at December 31, 2018	538,612,621
Less: Commitments relating to short-term leases	(80,057,745)
Total gross lease payables as of January 1, 2019	458,554,876
Weighted average incremental borrowing rate at January 1, 2019	9.27%
Lease liabilities recognized at January 1, 2019	399,569,345

Due to the adoption of PFRS 16, the Parent Company's operating profit in 2019 improved, while its interest expense increased. This is due to the change in the accounting for rent expense related to leases that were classified as operating leases under PAS 17.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The Parent Company amended the retirement plan effective January 1, 2019 thus impact on these amendments is already included in the determination of 2019 current service cost, past service cost and interest cost on the Parent Company's financial statements (see Note 22).

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held



within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

These amendments have no impact on the financial statements of the Parent Company.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Parent Company does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its financial statements.

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

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

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



Based on the Parent Company's assessment, it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the Parent Company's financial statements.

Annual Improvements to PFRSs 2015-2017 Cycle

These improvements include:

- *Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments have no impact on the Parent Company's financial statements as there is no transaction where joint control is obtained.

- *Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Parent Company because dividends declared by the Parent Company do not give rise to tax obligations under the current tax laws.

- *Amendments to PAS 23, Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.



Since the Parent Company's current practice is in line with these amendments, they had no impact on the Parent Company's financial statements

Foreign Currency Translation

Transactions in foreign currencies are initially recorded in the functional currency of the Parent Company, at the foreign exchange rates prevailing at the respective date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the functional currency rate of exchange ruling at the reporting date and are not subsequently restated. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

All foreign exchange differences are taken to profit or loss, except where it relates to available-for-sale financial assets which gains or losses are recognized directly in other comprehensive income. In this case, the gain or loss is then recognized net of the exchange component in the other comprehensive income.

Product Classification

Insurance contracts are defined as those contracts under which the Parent 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 Parent 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, financial instrument price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index, or other variable. Investment contracts mainly transfer significant financial risk but can also transfer insignificant insurance risk.

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

Insurance and investment contracts are further classified as being with or without discretionary participation features (DPF).

DPF is a contractual right to receive, as a supplement to guaranteed contracts, additional benefits that are likely to be a significant portion of the total contractual benefits, whose amount or timing is contractually at the discretion of the issuer, and that are contractually based on the performance of a specified pool of contracts or a specified type of contract, realized and or unrealized investment returns on a specified pool of assets held by the issuer, or the profit or loss of the Parent Company, fund or other entity that issues the contract.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded financial derivatives separately at FVPL. Bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF or when the host insurance contract and/or investment contract with DPF itself is measured at FVPL. The options and guarantees within the insurance contracts issued by the Parent Company are treated as derivative financial instruments which are clearly and closely related to the host insurance and therefore not bifurcated subsequently. As such, the Parent Company does not separately measure options to surrender insurance contracts



for a fixed amount (or an amount based on a fixed amount and an interest rate). Likewise, the embedded derivative in unit-linked insurance contracts linking the payments on the contract to units of internal investment funds meets the definition of an insurance contract and is therefore not accounted for separately from the host insurance contract.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents (including those under 'Assets held to cover unit-linked liabilities') are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and that are subject to an insignificant risk of changes in value and are free of any encumbrances.

Insurance Receivables

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

Financial Instruments

Date of recognition

The Parent Company recognizes a financial asset or a financial liability in the parent company statement of financial position when the Parent Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition

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

Fair value measurement

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

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

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

For measurement and disclosure purposes, the Parent Company determines the fair value of an asset or liability at initial measurement or at each reporting date.



The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

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

The Parent Company uses valuation techniques that are appropriate in the circumstance and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and maximizing the use of unobservable inputs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which observable current market prices exist, option pricing models, and other relevant valuation models. Any difference noted between the fair value and the transaction price is recognized in profit or loss, unless it qualifies for recognition as some type of asset or liability.

The Parent Company's Investment Committee determines the policies and procedures for fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by the investment committee after discussion with and approval by the Parent Company's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The investment committee decides, after discussions with the Parent Company's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the investment committee analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Parent Company's accounting policies. For this analysis, the investment committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Investment Committee, in conjunction with the Parent Company's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

All assets and liabilities for when the fair value is measured or disclosed in the 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) prices in active markets 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.



'Day 1' difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Parent Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial instruments at FVPL

This category consists of financial assets or financial liabilities that are held-for-trading or designated by management as at FVPL on initial recognition.

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

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

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

The investments (debt and equity securities) of the unit-linked fund set up by the Parent Company underlying the unit-linked insurance contracts (included under Assets held to cover unit-linked liabilities) are designated as at FVPL since these are managed and their performance are evaluated on a fair value basis, in accordance with the investment strategy. Also, the Parent Company designates the assets of the life insurance business that are managed under the Parent Company's Risk Management Statement on a fair value basis, and are reported to the Board on this basis. These assets have been valued on a fair value basis with movements taken through the profit or loss.

Financial assets at FVPL are recorded in the Parent Company statement of financial position at fair value, with changes in the fair value recorded in profit or loss, included under the 'Fair value gains or losses from financial assets at FVPL'.

As of December 31, 2019 and 2018, the Parent Company has no financial liabilities classified as FVPL.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held-for-trading, nor designated as AFS or at FVPL. This accounting policy relates to the Parent Company statement of



financial position captions: (a) 'Insurance receivables', (b) 'Loans and receivables' (including those under 'Assets held to cover unit-linked liabilities'), and (c) 'Accrued income' (including those under 'Assets held to cover unit-linked liabilities').

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

AFS financial assets

AFS financial assets are those which are designated as such or do not qualify to be classified as financial assets at FVPL, held-to-maturity (HTM) investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. These include government securities, equity investments, and other debt instruments.

After initial measurement, AFS financial assets are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in profit or loss.

Interest earned on holding AFS financial assets is reported as interest income using the effective interest rate. Dividends earned on holding AFS financial assets are recognized in profit or loss when the right to receive payment has been established. Interests and dividends are recognized under 'Investment income' account in profit or loss. The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported in equity as 'Revaluation reserves on available-for-sale financial assets'. The losses arising from impairment of such financial assets are recognized as 'Provision for impairment losses' under 'Operating and administrative expenses' in profit or loss. When a security is disposed of, the cumulative gain or loss previously recognized as other comprehensive income is reported as 'Gain or loss on sale of available-for-sale financial assets' in profit or loss.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment loss.

Other financial liabilities

Issued financial liabilities or their components, which are not designated as financial liabilities at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Parent Company having an obligation either to deliver cash or another financial asset to the holder, or to 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. This includes investment contracts which mainly transfer financial risk and has no or insignificant insurance risk.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate 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. Interest expense are charged to profit or loss as incurred.

Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.



This accounting policy relates to the parent company statement of financial position captions: (a) 'Premium deposit fund', (b) 'Life insurance deposits', (c) 'Insurance payables', (d) 'Trade and other liabilities' and (e) 'Dividends payable' that meet the above definition (other than liabilities covered by other accounting standards, such as pension liability and income tax payable). This accounting policy relates also to the payables included under the 'Assets held to cover unit-linked liabilities' account.

Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt if it has a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Parent 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 Parent 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.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual agreement. Interests, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income.

Distributions to holders of financial instrument classified as equity are charged directly to liabilities and equity, net of any related income tax benefits.

Offsetting

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

Impairment of Financial Assets

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

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower, or a group of borrowers, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



Financial assets carried at amortized cost

The Parent Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on financial assets carried at amortized cost (i.e., receivables) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate (EIR). The carrying amount of the asset is reduced through the use of an allowance account. The loss is recognized in the parent company statement of comprehensive income as 'Provision for credit and impairment losses' under 'Operating and administrative expenses'. The asset, together with the associated allowance accounts, is written off when there is no realistic prospect of future recovery.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

The Parent Company performs a regular review of the age and status of its trade and other receivables, designed to identify receivables with objective evidence of impairment and provide the appropriate allowance for impairment loss. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment loss being determined for each risk grouping identified by the Parent Company (see Note 5).

AFS financial assets carried at fair value

For equity investments classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of an investment below its cost or where other objective evidence of impairment exists. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) is removed from equity and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

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



Derecognition of Financial Assets and Liabilities

Financial asset

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

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

When the Parent Company has transferred its right to receive cash flows from an asset or has entered into a 'pass-through' arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Parent Company could be required to repay.

Financial liabilities

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

Reinsurance

The Parent Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when objective evidence exists that the Parent Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Parent 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 Parent Company from its obligations to policyholders.

Premiums and claims are presented on gross basis for ceded reinsurance.

Reinsurance assets or liabilities are derecognized when the contractual right are extinguished, has expired, or when the contract is transferred to another party.



Investment Properties

Property held for long-term rental yields or for capital appreciation, or for both, is classified as investment property. These properties are initially measured at cost, which includes transaction cost, but excludes day-to-day servicing cost. Subsequently, at each end of the reporting period, such properties are carried at cost less accumulated depreciation and impairment in value.

Depreciation of investment property is computed using the straight-line method over its useful life, regardless of utilization. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties. The estimated useful life of the investment properties is twenty years.

Transfers are made to and from investment property when, and only when, there is a change in use, evidenced by ending of owner occupation, commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Parent Company accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

Investment property is derecognized when it has been disposed of or when permanently withdrawn from use and no future benefit is expected from its disposal.

Any gain or loss on the retirement or disposal of investment properties is recognized in profit or loss in the year of derecognition.

Property and Equipment

The Parent Company's property and equipment consist of land, building, equipment and right-of-use assets that do not qualify as investment properties. Property and equipment, including owner occupied properties, are carried at cost less accumulated depreciation and amortization and accumulated impairment in value. Such cost includes initial transaction costs, but excludes day-to-day servicing cost. Replacement or major inspection cost is capitalized if it is probable that future economic benefits associated with the item will flow to the Parent Company and the cost of the item can be reliably measured.

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

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



Depreciation and amortization is computed using the straight-line method over the estimated useful life of the assets. Leasehold improvements are amortized over the estimated useful life of the improvements or the term of the related lease, whichever is shorter. The estimated useful lives of the different categories of property and equipment follow:

	Years
Building	20
Leasehold improvements	5-8 years or the related lease term whichever is shorter
Transportation equipment	5
Computer equipment	3
Furniture and equipment	5
Right-of-use assets	3-8

The assets' residual values, useful lives and depreciation and amortization method are reviewed at each reporting date and adjusted if appropriate to ensure that the period, residual value and the method of depreciation and amortization are consistent with the expected pattern of consumption of future economic benefits embodied in the asset. In 2019, the Parent Company revised the useful lives of its furniture and equipment from three (3) years to five (5) years effective October 1, 2019. The changes were accounted for prospectively starting in the period in which they were revised.

An item of property and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in profit or loss in the year the asset is derecognized. This is not applicable to items that still have useful lives but are currently classified as idle. Depreciation continues for those items until fully depreciated or disposed.

Intangible Assets

Intangible assets are carried at cost less accumulated amortization and impairment in value, if any. Intangible assets, consisting mainly of software (not an integral part of its related hardware), are capitalized at cost. These costs are amortized on a straight-line basis over their estimated useful lives ranging from three (3) to five (5) years. Periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier when an indicator of impairment exists.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Investment in Subsidiary

Investment in subsidiary is accounted for under the cost method less accumulated impairment losses, if any.

A subsidiary is an entity over which the Parent Company has control. 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.

The Parent Company recognizes revenue from the investment in profit or loss only to the extent that the Parent Company receives distributions from retained earnings of the investee arising after the date of acquisition. Dividends received from the investee in excess of accumulated net income from the acquisition date are regarded as a recovery of investment and are recognized as a reduction in the cost of investment.



Impairment of Nonfinancial Assets

At each reporting date, the Parent Company assesses whether there is any indication that nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Parent Company makes a formal estimate of recoverable amount.

Recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed for the cash generating unit to which the asset belongs.

Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash generating unit).

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

For nonfinancial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior periods. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase in other comprehensive income. After such reversal, the depreciation and amortization expense is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Insurance Contract Liabilities

Life insurance contract liabilities are recognized when the contracts are entered into and the premiums are recognized. The provision for life insurance contracts is calculated on the basis of a stringent prospective actuarial valuation method where the assumptions used depend on the best estimates prevailing at the inception of the contract. Assumptions and actuarial valuation methods are also subject to provisions of the Insurance Code (the Code) and guidelines set by the Insurance Commission (IC).

Subsequently, new estimates are developed at each reporting date to determine whether the liabilities reflect the current experience. Improvements and significant deteriorations in estimates have an impact on the value of the liabilities.

Life insurance contracts with fixed and guaranteed terms

Premiums are recognized as revenue when they become due from the policyholders except for single premium business where the revenue is recognized when the policy becomes effective.

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



An increase in liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. The liability is determined as the sum of the present value of future benefits and expenses, less the present value of the future gross premiums arising from the policy contract discounted at the appropriate discount rates as published by IC. The expected future cash flows is determined using the best estimate assumptions with margins for adverse deviation (MfAD) determined as prescribed by IC.

Changes in legal policy reserves due to increase (decrease) in discount rate would be recorded as 'Net change in remeasurement on life insurance reserves' under other comprehensive income. Remeasurements are not reclassified to profit or loss in subsequent periods.

The liability is based on actuarial assumptions such as mortality and morbidity, maintenance expenses, and lapse and/or persistency rates that are established at the time the contract is issued and updated at each valuation date, as needed. MfAD is also included in the assumptions. For policies with contract horizons of a year or less than a year (such as yearly renewable riders and most group policies), reserves are computed by calculating the unearned portion of the written premiums for the year.

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

Unit-linked Insurance Contracts

The Parent Company issues unit-linked insurance contracts. In addition to providing life insurance coverage, a unit-linked contract links payments to units of unit-linked funds set up by the Parent Company with the consideration received from the policyholders. As allowed by PFRS 4, the Parent Company chose not to unbundle the investment portion of its unit-linked products.

Premiums received from the issuance of unit-linked insurance contracts are recognized as premiums revenue. Consideration received from the policyholders that are transferred to the unit-linked funds is recognized as 'Subscriptions allocated to investment in unit-linked funds' in the parent company statement of comprehensive income. These are separated to fund assets from which the Parent Company withdraws administrative and cost of insurance charges in accordance with the policy provisions of the unit-linked insurance contracts. After deduction of these charges together with applicable surrender fees, the remaining amounts in the fund assets are equal to the surrender value of the unit-linked policies, and are withdrawable anytime. The assets and liabilities of the unit-linked funds have been segregated and reflected in 'Assets held to cover unit-linked liabilities' and 'Unit-linked liabilities' in the parent company statement of financial position, respectively. Income or loss arising from the unit linked funds are classified under 'Loss (gain) on assets held to cover unit-linked liabilities' in the statement of comprehensive income. Withdrawals or surrenders of unit-linked funds are presented as 'Increase (decrease) in unit-linked liabilities due to gain (loss) on assets held to cover unit-linked liabilities in the parent company statement of comprehensive income.

Investments under assets held to cover unit-linked liabilities are valued at market price. Changes in the assets held to cover unit-linked liabilities due to investment earnings or market value fluctuations result to the same corresponding change in the unit-linked liabilities. Such changes in fund value have no effect on the parent company's statement of comprehensive income. As of end of the reporting period, unit-linked liabilities are computed on the basis of the number of units allocated to the policyholders multiplied by the unit price of the underlying funds.



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

Policy and contract claims payable

Claims payable includes the sum of the individual amounts that are due and have already been approved for payment but have not actually been paid as of the end of the reporting period. This also includes accrual of reported claims that are not yet approved for payment. This is recognized when due and measured on initial recognition at fair value. This also includes provision for incurred but not reported losses.

Leases (applicable beginning January 1, 2019)

The Parent Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the control the use of an identified asset for a period of time in exchange for consideration.

The Parent Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Parent Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Lease liability

At the commencement date of the lease, the Parent Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Parent Company and payments of penalties for terminating a lease, if the lease term reflects the Parent Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Parent Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The accretion of interest is presented as 'Interest on lease liability' in the parent company statement of comprehensive income.

Right-of-use assets

The Parent Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the Buildings (see Note 2, *Property and Equipment*). If ownership of the leased asset transfers to the Parent Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of



the asset. Right-of-use assets are presented under 'Property and equipment' in the parent company statement of financial position.

The right-of-use assets are also subject to impairment (See Note 3, *Impairment of nonfinancial assets*).

Short-term leases and leases of low-value asset

The Parent Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Company as a lessor

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. 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.

Leases (applicable prior to January 1, 2019)

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

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

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

Company as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. Minimum lease payments are recognized on a straight-line basis.

Pension Benefit Obligation

Pension cost is actuarially determined using the projected unit credit method. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension cost includes service cost, net interest cost and remeasurement cost.

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



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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The net pension liability or asset recognized by the Parent Company in respect of its defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The present value of the defined benefit obligation, as computed by an independent actuary, is determined using a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

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 Parent Company nor can they be paid directly to the Parent Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Parent Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Equity

Capital stock

Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value.

Contributed surplus

Contributed surplus represents the original contribution of the stockholders of the Parent Company, in addition to the paid-up capital stock, in order to comply with the pre-licensing requirements as provided under the Insurance Code.

Contingency surplus

Contingency surplus represents contributions of the stockholders to cover any unexpected deficiency in the Margin of Solvency (MOS) as required under the Insurance Code and can be withdrawn upon the approval of the IC.

Retained earnings

Retained earnings represent accumulated net income of the Parent Company less dividends declared.



Treasury stock

Own equity instruments which are acquired (treasury stocks) are deducted from equity and accounted for at cost. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Voting rights related to treasury stocks are nullified for the Parent Company and no dividends are allocated to them.

Revenue Recognition

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

The Parent Company follows a five-step model to account for revenue arising from contracts with customers. The five-step model is as follows:

- a. Identify the contract(s) with a customer
- b. Identify the performance obligations in the contract
- c. Determine the transaction price
- d. Allocate the transaction price to the performance obligation in the contract
- e. Recognize revenue when (or as) the entity satisfies a performance obligation

The Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Parent Company concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized within the scope of PFRS 15:

Asset management fees

Unit-linked funds are charged for fund management and administration. These fees are recognized as revenue in the period in which the related services are rendered.

Other income

Other income is recognized in the profit or loss as it accrues. This includes administrative fees and collections of shared service cost and shared administrative expenses.

Revenues outside the scope of PFRS 15

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, receivables are recorded at the date when payments are due.

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as AFS financial assets, 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. The change in carrying amount is recorded as interest income.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss.



For interest-bearing financial assets at FVPL, loans and receivables, cash and cash equivalents and short-term investments, interest income is recognized as it accrues.

Dividend income

Dividend income is recognized when the shareholders' right to receive the payment is established.

Rental income

Rental income from investment properties is recognized on a straight-line basis over the lease term.

Benefits, Claims and Expenses Recognition

Benefits and claims

Benefits and claims consist of cost of all claims and benefits incurred during the period, which includes excess benefit claims for unit-linked contracts, as well as changes in the valuation of legal policy reserves and reserves for policyholders' dividends. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Ceded reinsurance recoveries are accounted for in the same period as the underlying claim.

Interest expense

Interest expense on accumulated policyholders' dividends and premium deposit fund is recognized through profit or loss as it accrues and is calculated by using the effective interest rate method. Accrued interest is credited to the liability account every month.

Commission expense

Commission expense is recognized as incurred. Commissions are paid to agents and financial executives from selling individual and group policies. Rates applied on collected premiums vary depending on the type of product and payment terms of the contract. Referral fees are also paid in relation to the referrals made through the bancassurance business.

Taxes, operating and administrative and other expenses

Taxes, operating and administrative and other expenses are recognized in the parent company statement of comprehensive income as incurred.

Income Tax

Income tax for the year consists of current and deferred tax. Income tax is determined in accordance with Philippine tax laws. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or other comprehensive income. Tax on these items is recognized in equity or other comprehensive income. Effective January 1, 2019, the Parent Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused



tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from excess MCIT and NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow all or part of the deferred tax assets to be recovered.

Current tax and deferred tax relating to items recognized directly in other comprehensive income are likewise recognized in other comprehensive income.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of end of the reporting period. Movements in the deferred tax assets and liabilities arising from changes in the rates are charged or credited to profit or loss for the period.

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

Provisions

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingencies

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

In cases where disclosure of some or all of the information relating to the provisions, contingent assets and contingent liabilities can be expected to prejudice the position of the Parent Company, the Parent Company discusses only general information regarding the nature of the provision, contingent assets or contingent liabilities, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

Events after the Reporting Date

Post year-end events that provide additional information about the Parent Company's financial position at the end of the reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the parent company financial statements.

Pronouncements issued but not yet effective are listed below. The Parent Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is



not expected to have a significant impact on the Parent Company's financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2020

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

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

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Parent Company.

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

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

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

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

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

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

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

The Parent Company is currently assessing the impact of adopting PFRS 17.



The Parent Company applies the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4 Applying PFRS 9, *Financial Instruments* with PFRS 4, *Insurance Contracts* issued in September 2016. The temporary exemption permits the Parent Company to continue applying PAS 39 rather than PFRS 9 for annual periods beginning before January 1, 2022. The Parent Company concluded that it qualified for the temporary exemption from PFRS 9 because its activities are predominantly connected with insurance. As at December 31, 2015, the Parent Company's gross liabilities arising from contracts within the scope of PFRS 4 represented 98% of the total carrying amount of all its liabilities. Since December 31, 2015, there has been no change in the activities of the Parent Company that requires reassessment of the use of the temporary exemption.

Deferred effectivity

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

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

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

3. Significant Accounting Judgments and Estimates

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

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Parent 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 parent company financial statements:

Product classification

The Parent Company has determined that the traditional insurance policies and the unit-linked insurance policies have significant insurance risks and therefore meet the definition of insurance contracts and should be accounted for as such.



The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Parent Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

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

Determination of lease term of contracts with renewal and termination options – Company as a lessee (applicable beginning January 1, 2019)

The Parent Company has several lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Parent Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Leases – Company as a lessee (applicable prior to January 1, 2019)

The Parent Company has entered into contracts of lease for the office spaces of its branches. The Parent Company has determined that all significant risks and rewards of ownership on these properties are retained by the respective lessors.

Leases – Company as a lessor

The Parent Company has entered into property leases on its investment property portfolio. The Parent Company has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Contingencies

The Parent Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with legal counsels handling the defense in these matters and is based upon an analysis of potential results. The Parent Company currently does not believe these proceedings will have a material adverse effect on the Parent Company's financial position. It is possible, however, that the results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

Uncertainties over income tax payments

The Parent Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Parent Company operates in a highly regulated environment, it assessed whether the Interpretation had an impact on its financial statements.

The Parent Company applies significant judgment whether it is probable that a particular uncertain income tax treatment will be acceptable to the taxation authority. The Parent Company considers the following:

- Past experience related to similar tax treatments
- Legal advice or case law related to other entities
- Practice guidelines published by the taxation authority that are applicable to the case



The Parent Company reassesses the judgement if the facts and circumstances on which the judgement was based change or as a result of new information that affects the judgement.

Estimates

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

Leases - Estimating the incremental borrowing rate (applicable beginning January 1, 2019)

The Parent Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Parent Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Parent Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Parent Company estimates the IBR using observable inputs such as market interest rates when available and is required to make certain entity-specific estimates.

The Parent Company's lease liabilities amounted to ₱371.50 million as of December 31, 2019 (see Note 26).

Estimated useful lives of property and equipment

The Parent Company reviews annually the estimated useful lives of property and equipment based on the period over which the assets are expected to be available for use. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of property and equipment would increase recorded depreciation and amortization expense and decrease the related asset accounts. In October 1, 2019, the Parent Company revised the estimated useful life of certain property and equipment. The revisions were accounted for prospectively as a change in accounting estimates.

The carrying value of property and equipment amounted to ₱848.23 million and ₱462.88 million as of December 31, 2019 and December 31, 2018, respectively (see Note 10).

Impact of the change in estimated useful life in current and future periods are as follows:

	Increase (decrease) in depreciation expense
2019	(₱1,888,885)
2020	(6,511,487)
2021	(5,270,171)
2022	3,528,777
2023	7,594,166
2024	2,547,600

Valuation of legal policy reserves

In determining the legal policy reserves, estimates are made as to the expected number of deaths, illness or injury for each of the years in which the Parent Company is exposed to risk. These estimates are based on standard mortality and morbidity tables as required by the Code. The estimated number of deaths, illness or injury determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future premiums. Estimates are also made as to future investment



income arising from the assets backing life insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments. In accordance with the provisions of the Code, estimates for future deaths, illness or injury and investment returns are determined at the inception of the contract and are used to calculate the liability over the term of the contract. Discount rate assumptions are based on current observed rates in the market and consistent with the discount rates published by IC. The key assumptions used in the valuation of legal policy reserves are detailed in Note 14.

The carrying values of legal policy reserves net of recoverable from reinsurers, shown as part of insurance contract liabilities, amounted to ₱5.37 billion and ₱5.36 billion as of December 31, 2019 and 2018, respectively (see Note 13).

Fair value of financial instruments

Fair value determinations for financial instruments are based generally on listed or quoted market prices. Where the fair values of financial assets and financial liabilities recorded in the statement of financial position or disclosed in the notes to the financial statements cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation. Certain financial assets and liabilities were recorded at fair values by using the discounted cash flow method.

As of December 31, 2019 and 2018, the carrying value of the financial assets at FVPL amounted to ₱2.02 billion and ₱1.51 billion, respectively (see Note 6). As of December 31, 2019 and 2018, the carrying value of AFS financial assets recognized at fair value amounted to ₱11.12 billion and ₱8.85 billion, respectively (see Note 6).

The Parent Company has structured notes whose fair value is determined using valuation techniques as determined reasonable by management at time of valuation. The use of different assumptions could produce materially different estimates of fair value. The details of valuation techniques are provided in Note 24.

The Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

As of December 31, 2019 and 2018, the carrying value of the structured notes amounted to ₱81.45 million and ₱88.52 million, respectively (see Note 12).

Impairment of insurance receivables and loans and receivables

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

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



In addition to specific allowance against individually significant insurance receivables and loans and receivables, the Parent Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted.

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

Insurance receivables consist of (see Note 5):

	2019	2018
Premiums due and uncollected	₱156,041,254	₱106,056,800
Recoverable from reinsurers	151,739,460	130,369,140
Due from reinsurers	117,156,682	57,073,462
	₱424,937,396	₱293,499,402

As of December 31, 2019 and 2018, the Parent Company determined that its insurance receivables is not impaired.

Loans and receivables consist of the following (see Note 6):

	2019	2018
Loans and receivables	₱1,082,908,181	₱965,535,150
Less allowance for impairment losses	21,128,687	18,265,012
	₱1,061,779,494	₱947,270,138

Impairment of AFS financial assets

The Parent Company treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Parent Company treats 'significant' generally as 20% or more and 'prolonged' as greater than 12 months for quoted equity investments.

In addition, the Parent Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Impairment may be appropriate also when there is evidence of deterioration in the financial health of the investee, the industry and sector performance, changes in technology and operational and financing cash flows.

The amount and timing of recorded expenses for any period would differ if the Parent Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease net income. As of December 31, 2019 and 2018, the carrying value of AFS equity investments amounted to ₱33.78 million and ₱29.78 million, respectively (see Note 6).

Impairment of nonfinancial assets

The Parent Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amounts of assets may not be recoverable. The factors that the Parent 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 Parent Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if not possible, for the cash-generating unit to which the asset belongs.

The non-financial assets of the Parent Company are composed of its investment in subsidiary, property and equipment (including right of use asset) and intangible assets. The carrying value of the its non-financial assets as of December 31, 2019 and 2018 are as follows:

	Notes	2019	2018
Investment in subsidiary	8	₱5,029,440,576	₱3,559,440,576
Property and equipment	10	848,234,050	462,878,225
Intangible assets	11	28,745,346	5,917,186

The Parent Company performed impairment assessment for its investment in subsidiary by computing for the recoverable amount of CPAIC's cash generating unit (CGU) and comparing it to the carrying value of the investment. The recoverable amount was based on value-in-use calculations using cash flow projections from financial budgets approved by management covering nine years.

The projections are most sensitive to the following assumptions:

	2019	2018
Long term growth rate	7.9%	7.6%
Discount rate	10.3% - 11.3%	12.9% - 14.7%
Premium growth rate	4.5%	10.5%

Management considered in its projections the growth to be derived from utilizing distribution channels and increased penetration to its affiliates and related parties. The management expects these plans to materialize starting 2020.

The Parent Company recognized an impairment loss amounting to ₱342.52 million on its investment in a subsidiary in December 31, 2018. No impairment on investment in a subsidiary was recognized as of December 31, 2019 (see Note 8).

As of December 31, 2019 and 2018, the Parent Company did not recognize any impairment losses on its property and equipment and intangible assets.

Recognition of deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which these can be utilized.

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized. These assets are periodically reviewed for realization. Periodic reviews cover the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings and tax planning strategies which can be utilized to increase the likelihood that tax assets will be realized.



The Parent Company recognized deferred tax assets amounting to ₱387.22 million and ₱98.23 million as of December 31, 2019 and 2018, respectively, as the Parent Company believes sufficient taxable income will allow these deferred tax assets to be utilized (see Note 23).

Pension and other employee benefits

The determination of pension obligation and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rate, expected return on plan assets, salary increase rate, mortality rate, disability rate and turnover rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

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

While the Parent Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligation. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the market yields on Philippine government bonds with terms consistent with the expected term of the defined benefit obligation as of reporting date. The mortality rate is based on publicly available mortality tables in the Philippines. Future salary increases are based on expected future inflation rates. Refer to Note 22 for the details of assumptions used in the calculation.

The carrying value of net pension liabilities as of December 31, 2019 and 2018 amounted to ₱267.85 million and ₱172.81 million, respectively (see Note 22).

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

Accrued incentives and bonuses included under "Trade and Other Liabilities" amounted to ₱324.41 million and ₱174.44 million as of December 31, 2019 and 2018, respectively (see Note 16).

4. Cash and Cash Equivalents

This account consists of:

	2019	2018
Petty cash fund	₱332,522	₱408,132
Cash in banks	1,378,885,554	798,502,201
Cash equivalents	2,231,534,562	2,753,952,664
	₱3,610,752,638	₱3,552,862,997



Cash in banks earns interest at the prevailing bank deposit rates that ranged from 0.10% to 0.50% in both 2019 and 2018. Cash equivalents are made for varying periods not exceeding three months depending on the immediate cash requirements of the Parent Company and earned interest at the prevailing short-term deposit rates that ranged from 1.40% to 4.25% and 2.20% to 7.25% in 2019 and 2018, respectively.

Interest income from cash and cash equivalents amounted to ₱124.40 million and ₱114.89 million in 2019 and 2018, respectively (see Note 19). Interest receivable as of December 31, 2019 and 2018 amounted to ₱3.71 million and ₱6.04 million, respectively (see Note 7).

5. Insurance Receivables

This account consists of:

	2019	2018
Premiums due and uncollected	₱156,041,254	₱106,056,800
Recoverable from reinsurers	151,739,460	130,369,140
Due from reinsurers	117,156,682	57,073,462
	₱424,937,396	₱293,499,402

Premiums due and uncollected pertains to premiums receivable from policyholders that are due within the grace period.

Recoverable from reinsurers pertains to amounts expected to be recovered in respect of the legal policy reserves of the Parent Company (see Note 13).

Due from reinsurers pertains to amounts recoverable from the reinsurers in respect of claims already incurred and paid by the Parent Company which are due and demandable.

The following table shows aging information of insurance receivables:

December 31, 2019						
	< 30 days	30 – 60 days	61 – 120 days	121 – 180 days	181-360 days	> 360 days/ No term
Premiums due and uncollected	₱83,231,880	₱32,704,988	₱12,472,449	₱5,629,710	₱22,002,227	₱–
Recoverable from reinsurers	–	–	–	–	–	151,739,460
Due from reinsurers	3,795,412	10,124,446	10,216,672	15,748,128	48,149,497	29,122,527
	₱87,027,292	₱42,829,434	₱22,689,121	₱21,377,838	₱70,151,724	₱180,861,987
						₱424,937,396

December 31, 2018						
	< 30 days	30 – 60 days	61 – 120 days	121 – 180 days	181-360 days	> 360 days/ No term
Premiums due and uncollected	₱58,750,993	₱17,795,036	₱20,118,709	₱3,858,801	₱5,533,261	₱–
Recoverable from reinsurers	–	–	–	–	–	130,369,140
Due from reinsurers	6,670,798	10,106,281	19,284,283	4,719,959	11,728,247	4,563,894
	₱65,421,791	₱27,901,317	₱39,402,992	₱8,578,760	₱17,261,508	₱134,933,034
						₱293,499,402

Management performed assessment of impairment for its insurance receivables. In 2019 and 2018, management assessed that no provision for impairment is necessary.



6. Financial Assets

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

	2019	2018
Financial assets at FVPL	₱2,017,978,394	₱1,509,204,606
AFS financial assets	11,115,743,912	8,854,599,092
Loans and receivables - net	1,061,779,494	947,270,138
	₱14,195,501,800	₱11,311,073,836

As of December 31, 2019 and 2018, the financial assets at FVPL are designated by management as at FVPL on initial recognition.

The assets included in each of the categories above are detailed below:

Financial assets at FVPL

	Note	2019	2018
Listed equity securities		₱1,497,107,226	₱1,196,401,114
Unit investment trust funds		296,064,035	110,572,803
Government debt securities - local currency		166,863,884	146,605,427
Investment in unit-linked funds	12	57,943,249	55,625,262
		₱2,017,978,394	₱1,509,204,606

Dividend income from listed equity securities classified by the Parent Company as financial assets at FVPL amounted to ₱20.87 million and ₱16.04 million in 2019 and 2018, respectively (see Note 19). As of December 31, 2019 and 2018, dividend receivable amounted to nil and ₱0.35 million, respectively (see Note 7).

Investment in unit investment trust funds (UITFs) classified as financial assets at FVPL are ready-made investments that allow the pooling of funds from different investors with similar investment objectives. These funds are managed by professional fund managers and are invested in various financial instruments such as money market securities, bonds and equities, which are normally available to bigger investors only. As of December 31, 2019, the Parent Company owns 258,104,193 outstanding number of units with cost and net asset value of ₱289.63 million and ₱296.06 million, respectively. As of December 31, 2018, the Parent Company owns 76,882,574 outstanding number of units with cost and net asset value of ₱106.37 million and ₱110.57 million, respectively.

Investments in government debt securities classified as financial assets at FVPL bear interest ranging from 8.50% to 10.25% in both 2019 and 2018. As of December 31, 2019 and 2018, interest receivable amounted to ₱3.25 million (see Note 7). Interest income classified by the Parent Company as FVPL amounted to ₱12.45 million in both 2019 and 2018 (see Note 19).

AFS financial assets

	2019	2018
Government debt securities - local currency	₱9,172,382,754	₱7,125,743,744
Corporate debt securities - local currency	1,909,582,058	1,699,076,248
Golf club shares	33,779,100	29,779,100
	₱11,115,743,912	₱8,854,599,092



Investments in government and corporate debt securities classified as AFS financial assets bear interest ranging from 3.25% to 18.25% in both 2019 and 2018.

The carrying values of financial assets at FVPL and AFS financial assets have been determined as follows:

	Financial Assets at FVPL	AFS Financial Assets	Total
At January 1, 2019	₱1,509,204,606	₱8,854,599,092	₱10,363,803,698
Additions	1,406,181,108	4,091,437,520	5,497,618,628
Disposals/maturities	(1,007,179,891)	(3,094,356,000)	(4,101,535,891)
Fair value gains	109,772,571	1,236,536,495	1,346,309,066
Amortization of discount	—	27,526,805	27,526,805
At December 31, 2019	₱2,017,978,394	₱11,115,743,912	₱13,133,722,306

	Financial Assets at FVPL	AFS Financial Assets	Total
At January 1, 2018	₱1,445,022,657	₱8,016,079,657	₱9,461,102,314
Additions	620,925,937	5,489,919,104	6,110,845,041
Disposals/maturities	(457,579,276)	(3,897,025,824)	(4,354,605,100)
Fair value losses	(99,164,712)	(677,541,048)	(776,705,760)
Amortization of discount	—	(76,832,797)	(76,832,797)
At December 31, 2018	₱1,509,204,606	₱8,854,599,092	₱10,363,803,698

Interest income from corporate and government debt securities classified by the Parent Company as AFS financial assets amounted to ₱588.95 million and ₱490.52 million in 2019 and 2018, respectively (see Note 19). Interest receivable as of December 31, 2019 and 2018 amounted to ₱152.87 million and ₱128.81 million, respectively (see Note 7).

As of December 31, 2019 and 2018, government securities totaling ₱137.50 million classified under AFS financial assets are deposited with the IC in accordance with the provisions of the Code as security for the benefit of policyholders and creditors of the Parent Company.

Loans and receivables

	Notes	2019	2018
Intercompany receivables	25	₱487,677,042	₱341,101,479
Policy loans		333,180,321	345,982,231
Due from unit-linked funds	12	190,285,470	189,712,463
Due from officers and employees	25	53,350,765	54,193,138
Due from agents		11,101,702	25,069,342
Other receivables		7,312,881	9,476,497
		1,082,908,181	965,535,150
Less allowance for impairment losses		21,128,687	18,265,012
		₱1,061,779,494	₱947,270,138

Policy loans pertain to loans granted to policyholders. The loan is granted with the cash surrender value of the policyholder's insurance policy as collateral. Interest rates on peso and dollar policy loans are granted at 10.00% and 8.00%, respectively.

Due from unit-linked funds pertains to redemptions of units held by policyholders from unit-linked investments advanced by the Parent Company. These are due and collected within one to two days from the unit-linked funds through the fund custodian.



Due from officers and employees include secured interest-bearing loans pertaining to car plan and salary loans, and other unsecured non-interest-bearing loans and advances granted to the Parent Company's officers and employees. Interest rates on interest-bearing loans range from 8.00% to 12.00% in 2019 and 2018. The Parent Company's loans to officers and employees are secured by lease agreement or promissory note.

Due from agents are interest bearing accounts which pertain to receivable owed by certain agents that are due within one year. Interest rates on interest-bearing loans range from 8.00% to 12.00% and are secured by promissory note.

Other receivables are non-interest bearing accounts which pertain to receivables owed by employees other than those covered in due from officers and employees account, such as payroll adjustments, cash advances and SSS loans, which are due within one year. Interest income from loans and receivables amounted to ₱40.52 million and ₱41.56 million in 2019 and 2018, (see Note 19). As of December 31, 2019 and 2018, interest receivable amounted to ₱15.06 million and ₱15.01 million, respectively (see Note 7).

The rollforward of the changes in the allowance for impairment losses on loans and receivables follows:

Notes	Due from Officers and Employees	Due from Agents	Other Receivables	Total
At January 1, 2018	₱6,733,478	₱9,160,654	₱1,438,557	₱17,332,689
Write-off	(2,063,654)	(6,890,663)	—	(8,954,317)
Provision	7,337,206	2,549,434	—	9,886,640
At December 31, 2018	12,007,030	4,819,425	1,438,557	18,265,012
Provision	1,292,955	1,570,720	—	2,863,675
At December 31, 2019	₱13,299,985	₱6,390,145	₱1,438,557	₱21,128,687
Specific allowance	₱13,299,985	₱6,390,145	₱1,438,557	₱21,128,687

7. Accrued Income

This account consists of:

	Notes	2019	2018
Interest receivable on:			
AFS financial assets	6	₱152,865,315	₱128,805,253
Loans and receivables	6	15,060,569	15,008,349
Cash and cash equivalents	4	3,710,246	6,036,494
Financial assets at FVPL	6	3,254,222	3,254,222
Dividends receivable	6	—	350,852
		₱174,890,352	₱153,455,170

8. Investment in a Subsidiary

On April 4, 2016, the Parent Company acquired 5,124,975 shares of stock of Charter Ping An Insurance Corporation (CPAIC or the "Subsidiary") amounting to ₱2.10 billion representing 100% of its total shares. CPAIC is presently engaged in the business of nonlife insurance which includes fire, motor, car, marine hull, marine cargo, personal accident insurance and other products that are permitted to be sold by a nonlife insurance company in the Philippines.



On November 28 and December 23, 2016, the Parent Company made capital infusion to CPAIC amounting to ₱1.50 billion and ₱0.30 billion, respectively. Subsequently on May 15, September 17, and December 4, 2019, the Parent Company made an additional capital infusion of ₱300.00 million, ₱410.00 million and ₱760.00 million, respectively. These were made for CPAIC to meet its minimum capital requirement and risk-based capital (RBC) ratio as required by the Insurance Code.

In 2019 and 2018, the Parent Company recognized an impairment loss amounting to nil and ₱342.52 million on its investment in a subsidiary, respectively (see Note 21). Management has determined that improvement in economic and non-economic assumptions from previous years caused the recoverable amount to be higher than its carrying value, which therefore led to the recognition of nil impairment loss. As of December 31, 2019 and 2018, the carrying value of the investment in a subsidiary amounted to ₱5.03 billion and ₱3.56 billion, respectively.

Financial information of CPAIC are as follows:

	2019	2018
Total assets	₱13,179,711,407	₱13,079,850,904
Total liabilities	10,548,132,148	11,102,843,699
Total equity	2,631,579,259	1,977,007,205
Total comprehensive loss	815,427,946	116,958,077

9. Investment Properties

The rollforward analyses of this account follow:

Residential and Condominium Units	Notes	2019	2018
Cost			
Beginning balances		₱16,285,068	₱13,565,324
Transfer from property and equipment	10	—	2,719,744
Ending balances		16,285,068	16,285,068
Accumulated Depreciation			
Beginning balances		16,285,068	13,565,324
Transfer from property and equipment	10	—	2,719,744
Ending Balance		16,285,068	16,285,068
Net Book Value		₱—	₱—

In 2016, Parent Company entered into a contract to lease its condominium unit in Skyland Plaza. In 2018, the Parent Company reclassified the said unit from Property and Equipment to Investment Property (see Note 10).

As of December 31, 2019 and 2018, the investment properties have a total fair value of ₱12.00 million. The values were arrived using the market approach. This approach requires establishing of comparable property by reducing reasonable comparative sales and offerings to a common denominator. This is done by adjusting the differences between the property and those sales and listings regarded as comparable. The fair values of the properties are based on valuations performed by Colliers International Philippines, Inc., an accredited independent appraiser, on December 2017. Colliers International Philippines, Inc. is a specialist in valuing these types of investment properties.



Description of valuation techniques used and key inputs to valuation on investment properties follow:

December 31, 2019

Valuation techniques	Level	Significant unobservable inputs	Range
Market Approach	3	Estimated Computed Value per square meter	₱82,000 per square meter

December 31, 2018

Valuation techniques	Level	Significant unobservable inputs	Range
Market Approach	3	Estimated Computed Value per square meter	₱82,000 per square meter

The Parent Company has determined that the highest and best use of its investment properties is for commercial utilization. The Parent Company has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Rental income amounted to ₱1.20 million and ₱2.23 million in 2019 and 2018, respectively (see Note 19). In 2019 and 2018, there are no direct operating expenses incurred in relation to the Parent Company's investment properties.



10. Property and Equipment

The rollforward analyses of this account follow:

	December 31, 2019						
	Building	Leasehold Improvements	Transportation Equipment	Computer Equipment	Furniture and Equipment	Right of Use Asset	Total
Cost							
At January 1, 2019, as previously reported (Note 2)	P133,659,101	P475,113,406	P15,942,326	P452,054,731	P88,964,459	P-	P1,165,734,023
Effect of adoption of PFRS 16 (Note 2)	-	-	-	-	-	389,094,669	389,094,669
At January 1, 2019, as restated	133,659,101	475,113,406	15,942,326	452,054,731	88,964,459	389,094,669	1,554,828,692
Additions	27,085,730	91,588,548	-	76,706,508	30,021,714	68,390,690	293,793,190
Disposals	-	-	-	(24,810)	-	-	(24,810)
At December 31, 2019	160,744,831	566,701,954	15,942,326	528,736,429	118,986,173	457,485,359	1,848,597,072
Accumulated Depreciation							
At January 1, 2019	120,669,225	207,079,801	14,919,053	291,816,350	68,371,369	-	702,855,798
Depreciation (Note 21)	3,924,613	69,991,586	377,678	94,565,701	11,658,056	117,014,400	297,532,034
Disposals	-	-	-	(24,810)	-	-	(24,810)
At December 31, 2019	124,593,838	277,071,387	15,296,731	386,357,241	80,029,425	117,014,400	1,000,363,022
Net Book Value	P36,150,993	P289,630,567	P645,595	P142,379,188	P38,956,748	P340,470,959	P848,234,050



	December 31, 2018					
	Building	Leasehold Improvements	Transportation Equipment	Computer Equipment	Furniture and Equipment	Total
Cost						
At January 1, 2018	₱136,378,845	₱389,751,848	₱15,942,326	₱527,682,693	₱116,243,872	₱1,185,999,584
Additions	—	160,603,512	—	120,609,467	16,585,395	297,798,374
Write-off	—	(75,241,954)	—	(194,558,329)	(43,864,808)	(313,665,091)
Disposal	—	—	—	(1,679,100)	—	(1,679,100)
Transfer to investment property (Note 9)	(2,719,744)	—	—	—	—	(2,719,744)
At December 31, 2018	133,659,101	475,113,406	15,942,326	452,054,731	88,964,459	1,165,734,023
Accumulated Depreciation						
At January 1, 2018	120,141,499	239,373,811	14,487,475	413,939,953	105,219,532	893,162,270
Depreciation (Note 21)	3,247,470	42,947,944	431,578	72,811,782	7,016,645	126,455,419
Write-off	—	(75,241,954)	—	(194,558,329)	(43,864,808)	(313,665,091)
Disposal	—	—	—	(377,056)	—	(377,056)
Transfer to investment property (Note 9)	(2,719,744)	—	—	—	—	(2,719,744)
At December 31, 2018	120,669,225	207,079,801	14,919,053	291,816,350	68,371,369	702,855,798
Net Book Value	₱12,989,876	₱268,033,605	₱1,023,273	₱160,238,381	₱20,593,090	₱462,878,225

The cost of fully depreciated property and equipment still being used amounted to ₱469.78 million and ₱406.17 million as of December 31, 2019 and 2018, respectively.



11. Intangible Assets

The rollforward analyses for this account follow:

	Note	2019	2018
Cost			
At January 1		₱89,092,372	₱89,092,372
Additions		25,198,987	—
At December 31		114,291,359	89,092,372
Accumulated Amortization			
At January 1		83,175,186	80,939,120
Amortization	21	2,370,827	2,236,066
At December 31		85,546,013	83,175,186
Net Book Value		₱28,745,346	₱5,917,186

Intangible assets pertain to computer software purchased from third parties and internally-generated software.

12. Assets Held to Cover Unit-Linked Liabilities / Unit-Linked Liabilities

Assets held to cover unit-linked liabilities consist of:

	Notes	2019	2018
Net asset values of the unit-linked funds		₱107,151,500,414	₱96,497,530,305
Subscriptions subsequently transferred to unit-linked funds	16	458,928,723	187,753,893
Investment in unit-linked funds under financial assets at FVPL	6	(57,943,249)	(55,625,262)
		₱107,552,485,888	₱96,629,658,936

Investment in unit-linked funds under financial assets at FVPL pertains to the seed capital invested by the Parent Company. The unit-linked funds' net assets consist of:

	2019	2018
Assets		
Cash and cash equivalents		
Cash in banks	₱1,385,490,500	₱1,279,353,310
Cash equivalents	1,214,032,874	3,791,506,423
Financial assets at FVPL		
Debt securities	12,395,418,645	10,964,828,726
Equity securities	67,934,631,578	64,469,775,756
Exchange-traded funds	18,604,920,600	15,154,841,168
Unit investment trust funds	5,847,489,842	1,503,437,973
Structured notes	81,448,527	88,515,168
Investment income due and accrued	238,752,721	168,193,150
Accounts receivable	84,857,068	143,418,364
	107,787,042,355	97,563,870,038
Liabilities		
Accounts payable	330,005,611	742,374,292
Accrued expense	305,536,330	323,965,441
	635,541,941	1,066,339,733
	₱107,151,500,414	₱96,497,530,305



	1	2	3	4	5	6	7	8	9	10
	CHINESE TYCOON FUND (CEQY)	GLOBAL ADVANTAGE FUND (GAF)	WEALTH EQUITY FUND (EQTY)	WEALTH BALANCED FUND (BALF)	OPPORTUNITY FUND (OPPT)	PREMIUM BOND FUND (APPB)	GROWTH DYNAMIC ALLOCATION FUND (GDAF)	WEALTH BOND FUND (BOND)	PESO LIQUIDITY FUND (PPLF)	ASIA GROWTH FUND (AGF)
2019										
Assets										
Cash and cash equivalents										
Cash in banks	₱90,106,961	₱1,091,302,505	₱11,491,798	₱4,842,795	₱7,163,938	₱1,177,280	₱56,480,689	₱314,229	₱-	₱63,963,763
Cash equivalents	552,500,000	-	139,900,000	28,600,000	160,000,000	99,479,167	-	19,700,000	-	-
Financial assets at FVPL										
Debt securities	-	-	-	4,878,355,812	-	4,358,623,599	-	1,375,390,653	-	-
Equity securities	40,020,882,623	-	15,200,890,707	4,050,111,696	7,679,736,744	-	-	-	-	-
Exchange-traded funds	-	17,521,002,716	-	-	-	-	-	-	-	867,438,716
Unit investment trust	6,393,587	-	4,437,893	104,593	7,107,624	-	3,592,387,291	102,827	1,157,990,720	-
Structured notes	-	-	-	-	-	-	-	-	-	-
Investment income due and accrued	8,921,827	28,315,378	7,336,674	64,905,843	3,799,911	74,991,677	-	17,142,753	-	-
Accounts receivable	6,450,700	5,629,809	29,044,113	38,247,256	3,371,217	143,619	-	297,192	-	680,618
	40,685,255,698	18,646,250,408	15,393,101,185	9,065,167,995	7,861,179,434	4,534,415,342	3,648,867,980	1,412,947,654	1,157,990,720	932,083,097
Liabilities										
Accounts payable	73,813,626	150,071,631	26,802,520	42,049,670	9,714,480	4,188,227	2,080,568	1,398,095	1,170,026	10,183,618
Accrued expense	101,009,467	56,302,067	32,837,510	20,216,686	20,154,573	27,961,837	6,558,019	3,177,606	40,527	8,319,173
	174,823,093	206,373,698	59,640,030	62,266,356	29,869,053	32,150,064	8,638,587	4,575,701	1,210,553	18,502,791
	₱40,510,432,605	₱18,439,876,710	₱15,333,461,155	₱9,002,901,639	₱7,831,310,381	₱4,502,265,278	₱3,640,229,393	₱1,408,371,953	₱1,156,780,167	₱913,580,306



	11	12	13	14	15	16	17	18
	SPANISH AMERICAN LEGACY FUND (SEQY)	3GXCEED B20 DOLLAR FUND (DB20)	MULTI ASSET DYNAMIC ALLOCATION FUND (MDAF)	CAPITAL INVESTMENT FUND (APCI)	STABLE DYNAMIC ALLOCATION FUND (SDAF)	3GX B20 FUND (BD20)	EQUITY (RS EQ)	EUROPEAN WEALTH FUND (EWF)
2019								
Assets								
Cash and cash equivalents								
Cash in banks	₱2,811,869	₱3,684,115	₱8,817,373	₱1,705,389	₱19,280,531	₱13,373	₱2,188,367	₱16,677,853
Cash equivalents	12,600,000	4,059,520	—	190,099,187	—	5,810,000	—	—
Financial assets at FVPL								
Debt securities	—	686,858,352	—	255,501,855	—	321,441,658	—	—
Equity securities	730,225,182	—	—	—	—	—	252,784,626	—
Exchange-traded funds	—	—	—	—	—	—	—	216,479,168
Unit investment trust	2,100,640	—	677,568,832	—	371,654,365	—	—	—
Structured notes	—	—	—	—	—	—	—	—
Investment income due and accrued	740,663	19,800,305	—	5,835,167	—	578,808	111,875	—
Accounts receivable	151,311	19,067	—	23,863	—	9,536	66	679,312
	748,629,665	714,421,359	686,386,205	453,165,461	390,934,896	327,853,375	255,084,934	233,836,333
Liabilities								
Accounts payable	952,488	—	27,255	151,417	5,052,649	—	526,541	1,602,327
Accrued expense	2,125,838	7,994,422	1,073,298	2,621,767	541,526	3,823,951	801,997	4,148,907
	3,078,326	7,994,422	1,100,553	2,773,184	5,594,175	3,823,951	1,328,538	5,751,234
	₱745,551,339	₱706,426,937	₱685,285,652	₱450,392,277	₱385,340,721	₱324,029,424	₱253,756,396	₱228,085,099



	19	20	21	22	23	24	25	26	
	3GX B21 FUND (BD21)	3GXCEED B21 DOLLAR FUND (DB21)	3GX B26 FUND (BD26)	FIXED INCOME - GOV'T (RS GOV)	DOLLAR PHOENIX 7 FUND (SD71)	FIXED INCOME - CORP (RS CORP)	PESO PHOENIX 7 FUND (SP71)	MONEY MARKET (RS MM)	Total
2019									
Assets									
Cash and cash equivalents									
Cash in banks	₱13,370	₱3,119,460	₱10,499	₱50,220	₱—	₱191,480	₱—	₱82,643	₱1,385,490,500
Cash equivalents	180,000	—	55,000	1,050,000	—	—	—	—	1,214,032,874
Financial assets at FVPL									
Debt securities	189,078,310	125,071,296	123,913,069	81,184,041	—	—	—	—	12,395,418,645
Equity securities	—	—	—	—	—	—	—	—	67,934,631,578
Exchange-traded funds	—	—	—	—	—	—	—	—	18,604,920,600
Unit investment trust	—	—	—	—	—	20,089,989	—	7,551,481	5,847,489,842
Structured notes	—	—	—	—	64,257,127	—	17,191,400	—	81,448,527
Investment income due and accrued	808,963	2,243,899	2,142,954	1,076,024	—	—	—	—	238,752,721
Accounts receivable	106,268	3,121	—	—	—	—	—	—	84,857,068
	190,186,911	130,437,776	126,121,522	83,360,285	64,257,127	20,281,469	17,191,400	7,634,124	107,787,042,355
Liabilities									
Accounts payable	864	—	—	163,752	—	40,938	—	14,919	330,005,611
Accrued expense	1,743,877	2,817,155	889,456	267,758	—	59,812	—	49,101	305,536,330
	1,744,741	2,817,155	889,456	431,510	—	100,750	—	64,020	635,541,941
	₱188,442,170	₱127,620,621	₱125,232,066	₱82,928,775	₱64,257,127	₱20,180,719	₱17,191,400	₱7,570,104	₱107,151,500,414



	1	2	3	4	5	6	7	8	9	10
	CHINESE TYCOON FUND (CEQY)	GLOBAL ADVANTAGE FUND (GAF)	WEALTH EQUITY FUND (EQTY)	WEALTH BALANCED FUND (BALF)	OPPORTUNITY FUND (OPPT)	PREMIUM BOND FUND (APPB)	GROWTH DYNAMIC ALLOCATION FUND (GDAF)	WEALTH BOND FUND (BOND)	PESO LIQUIDITY FUND (PPLF)	ASIA GROWTH FUND (AGF)
2018										
Assets										
Cash and cash equivalents										
Cash in banks	₱200,819,768	₱849,588,274	₱2,953,527	₱1,528,585	₱13,333,874	₱48,272,409	₱18,897,819	₱518,618	₱-	₱60,156,553
Cash equivalents	777,300,000	-	519,850,000	1,121,167,466	178,100,000	877,850,892	-	159,190,687	-	-
Financial assets at FVPL										
Debt securities	-	-	-	3,925,810,948	-	3,997,956,727	-	1,009,017,838	-	-
Equity securities	36,470,236,081	-	14,141,484,354	4,068,318,188	6,594,578,814	-	2,090,954,771	-	-	-
Exchange-traded funds	-	13,948,835,665	-	-	-	-	-	-	-	962,401,049
Unit investment trust	6,171,685	-	4,285,847	84,641,702	6,847,825	-	-	82,674,896	1,312,357,612	-
Structured notes	-	-	-	-	-	-	-	-	-	-
Investment income due and accrued	1,724,132	-	4,933,434	39,646,692	2,109,441	76,884,461	-	9,812,255	-	-
Accounts receivable	37,384,553	5,849,481	91,505,497	1,079,728	197,566	149,224	-	297,192	-	55,286
	37,493,636,219	14,804,273,420	14,765,012,659	9,242,193,309	6,795,167,520	5,001,113,713	2,109,852,590	1,261,511,486	1,312,357,612	1,022,612,888
Liabilities										
Accounts payable	150,475,545	63,841,830	197,412,712	237,969,660	7,052,945	2,564,994	95,476	25,169,488	3,422,407	2,192,524
Accrued expense	96,542,390	82,690,212	31,607,393	20,383,740	17,920,756	29,586,162	4,005,522	2,872,561	41,002	9,072,452
	247,017,935	146,532,042	229,020,105	258,353,400	24,973,701	32,151,156	4,100,998	28,042,049	3,463,409	11,264,976
	₱37,246,618,284	₱14,657,741,378	₱14,535,992,554	₱8,983,839,909	₱6,770,193,819	₱4,968,962,557	₱2,105,751,592	₱1,233,469,437	₱1,308,894,203	₱1,011,347,912



	11	12	13	14	15	16	17	18	19
	SPANISH AMERICAN LEGACY FUND (SEQY)	3GXCEED B20 DOLLAR FUND (DB20)	MULTI ASSET DYNAMIC ALLOCATION FUND (MDAF)	CAPITAL INVESTMENT FUND (APCI)	STABLE DYNAMIC ALLOCATION FUND (SDAF)	3GX B20 FUND (BD20)	EQUITY (RS EQ)	EUROPEAN WEALTH FUND (EWF)	3GX B21 FUND (BD21)
2018									
Assets									
Cash and cash equivalents									
Cash in banks	₱2,230,486	₱198,601	₱1,553,404	₱35,882,323	₱579,431	₱38,953	₱2,896,069	₱22,507,585	₱12,019
Cash equivalents	12,500,000	—	—	132,916,532	—	6,150,000	—	—	1,300,000
Financial assets at FVPL									
Debt securities	—	746,780,100	—	106,291,531	—	395,260,518	—	—	232,012,272
Equity securities	866,642,134	—	135,951,055	—	56,528,676	—	45,081,683	—	—
Exchange-traded funds	—	—	—	—	—	—	—	243,604,454	—
Unit investment trust	2,025,832	—	—	—	—	—	—	—	—
Structured notes	—	—	—	—	—	—	—	—	—
Investment income due and accrued	717,759	20,791,974	—	2,601,867	—	737,855	12,088	—	1,013,442
Accounts receivable	1,048,443	5,637,553	—	24,794	—	9,537	—	55,286	106,268
	885,164,654	773,408,228	137,504,459	277,717,047	57,108,107	402,196,863	47,989,840	266,167,325	234,444,001
Liabilities									
Accounts payable	4,424,116	1,815,949	—	32,675,454	—	468,576	2,845,135	6,150,492	—
Accrued expense	2,651,409	5,460,052	220,377	2,322,097	72,903	2,702,907	248,702	4,521,803	1,076,619
	7,075,525	7,276,001	220,377	34,997,551	72,903	3,171,483	3,093,837	10,672,295	1,076,619
	₱878,089,129	₱766,132,227	₱137,284,082	₱242,719,496	₱57,035,204	₱399,025,380	₱44,896,003	₱255,495,030	₱233,367,382



	20	21	22	23	24	25	26	27	
	3GXCEED B21	FIXED	DOLLAR	FIXED	PESO			3GXCEED B19	
	DOLLAR	INCOME -	PHOENIX 7	INCOME -	PHOENIX 7	MONEY	3GX B19	DOLLAR	
	FUND	GOVT	FUND	CORP	FUND	MARKET	FUND	FUND	
2018	(DB21)	(RS GOV)	(SD71)	(RS CORP)	(SP71)	(RS MM)	(BD19)	(DB19)	Total
Assets									
Cash and cash equivalents									
Cash in banks	P5,449,879	P1,196,218	P-	P416,026	P-	P103,966	P150,443	P10,068,480	P1,279,353,310
Cash equivalents	-	4,880,846	-	-	-	-	300,000	-	3,791,506,423
Financial assets at FVPL									
Debt securities	133,981,672	10,209,705	-	-	-	-	175,248,123	232,259,292	10,964,828,726
Equity securities	-	-	-	-	-	-	-	-	64,469,775,756
Exchange-traded funds	-	-	-	-	-	-	-	-	15,154,841,168
Unit investment trust	-	-	-	2,824,366	-	1,608,208	-	-	1,503,437,973
Structured notes	-	-	69,416,418	-	19,098,750	-	-	-	88,515,168
Investment income due and accrued	2,428,115	91,448	-	-	-	-	4,004,451	683,736	168,193,150
Accounts receivable	3,243	-	-	-	-	-	6,251	8,462	143,418,364
	141,862,909	16,378,217	69,416,418	3,240,392	19,098,750	1,712,174	179,709,268	243,019,970	97,563,870,038
Liabilities									
Accounts payable	112,152	3,684,837	-	-	-	-	-	-	742,374,292
Accrued expense	2,410,873	75,728	-	6,566	-	9,585	1,557,413	5,906,217	323,965,441
	2,523,025	3,760,565	-	6,566	-	9,585	1,557,413	5,906,217	1,066,339,733
	P139,339,884	P12,617,652	P69,416,418	P3,233,826	P19,098,750	P1,702,589	P178,151,855	P237,113,753	P96,497,530,305



Cash and cash equivalents

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

Financial assets at FVPL

As of December 31, 2019, government securities held by the Parent Company bear interest ranging from 3.25% to 8.75% and from 3.00% to 10.63% for peso bonds and dollar bonds, respectively. As of December 31, 2018, government securities held by the Parent Company bear interest ranging from 3.25% to 8.75% and from 3.70% to 10.63% for peso bonds and dollar bonds, respectively.

Equity securities

Equity securities includes quoted equity securities traded in the Philippine Stock Exchange.

Exchange-traded funds

Investment in exchange-traded funds (ETFs) classified as financial assets at FVPL are investment funds traded on stock exchanges, on which it trades close to its net asset value over the course of the trading day. As of December 31, 2019, the cost and net asset values of the investment in ETFs amounted to ₱11.01 billion and ₱18.60 billion, respectively. As of December 31, 2018, the cost and net asset values of the investment in ETFs amount to ₱12.01 billion and ₱15.15 billion, respectively.

Unit investment trust funds

Investment in unit investment trust funds (UITFs) classified as financial assets at FVPL are ready-made investments that allow the pooling of funds from different investors with similar investment objectives. These funds are managed by professional fund managers and are invested in various financial instruments such as money market securities, bonds and equities, which are normally available to bigger investors only. As of December 31, 2019, the cost and net asset values of the investment in UITFs amounted to ₱5.32 billion and ₱5.85 billion, respectively. As of December 31, 2018, the cost and net asset values of the investment in UITFs amounted to ₱1.47 billion and ₱1.50 billion, respectively.

Structured notes

The Parent Company, through AXA Philippine Phoenix 7 Fund and AXA Philippine Dollar Phoenix 7 Fund, purchased structured notes issued by foreign investment grade banks. The structured notes pertain to both peso and dollar equity-linked structured product with 7-year tenors. The structured notes provide guarantee based on the single premium amount on maturity dates. At maturity date, unit holders of the fund will get the 80% guarantee, considering counterparty risk, plus upside based on the performance of both Philippines and China equity index. As of December 31, 2019 and 2018, the market value of peso structured notes amounted to ₱17.19 million and ₱19.10 million, respectively, and dollar structured notes amounted to US\$1.27 million (₱64.26 million) and US\$1.32 million (₱69.42 million), respectively.

Interest receivable

Interest receivable pertains to interest accrued on short-term deposits and government debt securities.

Dividend receivable

Dividend receivable pertains to dividends accrued on listed equity securities.

Accounts receivable

Accounts receivable pertains to amounts due from brokers which represent receivables for securities sold that have been contracted for but not yet settled as of the end of the reporting period. This also includes subscriptions from unit holders.



Accounts payable

Accounts payable pertains to amounts due to brokers which represent payables for securities purchased that have been contracted for but not yet settled as of the end of the reporting period. This also includes redemptions payable to unit holders amounting to ₱190.29 million and ₱189.71 million as of December 31, 2019 and 2018, respectively (see Note 6).

Asset management fees payable and service fees payable

Unit-linked funds were established through a Service Level Agreement (SLA) between the unit-linked funds and Metropolitan Bank and Trust Company (MBTC). Under the SLA, MBTC shall manage the unit-linked funds faithfully in accordance with the terms and conditions of the SLA. The Parent Company is entitled to an asset management fee equivalent to 0.30% to 2.33% per annum based on the net asset value of the unit-linked funds (see Note 25). As compensation for services rendered, MBTC shall be entitled to a service fee equivalent to 0.10% to 0.30% per annum based on the net asset value of the unit-linked funds (see Note 25).

Administration and custody fees payable

The unit-linked funds and Citibank entered into a fund administration services agreement wherein Citibank shall perform administrative functions, which include, among others, the preparation and maintenance of books of accounts, computation of net asset value, and payment of expenses incurred by the unit-linked funds. As compensation for services rendered, Citibank shall be entitled to an administration and custody fee equivalent to 0.03% to 0.06% per annum based on the net asset value of the unit-linked funds.

The net asset values of the various unit-linked funds follow:

	2019	2018
AXA Philippine Chinese Tycoon Fund	₱40,510,432,605	₱37,246,618,284
AXA Philippine Global Advantage Fund	18,439,876,710	14,657,741,378
AXA Philippine Wealth Equity Fund	15,333,461,155	14,535,992,554
AXA Philippine Wealth Balanced Fund	9,002,901,639	8,983,839,909
AXA Philippine Opportunity Fund	7,831,310,381	6,770,193,819
AXA Philippine Premium Bond Fund	4,502,265,278	4,968,962,557
AXA Philippine Growth Dynamic Allocation Fund	3,640,229,393	2,105,751,592
AXA Philippine Wealth Bond Fund	1,408,371,953	1,233,469,437
AXA Philippine Peso Liquidity Fund	1,156,780,167	1,308,894,203
AXA Philippine Asia Growth Fund	913,580,306	1,011,347,912
AXA Philippine Spanish American Legacy Fund	745,551,339	878,089,129
AXA Philippine 3GXceed B20 Dollar Fund	706,426,937	766,132,227
AXA Philippine Multi-Asset Dynamic Allocation Fund	685,285,652	137,284,082
AXA Philippine Capital Investment Fund	450,392,277	242,719,496
AXA Philippine Stable Dynamic Allocation Fund	385,340,721	57,035,204
AXA Philippine 3GXceed B20 Fund	324,029,424	399,025,380
AXA Philippine Equity Fund	253,756,396	44,896,003
AXA Philippine European Wealth Fund	228,085,099	255,495,030
AXA Philippine 3GXceed B21 Fund	188,442,170	233,367,382
AXA Philippine 3GXceed B21 Dollar Fund	127,620,621	139,339,884
AXA Philippine 3GXceed B26 Fund	125,232,066	—
AXA Philippine Government Bond Fund	82,928,775	12,617,652
AXA Philippine Dollar Phoenix 7 Fund	64,257,127	69,416,418
AXA Philippine Corporate Bond Fund	20,180,719	3,233,826

(Forward)



	2019	2018
AXA Philippine Peso Phoenix 7 Fund	₱17,191,400	₱19,098,750
AXA Philippine Money Market Fund	7,570,104	1,702,589
AXA Philippine 3GXceed B19 Fund	—	178,151,855
AXA Philippine 3GXceed B19 Dollar Fund	—	237,113,753
	₱107,151,500,414	₱96,497,530,305

The movements in unit-linked liabilities during the year follow:

	Note	2019	2018
At January 1		₱96,629,658,936	₱94,581,559,455
Subscriptions allocated to unit-linked funds		16,239,127,375	20,564,884,103
Withdrawals and redemptions		(14,738,713,254)	(9,710,664,916)
Investment income (loss) - net	20	10,335,992,733	(10,064,064,857)
Foreign exchange (loss) gain		(913,579,902)	1,257,945,151
Net change in variable unit-linked funds		10,922,826,952	2,048,099,481
At December 31		₱107,552,485,888	₱96,629,658,936

13. Insurance Contract Liabilities

This account consists of:

	2019	2018
Legal policy reserves	₱5,523,992,019	₱5,487,594,788
Claims and benefits payable	2,313,175,954	1,857,733,966
Policyholders' dividends	173,556,844	191,357,244
	₱8,010,724,817	₱7,536,685,998

Legal policy reserves, net of recoverable from reinsurers (see Note 5), may be analyzed as follows (in thousands):

	2019	2018
Gross		
Aggregate reserves for ordinary life policies	₱4,699,342	₱4,839,740
Aggregate reserves for group life policies	152,030	153,157
Cost of insurance related reserves	645,814	483,531
Aggregate reserves for accident and health policies	26,806	11,167
	5,523,992	5,487,595
Recoverable from reinsurers		
Aggregate reserves for ordinary life policies	10,548	8,705
Aggregate reserves for group life policies	44,504	39,676
Cost of insurance related reserves	29,481	30,713
Aggregate reserves for accident and health policies	67,206	51,275
	151,739	130,369
Net		
Aggregate reserves for ordinary life policies	4,688,794	4,831,035
Aggregate reserves for group life policies	107,526	113,481
Cost of insurance related reserves	616,333	452,818
Aggregate reserves for accident and health policies	(40,400)	(40,108)
	₱5,372,253	₱5,357,226



The movements in legal policy reserves, net of recoverable from reinsurers (see Note 5), during the year follow:

	2019			2018		
	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
At January 1	₱5,487,594,788	₱130,369,140	₱5,357,225,648	₱7,638,718,529	₱77,714,990	₱7,561,003,539
Due to change in discount rates	631,573,679	—	631,573,679	(1,483,904,598)	—	(1,483,904,598)
Due to change in policies and assumptions	(595,176,448)	21,370,320	(616,546,768)	(667,219,143)	52,654,150	(719,873,293)
	36,397,231	21,370,320	15,026,911	(2,151,123,741)	52,654,150	(2,203,777,891)
At December 31	₱5,523,992,019	₱151,739,460	₱5,372,252,559	₱5,487,594,788	₱130,369,140	₱5,357,225,648

As of December 31, 2019 and 2018, the Parent Company recognized remeasurement gain on life insurance reserves amounting to ₱70.80 million and ₱512.90 million, respectively, net of deferred tax (see Note 23).

The movements during the year in claims and benefits payable follow:

	Note	2019	2018
At January 1		₱1,857,733,966	₱1,624,432,500
Arising during the year	19	1,551,084,626	1,341,034,113
Paid during the year		(1,095,642,638)	(1,107,732,647)
At December 31		₱2,313,175,954	₱1,857,733,966

The movements during the year in policyholders' dividends follow:

	Note	2019	2018
At January 1		₱191,357,244	₱216,565,444
Arising during the year	19	95,572,456	90,493,213
Paid during the year		(113,372,856)	(115,701,413)
At December 31		₱173,556,844	₱191,357,244

14. Life Insurance Contract Liabilities and Reinsurance Assets - Terms, Assumptions and Sensitivities

Life Insurance Contracts

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

Terms

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

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

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



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

Key Assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions relating to insurance and investment contracts. Assumptions used are based on past experience, current internal data and conditions and external market indices and benchmarking, which reflect current observable market prices and other published information. Such assumptions are determined as appropriate and prudent estimates at the date of valuation. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations. Assumptions are also subject to the provisions of the Code and guidelines set by the Insurance Commission.

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

- *Mortality and morbidity*
The mortality and morbidity assumptions are based on rates of mortality and morbidity that are appropriate to the nature of the risks covered based on the Parent Company's actual experience.
- *Discount rates*
Discount rates relate to the time value of money. Discount rate assumptions are based on current observed rates in the market and consistent with the discount rates published by IC. The discount rates are reviewed and revised at each reporting date. An increase (decrease) in discount rate would result in remeasurement gain (loss) on life insurance reserves.
- *Non-guaranteed benefits*
The level of non-guaranteed benefits under traditional life insurance policies to be valued, including policy dividends, are determined with due regard to the Parent Company's duty to treat its policyholders fairly and meet policyholders' reasonable expectations.
- *Expenses*
The expense assumptions are based on the Parent Company's experience derived from its latest expense study.
- *Lapses and/or persistency rates*
Lapse and/or persistency rates reflective of the Parent Company's actual experience are taken as the best estimate lapse and/or persistency assumption, with regard to changing Parent Company practices and market conditions.

The estimation of liabilities include margin for adverse deviations (MfADs) of +/-10% of the best estimate assumptions as prescribed by IC Circular Letter No. 2016-66.

Pursuant to Sections 216 and 423 of the Amended Insurance Code (RA 10607), a new set of valuation standards for life insurance policy reserves has been promulgated by the Commission per Circular No. 2016-66 effective 2018. Under the Circular, the reserves for traditional life insurance policies must be valued, where appropriate, using gross premium valuation. This is calculated as the sum of the present value of future benefits and expenses, less the present value of future gross premiums arising from the policy discounted at the appropriate risk-free discount rate.



For reserves of variable life insurance contracts, there were no changes in the valuation method. Furthermore, these shall be valued as the sum of:

- market value of the underlying assets backing the separate accounts relating to the policy, excluding any seed capital; and
- unearned cost of insurance or unearned risk charge.

Sensitivities

The analysis below is performed for a reasonably possible movement in key assumptions with all other assumptions held constant on liabilities. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumption changes had to be done on an individual basis.

December 31, 2019		
	Change in assumptions	Increase/(decrease) in liabilities
Mortality/morbidity	10%	₱290,238,872
	-10%	(295,889,261)
Lapse	10%	232,457,376
	-10%	(252,893,087)
Expense	10%	161,227,776
	-10%	(161,227,776)
Discount rate	-10%	616,145,349
	10%	(522,150,007)
December 31, 2018		
	Change in assumptions	Increase/(decrease) in liabilities
Mortality/morbidity	10%	₱164,674,916
	-10%	(169,155,825)
Expense	10%	119,419,640
	-10%	(119,419,640)
Discount rate	-10%	534,504,184
	10%	(453,913,324)

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

Reinsurance - Assumptions and Methods

The Parent Company limits its exposure to loss within insurance operations through participation in reinsurance arrangements. Amounts receivable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented under 'Insurance receivables' in the parent company statement of financial position. Even though the Parent Company may have 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 is unable to meet its obligations assumed under such reinsurance agreements. The Parent Company is neither dependent on a single reinsurer nor are the operations of the Parent Company substantially dependent upon any reinsurance contract.



15. Insurance Payables

The rollforward analysis of this account follows:

	Note	2019	2018
At January 1		₱172,586,511	₱159,020,752
Arising during the year	19	304,584,737	265,100,272
Paid during the year		(103,246,909)	(251,534,513)
At December 31		₱373,924,339	₱172,586,511

Insurance payables pertain to premiums due to reinsurers which are payable on a quarterly basis.

16. Trade and Other Liabilities

This account consists of:

	Notes	2019	2018
Accounts payable		₱545,167,529	₱502,202,047
Accrued expenses and provisions		484,357,560	375,237,497
Commissions payable	25	392,597,228	306,691,368
Subscriptions payable	12	458,928,723	187,753,893
Accrued shared service costs	25	84,378,694	136,021,355
Taxes payable		136,250,616	76,587,705
Others		59,965,128	91,943,549
		₱2,161,645,478	₱1,676,437,414

Accounts payable include amounts due to suppliers which represent payables for goods and services purchased that have been contracted for but not yet settled as of the end of the reporting period which are payable on demand.

Accrued expenses includes incentives and bonuses which pertains to incentive plans based on business performance, accrual of unused leaves, mid-year, medical reimbursements and provident plan contribution. In addition, no provisions for estimated losses was recognized by the Company as of December 31, 2019. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* is not disclosed on the grounds that it can be expected to prejudice the Parent Company's position. These are non-interest bearing and payable within approved terms within one year.

Commissions payable pertain to sales force commissions which are non-interest bearing and payable every month.

Subscriptions payable pertain to investment subscriptions from policyholders to be transferred to unit-linked funds. These are non-interest bearing and are payable on demand.

Accrued shared service costs pertain to regional charges for Information Technology (IT) services, consultancy and support services. These are charged based on actual costs incurred. These are non-interest bearing and are payable on demand.

Taxes payable include taxes withheld from staffs and agents, fringe benefits taxes, stamp duties and premium taxes. These are remitted to government agencies one month after reporting date.



Other liabilities pertain to accrued professional fees, accrued advertising expenses and other miscellaneous payables. These are non-interest bearing and are payable on demand.

17. Equity

Capital stock

This account consists of common stock as of December 31, 2019 and 2018 as follows:

Authorized - 10,000,000 shares, ₱100 par value	
Issued - 10,000,000 shares	₱1,000,000,000
	<u>₱1,000,000,000</u>

Retained earnings

On November 6, 2019, the Parent Company's BOD approved the declaration of cash dividends amounting to ₱40.90 per share totaling ₱409 million to the shareholders of record as of October 24, 2019. The Parent Company paid the dividends on December 17, 2019.

On November 23, 2018, the Parent Company's BOD approved the declaration of cash dividends amounting to ₱159.50 per share totaling ₱1.60 billion to the shareholders of record as of November 23, 2018. The Parent Company paid the dividends on December 27, 2018.

Retained earnings are restricted for the payment of dividends to the extent of the cost of common shares held in treasury, unrealized income such as fair value adjustments, increases in deferred tax assets and unrealized foreign exchange movement. As of December 31, 2019, ₱7.58 billion retained earnings were determined to be available for dividend declaration.

Under IC Circular Letter 2016-66, the Parent Company's BOD is required to appropriate from its unassigned retained earnings an amount equal to the aggregate of the negative reserves of traditional life insurance policy. On March 27, 2020 and April 25, 2019, the Parent Company's BOD has appropriated ₱862.33 million and ₱2.36 billion of its unappropriated retained earnings relating to the movement of the negative reserves for 2019 and 2018, respectively. The total appropriated earnings relating to the aggregate negative reserves is ₱3.22 billion.

Treasury stock

Common shares held in treasury are 207 shares as of December 31, 2019 and 2018.

18. Revaluation Reserves for Available-for-sale Financial Assets

The rollforward analysis of this account follows:

	Notes	2019	2018
At January 1		(₱500,170,863)	₱177,370,185
Fair value gains (losses)	6	1,236,536,495	(677,541,048)
At December 31		<u>₱736,365,632</u>	<u>(₱500,170,863)</u>

The revaluation reserve for AFS financial assets pertains to the difference between the amortized cost and fair value for debt instruments and the acquisition cost and fair value for equity investments classified as AFS financial assets.



19. Revenue and Benefits and Claims

The net insurance premium revenue consists of:

	Note	2019	2018
Premium revenue arising from contracts issued			
Unit-linked insurance contracts		₱22,828,131,001	₱26,810,488,763
Life insurance contracts		3,713,216,882	2,897,944,335
		26,541,347,883	29,708,433,098
Premium revenue ceded to reinsurers on contracts issued			
Life insurance contracts		239,662,195	208,292,203
Unit-linked insurance contracts		64,922,542	56,808,069
	15	304,584,737	265,100,272
		₱26,236,763,146	₱29,443,332,826

The investment income consists of:

	Notes	2019	2018
Interest on:			
AFS financial assets	6	₱588,949,577	₱490,524,144
Cash and cash equivalents	4	124,401,399	114,885,320
Loans and receivables	6	40,518,151	41,564,357
Financial assets at FVPL	6	12,450,000	12,450,000
		766,319,127	659,423,821
Fair value gains (losses) from financial assets at FVPL	6	109,772,571	(99,164,712)
Dividend income	6	20,870,886	16,039,437
Rental income	9	1,198,608	27,659,421
		₱898,161,192	₱603,957,967

Net claims and benefits incurred during the year consist of (see Note 13):

	Notes	2019	2018
Death and hospitalization benefits		₱1,115,740,454	₱788,082,550
Maturities		250,456,156	339,942,541
Surrenders		144,118,815	177,197,849
Gross experience refunds		40,769,201	35,811,173
	13	1,551,084,626	1,341,034,113
Reinsurers' share on claims and benefits incurred		(92,339,436)	(68,745,160)
		1,458,745,190	1,272,288,953
Policyholders' dividends and interest	13	95,572,456	90,493,213
		₱1,554,317,646	₱1,362,782,166



20. Gain (Loss) on Assets Held to Cover Unit-linked Liabilities

This account consists of:

	2019	2018
Income		
Fair value gains (losses) on financial assets at FVPL	₱11,157,844,086	(₱9,401,054,835)
Interest income on:		
Financial assets at FVPL	642,302,878	676,346,793
Cash and cash equivalents	36,662,648	72,290,658
Dividend income	1,119,354,185	1,023,499,829
	12,956,163,797	(7,628,917,555)
Expenses		
Asset management and service fees	2,439,547,124	2,232,683,241
Fund administration and custody fees	50,632,440	73,887,040
Other expenses	8,190,757	19,583,773
	2,498,370,321	2,326,154,054
Gain (loss) before final tax	10,457,793,476	(9,955,071,609)
Final tax	121,800,743	108,993,248
	₱10,335,992,733	(₱10,064,064,857)

21. Operating and Administrative Expenses

This account consists of:

	Notes	2019	2018
Salaries, allowances and benefits	22	₱2,437,512,227	₱2,092,902,334
Collection fees		340,702,499	309,706,756
Shared service costs		330,708,605	175,613,020
Training and convention		317,284,925	364,183,427
Depreciation and amortization	10, 11	299,902,861	128,691,485
Advertising and promotions		265,327,238	191,220,814
Transportation and travel		168,737,434	129,683,394
Project development costs		165,202,283	258,729,592
Communication, light and water		121,316,677	114,769,298
Rent	26	78,083,189	198,627,229
Management and directors' fees		59,825,162	57,966,792
Repairs and maintenance		57,443,952	41,903,410
Taxes, licenses and fees	30	44,817,122	15,759,172
Supplies		28,214,766	38,455,787
Courier costs		20,380,894	42,654,801
Professional fees		5,103,510	3,730,308
Provision for impairment loss on loans and receivables	6	2,863,675	9,886,640
Provision for impairment loss on investment in a subsidiary	8	—	342,519,424
Miscellaneous		119,300,284	65,843,165
		₱4,862,727,303	₱4,582,846,848



Collection fees pertain to accrual of services in relation to premium collections of salary deduction policies and group policies. Fees are applied to collected premiums at various rates.

Shared service costs pertain to allocated regional charges for consultancy and support services based on the service level agreement.

Project development costs pertain to charges for information technology services and other expenditures.

Miscellaneous includes credit card fees, legal fees, bank charges and other expenses.

22. Employee Benefits

The Parent Company has a noncontributory defined benefit pension plan, covering substantially all of its employees, which requires contributions to be made by the Parent Company to an administered fund. The Parent Company's retirement fund is administered by MBTC as trustee (see Note 25), under the supervision of the Board of Trustees of the plan. The Board of Trustees is responsible for investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plans' objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The Board of Trustees delegates the implementation of the investment policy in accordance with the investment strategy as well as various principles and objectives to an Investment Committee, which also consists of members of the Board of Trustees.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Effective January 1, 2019, the Parent Company amended its Retirement Plan and adopted the One AXA Retirement Plan. The effect of this change is reflected as past service cost amounting to ₱6.70 million and are recognized immediately in the 2019 retirement expense. The current service costs and net interest for 2019 are computed based on the remeasurement defined benefit obligation as of January 1, 2019.



Changes in net pension liability are as follow:

2019													
	Net benefit cost in statements of comprehensive income					Remeasurements in other comprehensive income						Contribution by employer	At December 31
						Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes rising from changes in financial assumptions	Actuarial changes arising from experience adjustments	Subtotal			
	At January 1	Current/Past service cost*	Net interest	Subtotal	Benefits paid**								
Present value of defined benefit obligation	₱330,316,962	₱75,066,487	₱24,104,354	₱ 99,170,841	(₱18,595,185)	₱–	(₱271,957)	₱113,268,698	(₱6,045,855)	₱106,950,886	₱–	₱517,843,504	
Fair value of plan assets	(157,510,356)	–	(14,159,450)	(14,159,450)	19,780,500	(13,093,580)	–	–	–	(13,093,580)	(85,011,393)	(249,994,279)	
	₱172,806,606	₱75,066,487	₱9,944,904	₱85,011,391	₱1,185,315	(₱13,093,580)	(₱271,957)	₱113,268,698	(₱6,045,855)	₱93,857,306	(₱85,011,393)	₱267,849,225	

*Includes past service cost amounting to ₱7.0 million

** Includes net acquired/released obligation due to employee transfer amounting to ₱0.71 million

2018													
	Net benefit cost in statements of comprehensive income					Remeasurements in other comprehensive income						Contribution by employer	At December 31
						Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from demographic assumptions	Actuarial changes rising from changes in financial assumptions	Actuarial changes arising from experience adjustments	Subtotal			
	At January 1	Current service cost	Net interest	Subtotal	Benefits paid								
Present value of defined benefit obligation	₱308,656,630	₱58,117,512	₱17,390,679	₱75,508,191	(₱25,202,095)	₱–	₱–	(₱53,694,380)	₱25,048,616	(₱28,645,764)	₱–	₱330,316,962	
Fair value of plan assets	(98,685,808)	–	(7,159,259)	(7,159,259)	25,202,095	13,365,410	–	–	–	13,365,410	(90,232,794)	(157,510,356)	
	₱209,970,822	₱58,117,512	₱10,231,420	₱68,348,932	₱–	₱13,365,410	₱–	(₱53,694,380)	₱25,048,616	(₱15,280,354)	(₱90,232,794)	₱172,806,606	



The distribution of the plan assets follows:

	2019	2018
Assets		
Cash and cash equivalents	₱8,862,507	₱6,390,564
Debt securities	206,248,601	119,809,172
Equity securities	46,688,914	31,326,185
Receivables	3,224	89,421
Other assets	48,570	17,213
	261,851,816	157,632,555
Liabilities		
Accounts payable	240,352	122,199
Benefit payable from the fund	11,617,185	—
	11,857,537	122,199
	₱249,994,279	₱157,510,356

The Parent Company's plan assets consist of:

- Cash and cash equivalents include regular savings and time deposits;
- Investments in debt securities include investments in government consisting of long-term treasury bills and bonds, which bear interest ranging from 3.39% to 7.25% and have maturities from June 2021 to October 2037;
- Equity instruments include investments in listed stocks and mutual funds and other equity instruments; and
- Receivables consist of interest and dividend receivables.
- Accounts payable pertain to trust fees payable.
- Benefit payable from the fund to the Parent Company.

The plan assets have diverse investments and do not have any concentration risk.

The Parent Company expects to contribute ₱85.05 million to the retirement fund in 2020.

The principal assumptions used in determining pension liability for the Parent Company's plan follow:

	2019	2018
Discount rate	4.97%	7.36%
Rate of salary increase	8.00%	8.00%
Mortality rate	2017 PICM	2017 PICM
Average years of service	3.19 years	3.19 years

The Parent Company plans to continue making contributions to the fund which consist of normal cost and unfunded actuarial liability. To adjust the normal cost for future salary changes and new entrants to the plan, the contributions for normal cost will be made on the basis of 5.35% of the annual covered compensation in effect at the time.



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

December 31, 2019		
	Increase (decrease) in basis points	Impact on defined benefit obligation
Discount rate	+100 (100)	(P52,576,896) 61,961,634
Rate of salary increase	+100 (100)	61,973,440 (53,674,086)
December 31, 2018		
	Increase (decrease) in basis points	Impact on defined benefit obligation
Discount rate	+100 (100)	(P27,639,037) 32,044,724
Rate of salary increase	+100 (100)	34,166,031 (29,979,841)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The management performed an Asset-Liability Matching Study (ALM) annually. The overall investment policy and strategy of the Parent Company's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans.

The average duration of the expected benefit payments as of December 31, 2019 and 2018 is 18.78 years and 18.58 years, respectively.

The maturity analysis of the undiscounted benefit payments as of December 31, 2019 and 2018 follows:

December 31, 2019			
	Normal Retirement	Other than Normal Retirement	Total
Less than one year	P—	P24,578,851	P24,578,851
More than one year to five years	39,651,486	131,937,527	171,589,013
More than five years to 10 years	143,039,352	256,239,051	399,278,403
More than 10 years to 15 years	238,865,852	344,646,721	583,512,573
More than 15 years to 20 years	750,500,768	326,130,564	1,076,631,332
More than 20 years	1,623,630,181	400,644,410	2,024,274,591



December 31, 2018			
	Normal Retirement	Other than Normal Retirement	Total
Less than one year	P-	P19,606,033	P19,606,033
More than one year to five years	32,054,668	120,674,759	152,729,427
More than five years to 10 years	55,245,362	250,386,484	305,631,846
More than 10 years to 15 years	186,692,280	341,658,374	528,350,654
More than 15 years to 20 years	507,978,364	348,997,642	856,976,006
More than 20 years	1,190,655,427	410,807,344	1,601,462,771

Staff costs and other employee related costs (see Note 21) consist of:

	2019	2018
Salaries and wages	P2,085,888,461	P1,809,701,268
Short-term employee benefits	214,278,127	178,128,359
Retirement expense	75,066,487	58,117,512
Social security costs and Pag-ibig contributions	47,953,618	34,030,332
Others	14,325,534	12,924,863
	P2,437,512,227	P2,092,902,334

23. Income Taxes

Provision for income tax consists of:

	2019	2018
RCIT	P1,273,088,436	P1,199,367,849
Final	123,505,675	102,000,873
Current	1,396,594,111	1,301,368,722
Deferred	(71,358,910)	(25,164,228)
	P1,325,235,201	P1,276,204,494

Deferred tax assets are recognized only to the extent that realization of the related tax benefit is probable. Components of recognized deferred tax assets and liabilities follow:

	2019	2018
Deferred tax assets:		
Affecting profit and loss:		
Accrual of nondeductible expenses	P310,088,267	P262,338,842
Net pension liability	18,759,577	18,403,982
Unamortized past service cost	12,280,326	8,671,126
Allowance for impairment losses	6,338,605	5,479,504
Unrealized foreign exchange losses	8,503,685	-
Affecting other comprehensive income:		
Remeasurement loss on defined benefit plan	61,595,191	33,438,000
	417,565,651	328,331,454

(Forward)



	2019	2018
Deferred tax liabilities on:		
Affecting profit and loss:		
Unrealized foreign exchange gains	₱—	₱10,281,905
Affecting other comprehensive income:		
Legal policy reserves	30,343,101	219,815,205
	30,343,101	230,097,110
Net deferred tax assets	₱387,222,550	₱98,234,344

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

	2019	2018
Statutory income tax rate	30.00%	30.00%
Add (deduct) tax effects of:		
Interest income subjected to final tax	(2.22)	(2.06)
Income exempt from tax	(0.61)	(0.12)
Nondeductible expenses	0.94	3.99
Effective income tax rate	28.11%	31.81%

24. Management of Insurance and Financial Risks

Governance Framework

The Parent Company has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity, insurance and operational risk. It also supports the effective implementation of policies at the overall company and individual business unit levels.

The policies define the Parent Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategies to the corporate goals and specific reporting requirements.

Regulatory Framework

Regulators are interested in protecting the rights of the policyholders and maintain close vigil to ensure that the Parent Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Parent Company maintains 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, fixed capitalization requirements and risk-based capital (RBC) requirements) to minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise.

Capital Management

The Parent Company manages its capital through its compliance with the statutory requirements on minimum paid-up capital and minimum net worth. The Parent Company is also complying with the statutory regulations on RBC to measure the adequacy of its statutory surplus in relation to the risks inherent in its business. The RBC method involves developing a risk-adjusted target level of statutory surplus by applying certain factors to various asset, premium and reserve items. Higher factors are applied to more risky items and lower factors are applied to less risky items. The target



level of statutory surplus varies not only as a result of the insurer's size, but also on the risk profile of the insurer's operations.

A substantial portion of the Parent Company's long-term insurance business comprises policies where the investment risk is borne by policyholders. Risk attributable to policyholders is actively managed keeping in view their investment objectives and constraints.

The Parent Company's policy to address the situations where the capital level maintained is lower than required is to oblige the shareholders to add more capital. The Parent Company currently holds surplus capital as a buffer for possible deviation in future profitability.

To ensure compliance with these externally imposed capital requirements, it is the Parent Company's policy to monitor the paid-up capital, net worth and RBC requirements on a quarterly basis as part of the Parent Company's internal financial reporting process.

Based on its calculations, the Parent Company fully complied with the externally imposed capital requirements during the reported financial periods and no changes were made to its capital base, objectives, policies and processes from the previous year.

The estimated amounts of non-admitted assets as defined under the Code, and are still subject to examination by the IC, which are included in the accompanying Parent Company statements of financial position, follow:

	2019	2018
Cash and cash equivalents	₱67,905	₱8,060,766
Available-for-sale financial assets	4,100	4,100
Investment in subsidiary	3,655,018,028	2,489,192,939
Property and equipment – net	329,232,913	289,845,448
Loans and receivables	19,312,853	40,403,337
Other assets	814,341,345	457,095,926
Assets held to cover unit-linked liabilities	–	5,636,993
	₱4,817,977,144	₱3,290,239,509

Fixed capitalization requirements

On August 15, 2013, the President of the Philippines approved Republic Act No. 10607 to be known as the "New Insurance Code" which provides the new capitalization requirements for all existing insurance companies based on net worth on a staggered basis starting June 30, 2013 up to December 31, 2022.

On January 13, 2015, the IC issued Circular Letter No. 2015-02-A clarifying the minimum capitalization and net worth requirements of new and existing insurance companies in the Philippines. All domestic life and non-life insurance companies duly licensed by the IC must have a net worth of at least ₱250.00 million by December 31, 2013.

The minimum net worth of the said companies shall remain unimpaired at all times and shall increase to the amounts as follows:

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



As of December 31, 2019 and 2018, the Parent Company has complied with the minimum net worth requirement.

RBC requirements

In 2006, the IC issued Memorandum Circular (IMC) No. 6-2006 adopting a risk-based capital framework to establish the required amounts of capital to be maintained by life insurance companies in relation to their investment and insurance risks. The RBC ratio of a company shall be calculated as Net worth divided by the RBC requirement. Net worth shall include the Parent Company's paid-up capital, contributed and contingency surplus and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of net worth only to the extent authorized by the Insurance Commissioner.

In 2016, the IC issued Circular Letter No. 2016-68, Amended Risk-Based Capital (RBC2) Framework, pursuant to Section 437 of the Amended Insurance Code. 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 (e.g. Capital Stock, Statutory Deposit, Capital Stock Subscribed, Contributed Surplus, etc.). Tier 2 Capital does not have the same high quality characteristics of Tier 1 capital, but can provide an additional buffer to the insurer [e.g. Reserve for Appraisal Increment – Property and Equipment, Remeasurement Gains (Losses) on Retirement Pension Asset (Obligation)]. Tier 2 Capital shall not exceed 50% of Tier 1 Capital.

The minimum RBC ratio is set at 100%. All insurance companies are required to maintain the minimum RBC ratio and not fail the Trend Test.

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 was determined by the Parent Company based on its calculations:

	2019	2018
Total Available Capital	₱8,868,993,477	₱5,622,783,691
RBC requirement	2,309,289,657	1,199,249,089
RBC Ratio	384%	469%

The final RBC ratio can be determined only after the accounts of the Parent Company have been examined by the IC specifically as to admitted and non-admitted assets as defined under the Code. The 2018 RBC ratio was determined final during the examination made by the IC.

New regulatory framework

Pursuant to the powers vested in the Insurance Commissioner by Sections 189, 200, 437 and 438 of Republic Act (RA) No. 10607, otherwise known as the Insurance Code, as amended, the following regulatory requirements and actions for the new regulatory framework are hereby adopted and promulgated:

Circular Letter No. 2016-65, Financial Reporting Framework under Section 189 of the Amended Insurance Code (Republic Act No. 10607), prescribes the new financial reporting framework (FRF) that will be used for the statutory quarterly and annual reporting. This also includes rules and regulations concerning Titles III and IV of Chapter III of the Amended Insurance Code and all other



accounts not discussed in the Amended Insurance Code but are used in accounting of insurance and reinsurance companies. This circular was further amended by CL No. 2018-54 to clarify the provisions of Section 6.1 (“Miscellaneous Provisions”).

Circular Letter No. 2016-66, Valuation Standards for Life Insurance Policy Reserves, provides a change in the basis of valuation of the life insurance policy reserves from Net Premium Valuation (NPV) to Gross Premium Valuation (GPV) which now considers other assumptions such as morbidity, lapse and/or persistency, expenses, non-guaranteed benefits and margin for adverse deviation. This CL was further amended by *CL 2018-75, Discount Rates for Life Insurance Policy Reserves* as of December 31, 2018, which prescribes the use of PHP BVAL Reference rates from Bloomberg for Philippine Peso policies.

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

Implementation requirements and transition accounting

Circular Letter No. 2016-69, Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves and Amended Risk-based Capital (RBC2) Framework. The new regulatory requirements under Circular Letters 2016-65, 2016-66, and 2016-68 shall take effect beginning January 1, 2017.

Circular Letter No. 2017-30, Regulatory Requirements and Actions for the New Regulatory Framework (Life Insurance Business).

The cumulative prior year impact of the changes arising from the adoption of the New Financial Reporting Framework, including the change in the valuation basis from Net Premium Valuation (NPV) to Gross Premium Valuation (GPV) as well as any change in assumptions under GPV computed based on the new valuation standards for life insurance policy reserves as provided under CL No. 2016-66, shall be recognized in Retained Earnings – Transition Adjustments account except for items listed in Section 2.1. All changes in valuation shall be measured net of any tax effect.

Insurance Risk

The risk under an insurance contract is the risk that an insured event will occur, including the uncertainty of the amount and timing of any resulting claim. The principal risk the Parent 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 that are greater than those originally estimated, and subsequent development of long-term claims.

Terms and conditions

The Parent Company principally writes life insurance where the life of policyholder is insured against death, illness, injury or permanent disability, usually for a pre-determined amount. Life insurance contracts offered by the Parent Company mainly include whole life, term insurance, endowments and unit-linked products. Whole life and term insurance are conventional products where lump sum benefits are payable on death. Endowment products are investments/savings products where lump sum benefits are payable after a fixed period or on death before the period is completed. Unit-linked products differ from conventional policies in that a guaranteed percentage of each premium is allocated to units in a pooled investment fund and the policyholder benefits directly from the total investment growth and income of the fund.



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

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

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio.

The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines.

The business of the Parent Company consists of underwriting life insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. These risks currently do not vary significantly in relation to the location of the risk insured by the Parent Company whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Parent Company has an objective to control and minimize insurance risk to reduce volatility of operating profits. The Parent Company manages insurance risk through the following mechanisms:

- The use and maintenance of sophisticated management information systems that provide up to date, accurate and reliable data on risk exposure at any point in time.
- The use of actuarial models based on past experience and statistical techniques to aid in pricing decisions and monitoring claims pattern.
- Issuance of guidelines for concluding insurance contracts and assuming insurance risks.
- Pro-active compliance of claims handling procedures to investigate and adjust claims, thereby preventing settlement of dubious or fraudulent claims.
- The use of reinsurance to limit the Parent Company's exposure to large claims by placing risk with re-insurers providing high security.
- Diversification to achieve sufficiently large population of risks to reduce the variability of the expected outcome. The diversification strategy seeks to ensure that underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

The mix of insurance assets is driven by the nature and term of insurance liabilities. The management of assets and liabilities is closely monitored to attempt to match the expected pattern of claim payments with the maturity dates of assets.



Insurance risk is also affected by the policyholders' rights to terminate the contract, pay reduced premiums, refusal to pay premiums or to avail of the guaranteed annuity option. Thus, the insurance risk is subject to the policyholders' behavior and decisions.

Using the amounts in the legal policy reserves (see Note 13), the Parent Company's concentration of insurance risk before and after reinsurance in relation to the type of insurance contract follows:

	2019	2018
Whole Life		
Gross	₱2,198,373,960	₱2,497,716,623
Net	2,176,373,660	2,447,723,932
Endowment		
Gross	2,090,941,757	1,846,788,841
Net	2,090,921,528	1,846,766,737
Cost of insurance		
Gross	645,814,276	483,530,693
Net	616,333,051	452,817,246
Term insurance		
Gross	330,321,396	300,048,170
Net	326,871,895	296,963,427
Group insurance		
Gross	(12,697,514)	(23,264,864)
Net	(101,706,324)	(62,941,008)
Rider		
Gross	271,238,144	382,775,325
Net	263,458,749	375,895,314
Total		
Gross	5,523,992,019	5,487,594,788
Net	₱5,372,252,559	₱5,357,225,648

Investment Risk

The investment risk represents the exposure to loss resulting from cash flows from invested assets, primarily long-term fixed rate investments, being less than the cash flows required to meet the obligations of the expected policy and contract liabilities and the necessary return on investments. Additionally, there exists a future investment risk associated with certain policies currently in force which will have premium receipts in the future. That is, the investment of those future premium receipts may be at a yield below than that required to meet future policy liabilities.

To maintain an adequate yield to match the interest necessary to support future policy liabilities, management focus is required to reinvest the proceeds of the maturing securities and to invest the future premium receipts while continuing to maintain satisfactory investment quality.

The Parent Company utilizes dynamic asset allocation strategies consistent with its risk appetite framework to manage investment risk and to ensure sustainable investment returns. As a management tool, the Parent Company uses asset-liability matching to determine the composition of the invested assets and appropriate investment and marketing strategies. As part of these strategies, the Parent Company may determine that it is economically advantageous to be temporarily in an unmatched position due to anticipated interest rate or other economic changes.



Fair Value of Financial Instruments

Non-linked

Cash and cash equivalents, insurance receivables, accrued income, short-term loans and receivables, premium deposit fund, insurance payables, life insurance deposits, lease liability and trade and other liabilities

Carrying amounts approximate the fair values due to the relatively short-term maturities of these amounts.

Amounts due from and due to related parties

Carrying amounts of due from and due to related parties which are payable on demand approximate their fair values.

Financial assets at FVPL and AFS financial assets

The fair value of financial assets at FVPL and AFS financial assets that are actively traded in organized financial markets are determined by reference to quoted market bid prices, at the close of business on the reporting date, or the last trading day as applicable.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost.

Unit-linked

Cash and cash equivalents, interest receivable, dividend receivable, accounts receivable and other financial liabilities

Carrying amounts approximate the fair values due to the relatively short-term maturities of these instruments.

Financial assets at FVPL

Fair values of financial assets designated as at FVPL that are actively traded in organized financial markets are determined by reference to quoted market bid prices, at the close of business on the reporting date, or the last trading day as applicable.

Fair value hierarchy

The Parent Company classifies its non-linked financial assets at fair value as follows:

	December 31, 2019				
	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:					
Financial assets at FVPL					
Government debt securities					
local currency	₱166,863,884	₱–	₱166,863,884	₱–	₱166,863,884
Listed equity securities	1,497,107,226	1,497,107,226	–	–	1,497,107,226
Unit investment trust funds	296,064,035	–	296,064,035	–	296,064,035
Investment in unit-linked funds	57,943,249	57,943,249	–	–	57,943,249
AFS financial assets					
Government debt securities					
local currency	9,172,382,754	5,108,941,703	4,063,441,051	–	9,172,382,754
Corporate debt securities					
local currency	1,909,582,058	1,909,582,058	–	–	1,909,582,058
Golf club shares	33,779,100	33,779,100	–	–	33,779,100
	₱13,133,722,306	₱8,607,353,336	₱4,526,368,970	₱–	₱13,133,722,306



December 31, 2018					
	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:					
Financial assets at FVPL					
Government debt securities					
local currency	₱146,605,427	₱-	₱146,605,427	₱-	₱146,605,427
Listed equity securities	1,196,401,114	1,196,401,114	-	-	1,196,401,114
Unit investment trust funds	110,572,803	-	110,572,803	-	110,572,803
Investment in unit-linked funds	55,625,262	55,625,262	-	-	55,625,262
AFS financial assets					
Government debt securities					
local currency	7,125,743,744	7,125,743,744	-	-	7,125,743,744
Corporate debt securities					
local currency	1,699,076,248	1,699,076,248	-	-	1,699,076,248
Golf club shares	29,779,100	29,779,100	-	-	29,779,100
	₱10,363,803,698	₱10,106,625,468	₱257,178,230	₱-	₱10,363,803,698

The Parent Company classifies its unit-linked financial assets at fair value as follows:

December 31, 2019					
	Carrying value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:					
Financial assets at FVPL					
Debt securities	₱12,395,418,645	₱-	₱12,395,418,645	₱-	₱12,395,418,645
Equity securities	67,934,631,578	67,934,631,578	-	-	67,934,631,578
Exchange-traded funds	18,604,920,600	-	18,604,920,600	-	18,604,920,600
Unit investment trust funds	5,847,489,842	-	5,847,489,842	-	5,847,489,842
Structured notes	81,448,527	-	-	81,448,527	81,448,527
	₱104,863,909,192	₱67,934,631,578	₱36,847,829,087	₱81,448,527	₱104,863,909,192

December 31, 2018					
	Carrying value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:					
Financial assets at FVPL					
Debt securities	₱10,964,828,726	₱-	₱10,964,828,726	₱-	₱10,964,828,726
Equity securities	64,469,775,756	64,469,775,756	-	-	64,469,775,756
Exchange-traded funds	15,154,841,168	-	15,154,841,168	-	15,154,841,168
Unit investment trust funds	1,503,437,973	-	1,503,437,973	-	1,503,437,973
Structured notes	88,515,168	-	-	88,515,168	88,515,168
	₱92,181,398,791	₱64,469,775,756	₱27,623,107,867	₱88,515,168	₱92,181,398,791

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

- Level 1: Quoted (unadjusted) prices in active markets 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.

In 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

Structured notes

The fair values of the structured products can be decomposed into the fair values of the bonds and option components which were determined using present value technique and option pricing model, respectively.



Discount rate used to value the bond component is the combination of the risk free rate and credit spread. Risk free rate is determined by their corresponding number of years swap rate while the credit spread is defined by the counterparty bank's credit default swap rate.

A custom index composed of Philippine and China equities that are equally weighted are used to approximate the value of the option.

Valuation of options embedded in the structured notes that are unobservable is 20% of the total investment which considers the actual funding levels of the issuer banks. Value of options is adjusted using the following techniques:

- Bid/offer adjustments
- Input uncertainty adjustments
- Model uncertainty adjustments
- Own-credit valuation adjustment for debts (OCA) and for derivatives (debit valuation adjustment - DVA)

The future payout of the structured notes is dependent on how the underlying index performed at certain points in the past. Monte Carlo simulation is used to simulate the price evolution of the underlying factors over the life of the trade. From a large number of simulations, the probability of payout at the end of each year can be obtained. The option price is then the expected payout of the trade based on the computed probabilities.

The description of significant observable inputs to valuation follows:

	Valuation technique	Significant observable inputs	Range (weighted average)	Sensitivity of the input to fair value
Structured notes - ING Bank N.V.	Fixed Income Leg: Discounted Cash Flow	PHP Swap Rates	±1% absolute	+1.00% absolute increase (decrease) in swap rate would result in decrease (increase) in fair value of the 7yr note by USD78,017. -1.00% absolute increase (decrease) in swap rate would result in decrease (increase) in fair value of the 7yr note by (USD81,140).
Structured notes - BNP Paribas	Asian Option: Bloomberg Option Valuation	Underlying Index – ING Phil-China Index (Bloomberg Ticker: INGPHCHE Index)	±1% relative	±1.00% relative increase (decrease) in underlying index would result in increase (decrease) in fair value of the 7yr note by USD8,607.
	Fixed Income Leg: Discounted Cash Flow	USD Swap Rates	±1% absolute	+1.00% absolute increase (decrease) in swap rate would result in decrease (increase) in fair value of the 7yr note by USD78,684.



Valuation technique	Significant observable inputs	Range (weighted average)	Sensitivity of the input to fair value
			-1.00% absolute increase (decrease) in swap rate would result in decrease (increase) in fair value of the 7yr note by (USD81,690).
Asian Option: Bloomberg Option Valuation	Underlying Index – Phil-China Index (Bloomberg Ticker: ENHAPHCE Index)	±1% relative	±1.00% relative increase (decrease) in underlying index would result in increase (decrease) in fair value of the 7yr note by USD8,796.

The description of significant unobservable inputs to valuation follows:

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Structured notes - ING Bank N.V.	Fixed Income Leg: Discounted Cash Flow	Funding cost (credit spread)	+1% absolute	+1.00% absolute increase (decrease) in swap rate would result in decrease (increase) in fair value of the 7yr note by USD78,017.
	Asian Option: Bloomberg Option Valuation	Volatility	±1% absolute	±1.00% absolute increase (decrease) in volatility would result in increase (decrease) in fair value of the 7yr note by USD3,313.
Structured notes - BNP Paribas	Fixed Income Leg: Discounted Cash Flow	Funding cost (credit spread)	+1% absolute	+1.00% absolute increase (decrease) in swap rate would result in decrease (increase) in fair value of the 7yr note by USD78,684.
	Asian Option: Bloomberg Option Valuation	Volatility	±1% absolute	±1.00% absolute increase (decrease) in volatility would result in increase (decrease) in fair value of the 7yr note by USD3,982.



The following table shows the reconciliation of the beginning balance and ending balances of Level 3 unit-linked financial assets at FVPL (see Note 12) which are recorded at fair value as of December 31, 2019 and 2018:

	Peso-denominated structured notes	US dollar-denominated structured notes
At January 1, 2018	₱125,553,550	US\$4,336,273
Redemption	(118,728,803)	(2,952,303)
Fair value gain (loss)	12,274,003	(67,370)
At December 31, 2018	₱19,098,750	US\$1,316,600
Redemption	(4,186,122)	(92,838)
Fair value gain	2,278,772	42,538
At December 31, 2019	₱17,191,400	US\$1,266,300

Fair value disclosure under the Amendments to PFRS 4

The table below presents an analysis of the fair value of classes of financial assets as of December 31, 2019 and 2018, as well as the corresponding change in fair value for the year ended December 31, 2019 and 2018. In the table below, the amortized cost of cash and cash equivalents and short-term receivables has been used as a reasonable approximation to fair value.

The financial assets are divided into two categories:

- Assets for which their contractual cash flows represent solely payments of principal and interest (SPPI), excluding any financial assets that are held for trading or that are managed and whose performance is evaluated on a fair value basis; and
- All financial assets other than those specified in SPPI above (i.e. those for which contractual cash flows do not represent SPPI, assets that are held for trading and assets that are managed and whose performance is evaluated on a fair value basis)

December 31, 2019

Financial asset	SPPI Financial assets		Other Financial assets	
	Fair value	Fair value change	Fair value	Fair value change
Cash and cash equivalents	₱3,610,752,638	₱-	₱-	₱-
Insurance receivables	273,197,936	-	-	-
Financial assets at FVPL	166,863,884	20,258,457	1,851,114,510	55,475,917
AFS financial assets	11,081,964,812	1,232,536,495	33,779,100	4,000,000
Loans and receivables	1,082,908,181	-	-	-
Accrued income	174,890,352	-	-	-

December 31, 2018

Financial asset	SPPI Financial assets		Other Financial assets	
	Fair value	Fair value change	Fair value	Fair value Change
Cash and cash equivalents	₱3,552,862,997	₱-	₱-	₱-
Insurance receivables	163,130,262	-	-	-
Financial assets at FVPL	146,605,427	(16,048,022)	1,509,204,606	(99,164,712)
AFS financial assets	8,824,819,992	(684,991,048)	29,779,100	7,450,000
Loans and receivables	965,535,150	-	-	-
Accrued income	153,455,170	-	-	-



Financial Risk

The Parent Company is exposed to financial risk through its financial assets, financial liabilities, insurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts.

The most important components of this financial risk are credit risk, liquidity risk and market risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Parent Company manages the level of credit risk it accepts through a comprehensive credit risk policy which focuses on minimizing credit risk exposures. The credit risk policies are set as follows:

- a. Concentration limit - The Parent Company sets maximum exposure to an individual issuer and to a particular sector.
- b. Counterparty ratings - The Parent Company reviews and recommends financial institutions that will complement over-all investment objectives and service requirements.

Reporting of credit risk exposures, monitoring compliance with credit risk policy and review of credit risk policy is done on a regular basis.

Loans to policyholders granted against the surrender value of policies carry substantially no credit risk. 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 Parent Company selects only domestic and foreign companies with strong financial standing and excellent track records which are allowed to participate in the Parent Company's reinsurance programs. In respect of investment securities, the Parent Company secures satisfactory credit quality by setting maximum limits of portfolio securities with a single issuer or group of issuers, excluding those secured on specific assets and setting the minimum ratings for the issuer or group of issuers. The Parent 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.

The table below shows the maximum exposure to credit risk for the components of the statements of financial position:

Non-linked

	2019	2018
Cash and cash equivalents*	₱3,610,420,116	₱3,552,454,865
Insurance receivables		
Premiums due and uncollected	156,041,254	106,056,800
Due from reinsurers	117,156,682	57,073,462
Financial assets at FVPL		
Government debt securities		
local currency	166,863,884	146,605,427
Listed equity securities	1,497,107,226	1,196,401,114
Unit investment trust funds	296,064,035	110,572,803
Investment in unit-linked funds	57,943,249	55,625,262

(Forward)



	2019	2018
AFS financial assets		
Government debt securities		
local currency	₱9,172,382,754	₱7,125,743,744
Corporate debt securities		
local currency	1,909,582,058	1,699,076,248
Golf club shares	33,779,100	29,779,100
Loans and receivables – net		
Policy loan	333,180,321	345,982,231
Intercompany receivables	487,677,042	341,101,479
Due from unit-linked funds	190,285,470	189,712,463
Due from officers and employee	53,350,765	54,193,138
Due from agents	11,101,702	25,069,342
Other receivables	7,312,881	9,476,497
Accrued income	174,890,352	153,455,170
	₱18,275,138,891	₱15,198,379,145

**Excluding petty cash fund*

Unit-linked

	2019	2018
Cash and cash equivalents	₱2,599,523,374	₱5,070,859,733
Financial assets at FVPL		
Debt securities	12,395,418,645	10,964,828,726
Equity securities	67,934,631,578	64,469,775,756
Exchange-traded funds	18,604,920,600	15,154,841,168
Unit investment trust funds	5,847,489,842	1,503,437,973
Structured notes	81,448,527	88,515,168
Investment income due and accrued	238,752,721	168,193,150
Accounts receivable	84,857,068	143,418,364
	₱107,787,042,355	₱97,563,870,038

The Parent Company's investment policy mandates it to invest only in investment grade bonds. The peso funds are invested in cash and money market instruments, fixed income investments (fixed rate bond issuances of the Philippine government with a minimum credit rating of AA), corporate bonds and equities of Philippine corporations included in the Philippine Stock Exchange (PSE) Index.

The dollar funds are invested in dollar-denominated cash and money market instruments, fixed income investments, particular issuances of the Philippine government with a minimum credit rating of AAA, and corporate bonds.



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

	December 31, 2019				
	Neither Past-Due nor Impaired		Past Due Not Impaired	Past Due or Impaired	Total
	Investment Grade	Non-investment Grade: Satisfactory			
Cash and cash equivalents*	₱3,541,358,704	₱69,061,412	₱—	₱—	₱ 3,610,420,116
Insurance receivables					
Premiums due and uncollected	—	134,039,027	22,002,227	—	156,041,254
Due from reinsurers	—	88,034,155	29,122,527	—	117,156,682
Financial assets at FVPL					
Listed equity securities	1,497,107,226	—	—	—	1,497,107,226
Unit investment trust funds	296,064,035	—	—	—	296,064,035
Government debt securities local currency	166,863,884	—	—	—	166,863,884
Investment in unit-linked funds	57,943,249	—	—	—	57,943,249
AFS financial assets					
Government debt securities local currency	9,172,382,754	—	—	—	9,172,382,754
Corporate debt securities local currency	1,909,582,058	—	—	—	1,909,582,058
Golf club shares	33,779,100	—	—	—	33,779,100
Loans and receivables					
Intercompany receivables	—	487,677,042	—	—	487,677,042
Policy loans	—	333,180,321	—	—	333,180,321
Due from unit-linked funds	—	190,285,470	—	—	190,285,470
Due from officers and employees	—	40,050,780	—	13,299,985	53,350,765
Due from agents	—	4,711,557	—	6,390,145	11,101,702
Other receivables	—	5,874,324	—	1,438,557	7,312,881
Accrued income	174,890,352	—	—	—	174,890,352
	₱16,849,971,362	₱1,352,914,088	₱51,124,754	₱21,128,687	₱18,275,138,891

* Excluding petty cash fund

	December 31, 2018				
	Neither Past-Due nor Impaired		Past Due Not Impaired	Past Due or Impaired	Total
	Investment Grade	Non-investment Grade: Satisfactory			
Cash and cash equivalents*	₱3,552,454,865	₱—	₱—	₱—	₱3,552,454,865
Insurance receivables					
Premiums due and uncollected	—	100,523,539	5,533,261	—	106,056,800
Due from reinsurers	—	52,509,568	4,563,894	—	57,073,462
Financial assets at FVPL					
Listed equity securities	1,196,401,114	—	—	—	1,196,401,114
Unit investment trust funds	110,572,803	—	—	—	110,572,803
Government debt securities local currency	146,605,427	—	—	—	146,605,427
Investment in unit-linked funds	55,625,262	—	—	—	55,625,262
AFS financial assets					
Government debt securities local currency	7,125,743,744	—	—	—	7,125,743,744
Corporate debt securities local currency	1,699,076,248	—	—	—	1,699,076,248
Golf club shares	29,779,100	—	—	—	29,779,100
Loans and receivables					
Intercompany receivables	—	341,101,479	—	—	341,101,479
Policy loans	—	345,982,231	—	—	345,982,231
Due from unit-linked funds	—	189,712,463	—	—	189,712,463
Due from officers and employees	—	42,186,108	—	12,007,030	54,193,138
Due from agents	—	20,249,917	—	4,819,425	25,069,342
Other receivables	—	8,037,940	—	1,438,557	9,476,497
Accrued income	153,455,170	—	—	—	153,455,170
	₱14,069,713,733	₱1,100,303,245	₱10,097,155	₱18,265,012	₱15,198,379,145

* Excluding petty cash fund



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

December 31, 2019					
	Neither Past Due nor Impaired		Neither Past Due nor Impaired	Past Due or Impaired	Total
	Investment Grade	Non-investment Grade: Satisfactory			
Cash and cash equivalents	₱2,599,523,374	₱-	₱2,599,523,374	₱-	₱2,599,523,374
Financial assets at FVPL					
Debt securities	12,395,418,645	-	12,395,418,645	-	12,395,418,645
Equity securities	67,934,631,578	-	67,934,631,578	-	67,934,631,578
Exchange-traded funds	18,604,920,600	-	18,604,920,600	-	18,604,920,600
Unit investment trust funds	5,847,489,842	-	5,847,489,842	-	5,847,489,842
Structured notes	81,448,527	-	81,448,527	-	81,448,527
Investment income due and accrued	238,752,721	-	238,752,721	-	238,752,721
Accounts receivable	84,857,068	-	84,857,068	-	84,857,068
	₱107,787,042,355	₱-	₱107,787,042,355	₱-	₱107,787,042,355

December 31, 2018					
	Neither Past Due nor Impaired		Neither Past Due nor Impaired	Past Due or Impaired	Total
	Investment Grade	Non-investment Grade: Satisfactory			
Cash and cash equivalents	₱5,070,859,733	₱-	₱5,070,859,733	₱-	₱5,070,859,733
Financial assets at FVPL					
Debt securities	10,964,828,726	-	10,964,828,726	-	10,964,828,726
Equity securities	64,469,775,756	-	64,469,775,756	-	64,469,775,756
Exchange-traded funds	15,154,841,168	-	15,154,841,168	-	15,154,841,168
Unit investment trust funds	1,503,437,973	-	1,503,437,973	-	1,503,437,973
Structured notes	88,515,168	-	88,515,168	-	88,515,168
Investment income due and accrued	168,193,150	-	168,193,150	-	168,193,150
Accounts receivable	143,418,364	-	143,418,364	-	143,418,364
	₱97,563,870,038	₱-	₱97,563,870,038	₱-	₱97,563,870,038

The Parent Company uses a credit rating concept based on the borrowers' and counterparties' overall creditworthiness, as follows:

- Investment grade - Rating given to counterparties who possess strong to very strong capacity to meet their obligations.
- Non-investment grade - Rating given to counterparties who possess above average capacity to meet their obligations.

The table below shows the analysis of age of financial assets that are past-due but are not impaired:

	Past-Due but not Impaired			Total Past-Due but not Impaired
	< 30 days	31 to 90 days	More than 90 days	
Insurance receivables				
Premiums due and uncollected	₱-	₱-	₱22,002,227	₱22,002,227
Due from reinsurers	-	-	29,122,527	29,122,527
Loans and receivables				
Due from officers and employees	-	-	-	-
Due from agents	-	-	-	-
Other receivables	-	-	-	-
	₱-	₱-	₱51,124,754	₱51,124,754



	Past-Due but not Impaired			Total Past-Due but not Impaired
	< 30 days	31 to 90 days	More than 90 days	
Insurance receivables				
Premiums due and uncollected	P—	P—	P5,533,261	P5,533,261
Due from reinsurers	—	—	4,563,894	4,563,894
Loans and receivables				
Due from officers and employees	—	—	—	—
Due from agents	—	—	—	—
Other receivables	—	—	—	—
	P—	P—	P10,097,155	P10,097,155

The Parent Company conducts a periodic review of allowance for impairment losses based on the corresponding age of past due accounts, payment behavior, credit capacity and length of relationship with the counterparty.

The Parent Company did not have any significant concentration of credit risk with a single counterparty or group of counterparties, geographical and industry segments as of December 31, 2019 and 2018.

Credit risk disclosure under the Amendments to PFRS 4

The following table shows the carrying amount of the SPPI assets included in the table above by credit risk rating grades reported to key management personnel. The carrying amount is measured in accordance with PAS 39. For assets measured at amortized cost, the carrying amount shown is gross of impairment allowance.

December 31, 2019

SPPI Financial asset	Investment grade	Non-investment grade:		Total
		Satisfactory	Unrated	
Cash and cash equivalents	P3,610,752,638	P—	P—	P3,610,752,638
Insurance receivables	—	273,197,936	—	273,197,936
AFS financial assets	11,081,964,812	—	—	11,081,964,812
Loans and receivables	—	1,082,908,181	—	1,082,908,181
Accrued income	174,890,352	—	—	174,890,352

December 31, 2018

SPPI Financial asset	Investment grade	Non-investment grade:		Total
		Satisfactory	Unrated	
Cash and cash equivalents	P3,552,454,865	P—	P408,132	P3,552,862,997
Insurance receivables	—	163,130,262	—	163,130,262
AFS financial assets	8,824,819,992	—	—	8,824,819,992
Loans and receivables	—	963,535,150	—	963,535,150
Accrued income	153,455,170	—	—	153,455,170

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



Liquidity risk

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

The major liquidity risk confronting the Parent Company is the daily calls on its available cash resources in respect of claims arising from insurance contracts and operating expenses. The Parent Company manages liquidity by forecasting cash flow requirements. Investments are made in assets with maturities or interest payments which are matched against expected payouts of claims benefits (i.e., amount and duration of assets are matched against amount and duration of liabilities). In addition, significant outflows due to operating expenses (e.g., salaries, bonuses, IT expenditures, etc.) are scheduled based on an agreed budget timeline.

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

The table below summarizes the maturity profile of the Parent Company's financial assets and liabilities based on contractual undiscounted collections and payments except for the recoverable from reinsurers and legal policy reserves of the life insurance contracts (included in the insurance receivables and insurance contract liabilities accounts, respectively) which shows the maturity analysis based on the estimated timing of the net cash outflows using the recognized insurance liability amounts. The table also analyses the maturity profile of the Parent Company's financial assets in order to provide a complete view of the Parent Company's contractual commitments. For the unit-linked contracts, the Parent Company is ready to dispose its investments in securities to meet surrenders of unit-linked liabilities.

Non-linked

	December 31, 2019						
	On demand	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
Financial assets:							
Cash and cash equivalents*	₱1,378,885,554	₱2,231,534,562	₱-	₱-	₱-	₱-	₱3,610,420,116
Insurance receivables							
Premiums due and uncollected	156,041,254	-	-	-	-	-	156,041,254
Due from reinsurers	-	88,034,155	29,122,527	-	-	-	117,156,682
Loans and receivables							
Intercompany receivables	-	487,677,042	-	-	-	-	487,677,042
Policy loans	-	333,180,321	-	-	-	-	333,180,321
Due from unit-linked funds	-	190,285,470	-	-	-	-	190,285,470
Due from officers and employees	-	53,350,765	-	-	-	-	53,350,765
Due from agents	-	11,101,702	-	-	-	-	11,101,702
Other receivables	-	7,312,881	-	-	-	-	7,312,881
Accrued income	-	174,890,352	-	-	-	-	174,890,352
Financial assets at FVPL							
Listed equity securities	-	-	-	-	-	1,497,107,226	1,497,107,226
Unit investment trust funds	-	-	-	-	-	296,064,035	296,064,035
Government debt securities							
local currency	-	-	-	-	166,863,884	-	166,863,884
Investment in unit-linked fund	-	-	-	-	-	57,943,249	57,943,249
AFS financial assets							
Government debt securities							
local currency	-	627,427,655	1,179,862,597	782,493,366	6,582,599,136	-	9,172,382,754
Corporate debt securities local							
currency	-	299,155,673	753,690,362	546,567,610	310,168,413	-	1,909,582,058
Golf club shares	-	-	-	-	-	33,779,100	33,779,100
Total financial assets	₱1,534,926,808	₱4,503,950,578	₱1,962,675,486	₱1,329,060,976	₱7,059,631,433	₱1,884,893,610	₱18,275,138,891

(Forward)



	December 31, 2019						Total
	On demand	Up to a year	1-3 years	3-5 years	Over 5 years	No term	
Financial liabilities:							
Other financial liabilities							
Insurance contract liabilities	P-	P2,266,645,638	P126,818,957	P54,802,215	P38,465,988	P-	P2,486,732,798
Trade and other liabilities**	-	2,025,394,862	-	-	-	-	2,025,394,862
Insurance payables	-	93,235,287	280,689,052	-	-	-	373,924,339
Lease liability	-	107,869,159	236,345,154	27,283,220	-	-	371,497,533
Premium deposit fund	-	167,836,067	-	-	-	-	167,836,067
Total financial liabilities	P-	P4,660,981,013	P643,853,163	P82,085,435	P38,465,988	P-	P5,425,385,599
Liquidity gap							P12,849,753,292

* Excluding petty cash fund

** Excluding taxes payable

	December 31, 2018						Total
	On demand	Up to a year	1-3 years	3-5 years	Over 5 years	No term	
Financial assets:							
Cash and cash equivalents*	P798,502,201	P2,753,952,664	P-	P-	P-	P-	P3,552,454,865
Insurance receivables							
Premiums due and uncollected	106,056,800	-	-	-	-	-	106,056,800
Due from reinsurers	-	57,073,462	-	-	-	-	57,073,462
Loans and receivables							
Intercompany receivables	-	341,101,479	-	-	-	-	341,101,479
Policy loans	-	345,982,231	-	-	-	-	345,982,231
Due from unit-linked funds	-	189,712,463	-	-	-	-	189,712,463
Due from officers and employees	-	54,193,138	-	-	-	-	54,193,138
Due from agents	-	25,069,342	-	-	-	-	25,069,342
Other receivables	-	9,476,497	-	-	-	-	9,476,497
Accrued income	-	153,455,170	-	-	-	-	153,455,170
Financial assets at FVPL							
Listed equity securities	-	-	-	-	-	1,196,401,114	1,196,401,114
Unit investment trust funds	-	-	-	-	-	110,572,803	110,572,803
Government debt securities							
local currency	-	-	-	-	146,605,427	-	146,605,427
Investment in unit-linked fund	-	-	-	-	-	55,625,262	55,625,262
AFS financial assets							
Government debt securities							
local currency	-	1,567,136,841	842,046,331	486,361,764	4,230,198,808	-	7,125,743,744
Corporate debt securities local							
currency	-	325,466,006	645,966,160	233,136,159	494,507,923	-	1,699,076,248
Golf club shares	-	-	-	-	-	29,779,100	29,779,100
Total financial assets	P904,559,001	P5,822,619,293	P1,488,012,491	P719,497,923	P4,871,312,158	P1,392,378,279	P15,198,379,145
Financial liabilities:							
Other financial liabilities							
Insurance contract liabilities	P176,852,629	P769,376,929	P266,888,284	P253,866,715	P575,150,400	P6,956,253	P2,049,091,210
Trade and other liabilities**	-	1,599,849,709	-	-	-	-	1,599,849,709
Insurance payables	-	13,565,759	159,020,752	-	-	-	172,586,511
Premium deposit fund	-	130,165,830	-	-	-	-	130,165,830
Total financial liabilities	P176,852,629	P2,512,958,227	P425,909,036	P253,866,715	P575,150,400	P6,956,253	P3,951,693,260
Liquidity gap							P11,246,685,885

* Excluding petty cash fund

** Excluding taxes payable

Unit-linked

	December 31, 2019						Total
	On demand	Up to a year	1-3 years	3-5 years	Over 5 years	No term	
Financial assets:							
Cash and cash equivalents	P1,385,490,500	P1,214,032,874	P-	P-	P-	P-	P2,599,523,374
Investment income due and accrued	-	238,752,721	-	-	-	-	238,752,721
Accounts receivable	-	84,857,068	-	-	-	-	84,857,068
Financial assets at FVPL							
Debt securities	-	1,021,001,358	470,036,659	950,024,587	9,954,356,041	-	12,395,418,645
Equity securities	-	-	-	-	-	67,934,631,578	67,934,631,578
Exchange-traded funds	-	-	-	-	-	18,604,920,600	18,604,920,600
Unit trust investment funds	-	-	-	-	-	5,847,489,842	5,847,489,842
Structured notes	-	-	-	81,448,527	-	-	81,448,527
Total financial assets	P1,385,490,500	P2,558,644,021	P470,036,659	P1,031,473,114	P9,954,356,041	P92,387,042,020	P107,787,042,355
Financial liabilities:							
Other financial liabilities							
Accounts payable	P-	P330,005,611	P-	P-	P-	P-	P330,005,611
Accrued expenses	-	305,536,330	-	-	-	-	305,536,330
Total financial liabilities	P-	P635,541,941	P-	P-	P-	P-	P635,541,941
Liquidity gap							P107,151,500,414



	December 31, 2018						Total
	On demand	Up to a year	1-3 years	3-5 years	Over 5 years	No term	
Financial assets:							
Cash and cash equivalents	P1,279,353,311	P3,791,506,422	P-	P-	P-	P-	P5,070,859,733
Investment income due and accrued	-	168,193,150	-	-	-	-	168,193,150
Accounts receivable	-	143,418,364	-	-	-	-	143,418,364
Financial assets at FVPL							
Debt securities	-	1,198,117,538	2,655,218,500	1,119,956,330	5,991,536,358	-	10,964,828,726
Equity securities	-	-	-	-	-	64,469,775,756	64,469,775,756
Exchange-traded funds	-	-	-	-	-	15,154,841,168	15,154,841,168
Unit trust investment funds	-	-	-	-	-	1,503,437,973	1,503,437,973
Structured notes	-	-	-	-	88,515,168	-	88,515,168
Total financial assets	P1,279,353,311	P5,301,235,474	P2,655,218,500	P1,119,956,330	P6,080,051,526	P81,128,054,897	P97,563,870,038
Financial liabilities:							
Other financial liabilities							
Accounts payable	P-	P742,374,292	P-	P-	P-	P-	P742,374,292
Accrued expenses	-	323,965,441	-	-	-	-	323,965,441
Total financial liabilities	P-	P1,066,339,733	P-	P-	P-	P-	P1,066,339,733
Liquidity gap							P96,497,530,305

The Parent Company's investment policy is long term in nature. It is subject to annual review for update on asset-liability management, alignment with the Parent Company's latest business plan and other developments during the year. The investment policy is reviewed, approved and endorsed by the Local Management Investment Committee (LMIC), Regional Investment Asset Liability Committee (RIALC), AXA S.A. Board Investment Committee and Philippine AXA Life Board Investment Committee (BIC).

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: foreign exchange rate (currency risk), market interest rate (fair value interest rate risk) and market price (equity price risk).

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

- Set out the assessment and determination of what constitutes market risk for the Parent Company. Compliance with the policy is monitored and exposures and breaches are reported to the risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Establish asset allocation and portfolio limit structure to ensure that assets back specific policyholders' liabilities and those assets are held to deliver income and gains for policyholders in line with expectations of the policyholders.
- Stipulate diversification benchmarks by type of instrument, as the Parent Company is exposed to guaranteed bonuses, cash and annuity options when interest rates fall.

It is the Parent Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

Currency risk

The Parent Company's principal transactions are carried out in Philippine Peso and its foreign exchange risk arises primarily with respect to United States Dollars (\$), where some of its products are denominated. The Parent Company's financial assets are primarily denominated in the same currencies as its insurance contracts, which mitigate the foreign exchange rate risk. Thus, the main foreign exchange risk arises from recognized assets and liabilities denominated in currencies other than in which the insurance contracts are expected to be settled.



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

	December 31, 2019	
	USD	PHP
Assets		
Cash and cash equivalents	US\$12,291,789	₱623,734,684
Assets held to cover unit-linked liabilities	595,552,153	30,220,698,474
	607,843,942	30,844,433,158
Liabilities		
Unit-linked liabilities	(595,552,153)	(30,220,698,474)
	US\$12,291,789	₱623,734,684

	December 31, 2018	
	USD	PHP
Assets		
Cash and cash equivalents	US\$6,770,814	₱356,984,411
Assets held to cover unit-linked liabilities	24,699,329,939	1,302,247,471,719
	24,706,100,753	1,302,604,456,130
Liabilities		
Unit-linked liabilities	(24,699,329,939)	(1,302,247,471,719)
	US\$6,770,814	₱356,984,411

The analysis below is performed for reasonably possible movements in US\$ with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of currency sensitive monetary assets and liabilities). The exchange rate used to present the US Dollar denominated assets and liabilities to Peso denominations are the 2019 and 2018 closing rates. There is no impact on the Parent Company's equity other than those already affecting the profit.

	December 31, 2019	
	Change in variable	Impact on profit before tax
USD	+3.81%	(₱23,764,291)
USD	-3.81%	23,764,291

	December 31, 2018	
	Change in variable	Impact on profit before tax
USD	+3.78%	(₱13,494,011)
USD	-3.78%	13,494,011

In 2019 and 2018, the Parent Company used the average of changes in year-end closing rate for the past three years in determining the reasonably possible change in foreign exchange rates.

Fair value interest rate risk

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

The Parent Company's investment policy manages interest rate risk by matching the maturities of interest-bearing financial assets and interest-bearing financial liabilities. The amount, duration and yield to maturity of assets are matched against the amount and duration of the liabilities.



The following table shows the information relating to the Parent Company's non-linked fixed interest-bearing financial instruments presented by maturity profile.

December 31, 2019							
	Range of interest rate	On demand	Up to a year	1-3 years	3-5 years	Over 5 years	Total
Financial assets:							
Cash and cash equivalents*	2.20% - 7.25%	₱1,378,885,554	₱2,231,534,562	₱-	₱-	₱-	₱3,610,420,116
Loans and receivables							
Due from officers and employees	1.25% - 2.25%	-	53,350,765	-	-	-	53,350,765
Due from agents	1.25% - 2.25%	-	11,101,702	-	-	-	11,101,702
Policy loans	1.25% - 2.25%	-	333,180,321	-	-	-	333,180,321
Financial assets at FVPL							
Government debt securities							
local currency	8.50% -10.25%	-	-	-	-	166,863,884	166,863,884
AFS financial assets							
Government debt securities							
local currency	3.25% -18.25%	-	627,427,655	1,179,862,597	782,493,366	6,582,599,136	9,172,382,754
Corporate debt securities							
local currency	3.92% - 8.00%	-	299,155,673	753,690,362	546,567,610	310,168,413	1,909,582,058
Total financial assets		₱1,378,885,554	₱3,555,750,678	₱1,933,552,959	₱1,329,060,976	₱7,059,631,433	₱15,256,881,600
Financial liabilities:							
Other financial liabilities							
Premium deposit fund	1.25% - 2.25%	₱-	₱167,836,067	₱-	₱-	₱-	167,836,067
Total financial liabilities		₱-	₱167,836,067	₱-	₱-	₱-	₱167,836,067

*Excluding Petty cash funds

December 31, 2018							
	Range of interest rate	On demand	Up to a year	1-3 years	3-5 years	Over 5 years	Total
Financial assets:							
Cash and cash equivalents*	2.20% - 7.25%	₱798,502,201	₱2,753,952,664	₱-	₱-	₱-	₱3,552,454,865
Loans and receivables							
Due from officers and employees	1.25% - 2.25%	-	54,193,138	-	-	-	54,193,138
Due from agents	1.25% - 2.25%	-	25,069,342	-	-	-	25,069,342
Policy loans	1.25% - 2.25%	-	345,982,231	-	-	-	345,982,231
Financial assets at FVPL							
Government debt securities							
local currency	8.50% -10.25%	-	-	-	-	146,605,427	146,605,427
AFS financial assets							
Government debt securities							
local currency	3.25% -18.25%	-	1,567,136,841	842,046,331	486,361,764	4,230,198,808	7,125,743,744
Corporate debt securities							
local currency	4.41% - 8.00%	-	325,466,006	645,966,160	233,136,159	494,507,923	1,699,076,248
Total financial assets		₱798,502,201	₱5,071,800,222	₱1,488,012,491	₱719,497,923	₱4,871,312,158	12,949,124,995
Financial liabilities:							
Other financial liabilities							
Premium deposit fund	1.25% - 2.25%	-	130,165,830	-	-	-	130,165,830
Total financial liabilities		₱-	₱130,165,830	₱-	₱-	₱-	₱130,165,830

*Excluding Petty cash fund

The following table shows the information relating to the Parent Company's unit-linked fixed interest-bearing financial instruments presented by maturity profile.

December 31, 2019							
	Range of interest rate	On demand	Up to a year	3 years	3-5 years	Over 5 years	Total
Financial assets:							
Cash and cash equivalents	1.50% - 2.88%	₱1,385,490,500	₱1,214,032,874	₱-	₱-	₱-	₱2,599,523,374
Financial assets at FVPL							
Debt Securities	3.00% - 10.63%	-	1,021,001,358	470,036,659	950,024,587	9,954,356,041	12,395,418,645
Structured notes	1.90% - 2.00%	-	-	-	81,448,527	-	81,448,527
Total financial assets		₱1,385,490,500	₱2,235,034,232	₱470,036,659	₱1,031,473,114	₱9,954,356,041	₱15,076,390,546



December 31, 2018							
	Range of interest rate	On demand	Up to a year	3 years	3-5 years	Over 5 years	Total
Financial assets:							
Cash and cash equivalents	1.25% - 2.25%	P1,279,353,311	P3,791,506,422	P-	P-	P-	P5,070,859,733
Financial assets at FVPL							
Debt Securities	2.13% - 10.63%	-	1,198,117,538	2,655,218,500	1,119,956,330	5,991,536,358	10,964,828,726
Structured notes	1.90% - 2.00%	-	-	-	-	88,515,168	88,515,168
Total financial assets		P1,279,353,311	P4,989,623,960	P2,655,218,500	P1,119,956,330	P6,080,051,526	P16,124,203,627

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of fixed rate financial assets at FVPL) and equity (due to changes in fair value of fixed rate AFS financial assets). The impact on the Parent Company's equity already excludes the impact on transactions affecting the profit or loss in the parent company statement of comprehensive income.

December 31, 2019			
	Change in variable	Impact on Profit before tax	Impact on equity
Peso	+0.31%	(2,682,040)	(245,021,314)
Peso	-0.31%	2,812,021	134,716,990

December 31, 2018			
	Change in variable	Impact on Profit before tax	Impact on equity
Peso	+0.31%	(P2,455,048)	(P119,685,574)
Peso	-0.31%	2,530,441	131,816,632

In 2019 and 2018, the Parent Company determined the reasonably possible change in interest rates using the percentage changes in weighted average yield rates of outstanding securities for the past three years.

Equity price risk

The Parent Company's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as financial assets at FVPL and AFS financial assets. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Parent Company's investment policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; limits on investment in each sector and market. Investments in derivatives are also subject to such requirements.

The Parent Company has certain direct strategic minority investments in publicly traded companies. These investments are classified as AFS financial assets. The Parent Company also invests in equity shares through its unit-linked funds. Investments held by these unit-linked funds were designated as financial assets at FVPL.

The analysis below is performed for reasonably possible movements in the PSE index with all other variables held constant. The impact on profit before tax (due to changes in fair value of equity securities classified as financial assets at FVPL) and equity (due to changes in fair value of equity securities classified as AFS financial assets) is arrived at using the change in variable and the specific adjusted beta of each share of stock the Parent Company holds at the reporting date. 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 Parent Company's equity already excludes the impact on transactions affecting profit or loss.

December 31, 2019			
Market Index	Change in variable	Impact on profit before tax	Impact on equity
PSE index	1.68%	₱24,770,986	—
PSE index	-1.68%	(24,770,986)	—
December 31, 2018			
Market Index	Change in variable	Impact on profit before tax	Impact on equity
PSE index	2%	₱24,491,815	—
PSE index	-2%	(24,491,815)	—

In 2019 and 2018, the change in variable was derived from the percentage changes of the composite PSE index for the past three years.

25. Related Party Transactions

Transactions between related parties are based on terms similar to those offered to nonrelated parties. Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Related party transactions consist mainly of the following:

- The Parent Company maintains savings and current accounts, short-term deposits and investment in unit investment trust funds with MBTC, the parent of FMIC, details of which follow:

	2019	2018
Savings, current and short-term deposits	₱135,421,135	₱955,999,559
Cash equivalents	1,086,389,903	1,442,760,899
Unit investment trust funds	290,080,846	104,821,738
	₱1,511,891,884	₱2,503,582,196

Cash equivalents are to mature within 37-51 days. Interest rates on savings accounts and short-term deposits range from 0.13% to 4.25% and 0.13% to 7.25% in 2019 and 2018, respectively.

Interest income from these savings accounts and short-term deposits included in 'Investment income' amounted to ₱57.26 million and ₱35.70 million in 2019 and 2018, respectively.

Investment in unit investment trust funds (UITFs) classified as financial assets at FVPL are invested in various financial instruments such as money market securities, bonds and equities, which are normally available to bigger investors only.

As of December 31, 2019, the Parent Company owns 253,790,213 outstanding number of units with cost and net asset value of ₱284.01 million and ₱290.08 million, respectively, while as of



December 31, 2018, the Parent Company owns 72,568,595 outstanding number of units with cost and net asset value of ₱100.75 million and ₱104.82 million, respectively.

- b. The Parent Company maintains savings account and short-term deposits with Philippine Savings Bank (PS Bank), a subsidiary of MBTC, details of which follow:

	2019	2018
Savings and current accounts	₱87,404,395	₱40,475,533
Cash equivalents	–	90,000,000
	₱87,404,395	₱130,475,533

Interest rates on savings account and short-term deposits range from 0.25% to 5.00% and 0.25% to 4.62% in 2019 and 2018, respectively.

Interest income from these savings account and short-term deposits included in 'Investment income' amounted to ₱5.58 million and ₱4.68 million in 2019 and 2018, respectively.

- c. The Parent Company is entitled to an asset management fee equivalent to 0.30% to 2.33% per annum based on the net asset value of the unit-linked funds.

The Parent Company's 'Asset management fees' from unit-linked funds amounted to ₱2.00 billion and ₱1.77 billion in 2019 and 2018, respectively. Asset management fees receivable included in 'Intercompany receivables' under 'Loans and receivables' amounted to ₱190.29 million and ₱171.38 million as of December 31, 2019 and 2018, respectively.

- d. The Parent Company maintains a SLA with MBTC-Trust Banking Group for the management of the Parent Company's separate variable funds for its variable life insurance contracts. Under the SLA, MBTC shall manage the unit-linked funds faithfully in accordance with the terms and conditions of the SLA. As compensation for services rendered, MBTC shall be entitled to a service fee ranging from 0.10% to 0.30% per annum based on the net asset value of the unit-linked funds.

Service fees charged against the funds and included under 'Income on assets held to cover unit-linked liabilities' amounted to ₱220.00 million and ₱224.75 million in 2019 and 2018, respectively. Service fees payable included under 'Assets held to cover unit-linked liabilities' amounted to ₱18.78 million and ₱18.26 million as of December 31, 2019 and 2018, respectively.

- e. The Parent Company entered into a bancassurance agreement with MBTC in relation to the sale of policy insurance contracts to the clients of MBTC and through the Parent Company's financial executives. In 2014, the Parent Company entered into same bancassurance agreement with PS Bank. The Parent Company pays referral fees recognized as 'Commission expense' in the profit or loss. Referral fees for banks and banks staff referrals are determined at various rates based on the collected premiums, as follow:

	2019	2018
Referral fees for banks		
MBTC	₱373,247,790	₱359,895,232
PS Bank	73,741,878	89,976,800
	446,989,668	449,872,032

(Forward)



	2019	2018
Bank staff referrals		
MBTC	₱30,937,400	₱54,684,537
PS Bank	20,464,443	12,429,042
	51,401,843	67,113,579
	₱498,391,511	₱516,985,611

The outstanding balance included in 'Commissions payable' under 'Trade and other liabilities' amounted to ₱63.17 million and ₱122.89 million as of December 31, 2019 and 2018, respectively.

- f. MBTC is the trustee bank of the Parent Company's retirement plan. The Parent Company's plan assets amounted to ₱249.99 million and ₱157.51 million as of December 31, 2019 and 2018, respectively (see Note 22). Trustee fees charged by MBTC amounted to ₱0.55 million and ₱0.45 million in 2019 and 2018, respectively.
- g. The Parent Company has entered into several lease agreements with its related parties for the use of office spaces. The Parent Company leases commercial office spaces from Federal Land Inc. and MBTC. In 2019 and 2018, rental payments pertaining to these leases follow:

	2019	2018
Federal Land Inc.	₱83,748,622	₱59,142,292
MBTC	3,610,303	6,288,534
	₱87,358,925	₱65,430,826

There is no rent payable as of December 31, 2019 and 2018.

On August 22, 2017, the Parent Company entered into Facility Utilization Service Agreement ("FUSA") with AXA Group Operations Philippines, Inc. (formerly AXA Shared Services Centre Philippines, Inc.), effective as of October 1, 2017. In 2019 and 2018, total rental income from AXA Group Operations Philippines, Inc. amounted to nil and ₱25.43 million, respectively.

In 2019 and 2018, 'Rental income' from MBTC included in 'Investment income' (see Note 19) amounted to ₱1.20 million and ₱2.23 million, respectively. There is no rent receivable as of December 31, 2019 and 2018.

- h. The Parent Company's outstanding receivables included in 'Intercompany receivables' under 'Loans and receivables', follow:

	2019	2018
CPAIC	₱155,278,495	₱106,030,943
AXA Group Operations Philippines, Inc.	40,302,591	35,503,040
Architas	10,506,252	8,707,958
AXA Asia	4,208,541	4,517,805
AXA Malaysia	-	84,701
	₱210,295,879	₱154,844,447



The Parent Company's revenue related to these transactions included in 'Other income' follow:

	2019	2018
CPAIC	₱72,713,446	₱92,522,202
AXA Group Operations Philippines, Inc.	10,034,686	12,382,429
	₱82,748,132	₱104,904,631

- i. The Parent Company has transactions with affiliates (companies belonging to Metrobank Group) in relation to group policies which are based on terms similar to those offered to nonrelated parties. These pertain to credit life and yearly renewable term policies. Details of the balances with affiliates follow:

Premiums earned

	2019	2018
Metrobank Card Corporation	₱420,457,206	₱292,063,646
Philippine Savings Bank	285,713,900	195,340,672
MBTC	55,010,192	14,260,518
Toyota Motor Philippines Corporation	7,471,156	1,506,621
Orix Metro Leasing and Finance Corporation	2,589,777	2,178,649
Federal Land	1,006,776	1,030,877
FMIC	723,305	1,025,705
Orix Rental Corporation	309,082	245,599
GT Capital Holdings Inc.	239,390	193,464
Orix Auto Leasing Corporation	13,208	59,367
CPAIC	—	245,681
	₱773,533,992	₱508,150,799

Premiums due and uncollected

	2019	2018
Philippine Savings Bank	₱39,060,643	₱46,785,957
MBTC	21,809,668	27,493,935
Toyota Motor Philippines Corporation	10,362	31,089
	₱60,880,673	₱74,310,981

Claims incurred

	2019	2018
Philippine Savings Bank	₱82,746,158	₱82,030,404
MBTC	39,236,278	39,110,242
Toyota Motor Philippines Corporation	3,080,373	3,911,067
CPAIC	-	100,000
	₱125,062,809	₱125,151,713

Claims payable

	2019	2018
Philippine Savings Bank	₱7,075,347	₱1,550,372
	₱7,075,347	₱1,550,372



Outstanding gross experience refunds

	2019	2018
MBTC	₱64,628,801	₱72,533,395
Philippine Savings Bank	44,814,562	40,251,261
	₱109,443,363	₱112,784,656

AXA Asia allocated certain expenses to the Parent Company that pertain to shared service costs as a result of providing services on management planning, support and maintenance services, procurement regional projects and information technology service delivery charges. Shared service costs included in 'Operating and administrative expenses' amounted to ₱148.20 million and ₱85.56 million in 2019 and 2018, respectively. The outstanding balance included in 'Accrued shared services cost' under 'Trade and other liabilities' amounted to ₱84.38 million and ₱81.04 million as of December 31, 2019 and 2018, respectively.

The Parent Company entered into a Deposit Collection Agreement with MBTC for bill payments from the Parent Company's clients who are depositors of MBTC through delivery channels, online bills payments and auto-debit arrangements. MBTC shall debit the Parent Company's client accounts for the total amount of fees due at the end of every reference months, enable customers to perform online banking transactions and accept bill payments through extensive banking system and the use of various delivery channels such as over-the-counter payments, Metrobank ET, Metrophone, Mobile and Metrobank direct banking facilities.

The Parent Company entered into a memorandum of agreement with Metrobank Card Corporation to issue corporate guaranteed credit cards to certain authorized employees. The Parent Company shall bear complete liability for all the obligations, liabilities and charges incurred by the authorized employees arising from the use of credit cards.

j. Compensation of key management personnel

Key management personnel of the Parent Company include all management committee officers.

The compensation of the key management personnel by benefit type follows:

	2019	2018
Salaries and short-term benefits	₱207,064,415	₱200,863,895
Post-employment benefits	34,377,665	26,299,565
	₱241,442,080	₱227,163,460

k. Due from officers and employees

Amounts due from officers and employees include secured interest-bearing loans pertaining to salary loans, and other unsecured noninterest-bearing loans and advances granted to the Parent Company's officers and employees. Interest rate on interest bearing loans is 8% in 2019 and 2018.

Allowance for impairment losses on due from officers and employees amounted to ₱13.30 million and ₱12.01 million as of December 31, 2019 and 2018, respectively (see Note 6).



The summary of balances arising from related party transactions for the relevant financial year follows:

	2019		2018			
	Amount/volume	Outstanding Balance	Amount/volume	Outstanding Balance	Terms	Conditions
Entities with joint control over the Parent Company						
MBTC						
Savings, current and short-term deposits	₱—	₱1,221,811,039	₱—	₱2,398,760,458	2019: 37-51 days, 0.13% to 4.25% 2018: 90 days, 0.13% to 7.25%	No impairment
Unit investment trust funds	—	290,080,846	—	104,821,738	At NAV, settlement in cash	No impairment
Interest income	57,257,777	1,820,604	35,704,042	—	2019: 37-51 days, 0.13% to 4.25% 2018: 90 days, 0.13% to 7.25%	No impairment
Investment in equity securities	—	55,675,160	—	52,042,269	Interest-free, settlement in cash	No impairment
Dividend income	498,105	—	250,732	—	Interest-free, settlement in cash	—
Service fees	219,996,290	18,778,456	224,748,847	18,263,323	0.10% to 0.30% of NAV	—
Commission expense	404,185,190	57,930,359	414,579,769	122,891,964	Interest-free, settlement in cash	Unsecured, no impairment
Plan assets	—	249,994,279	—	157,510,356	Interest-free, settlement in cash	No impairment
Trust fees	549,169	—	450,066	—	Interest-free, settlement in cash	Unsecured, no impairment
Rent expense	3,610,303	—	6,288,534	—	Interest-free, settlement in cash	Unsecured, no impairment
Association dues	6,600	—	—	—	Interest-free, settlement in cash	Unsecured, no impairment
Rent income	1,198,608	—	2,228,712	—	Interest-free, settlement in cash	Unsecured, no impairment
Rental deposits	—	4,479,673	—	—	Interest-free, settlement in cash	Unsecured, no impairment
Bank charges	311,348	—	—	—	Interest-free, settlement in cash	—
Premium income	55,010,192	21,809,668	14,260,518	27,493,935	Interest-free, settlement in cash	Unsecured, no impairment
Claims	39,236,278	—	39,110,242	—	Interest-free, settlement in cash	Unsecured, no impairment
Gross experience refund	—	64,628,801	—	72,533,395	Interest-free, settlement in cash	Unsecured, no impairment
AXA Asia						
Shared service costs	148,199,378	85,561,715	4,517,805	81,043,910	Interest-free, settlement in cash	Unsecured, no impairment
Receivables	—	4,208,541	—	4,517,805	Interest-free, settlement in cash	Unsecured, no impairment
Accrued expenses	—	84,378,694	—	—	Interest-free, settlement in cash	Interest-free, settlement in cash
Accounts payable	—	122,651,184	—	—	Interest-free, settlement in cash	Unsecured, no impairment
GT Capital Holdings, Inc.						
Premium income	239,390	—	193,464	—	Interest-free, settlement in cash	Unsecured, no impairment
Investment in equity securities	—	30,575,853	—	28,153,125	Interest-free, settlement in cash	No impairment
Dividend income	81,705	—	40,875	—	Interest-free, settlement in cash	—
Subsidiary						
Charter Ping-An Insurance Corporation						
Premium income	—	—	245,681	—	Interest-free, settlement in cash	Unsecured, no impairment
Claims	—	—	100,000	—	Interest-free, settlement in cash	Unsecured, no impairment
Shared service income	72,713,446	—	92,552,202	—	Interest-free, settlement in cash	Unsecured, no impairment
Accounts receivable	—	155,278,495	—	106,030,943	Interest-free, settlement in cash	Unsecured, no impairment

(Forward)



	2019		2018		Terms	Conditions
	Amount/volume	Outstanding Balance	Amount/volume	Outstanding Balance		
Unit-linked funds						
Asset management fees	₱2,004,134,945	₱190,285,470	₱1,765,038,596	₱171,383,072	0.30% to 2.33% of NAV	No impairment
Other related parties						
Philippine Savings Bank						
Savings, current and time deposits accounts	—	87,404,395	—	130,475,533	2019: 0.25% to 5.00% 2018: 0.25% to 4.62%	No impairment
Interest income	5,584,974	—	4,682,044	—	2019: 0.25% to 5.00% 2018: 0.25% to 4.62%	No impairment
Commission expense	94,206,321	5,238,449	102,405,842	—	Interest-free, settlement in cash	Unsecured, no impairment
Bank charges	1,716,000	—	—	—	Interest-free, settlement in cash	—
Premium income	285,713,900	39,060,643	195,340,672	46,785,957	Interest-free, settlement in cash	Unsecured, no impairment
Claims	82,746,158	7,075,347	82,030,404	1,550,372	Interest-free, settlement in cash	Unsecured, no impairment
Gross experience refund	—	44,814,562	—	40,251,261	Interest-free, settlement in cash	Unsecured, no impairment
Federal Land Inc.						
Premium income	1,006,776	—	1,030,877	—	Interest-free, settlement in cash	Unsecured, no impairment
Rental deposits	—	6,789,150	—	3,669,386	Interest-free, settlement in cash	Unsecured, no impairment
Rent expense	83,748,622	—	59,142,292	—	Interest-free, settlement in cash	Unsecured, no impairment
Association dues	16,480,975	—	—	—	Interest-free, settlement in cash	Unsecured, no impairment
First Metro Investment Corporation						
Premium income	723,305	—	1,025,705	—	Interest-free, settlement in cash	Unsecured, no impairment
Orix Metro Leasing and Finance Corporation						
Premium income	2,589,777	—	2,178,649	—	Interest-free, settlement in cash	Unsecured, no impairment
Toyota Motor Philippines Corporation						
Premium income	7,471,156	10,362	1,506,621	31,089	Interest-free, settlement in cash	Unsecured, no impairment
Claims	3,080,373	—	3,911,067	—	Interest-free, settlement in cash	Unsecured, no impairment
Metrobank Card Corporation						
Premium Income	420,457,206	—	292,063,646	—	Interest-free, settlement in cash	Unsecured, no impairment
Annual fees	46,501	—	—	—	Interest-free, settlement in cash	—
Credit card fees	28,519,269	—	—	—	Interest-free, settlement in cash	—
Sales support costs	114,000	—	—	—	Interest-free, settlement in cash	—
Orix Auto Leasing Philippines Corporation						
Premium income	13,208	—	59,367	—	Interest-free, settlement in cash	Unsecured, no impairment
Orix Rental Corporation						
Premium income	309,082	—	245,599	—	Interest-free, settlement in cash	Unsecured, no impairment
Rent expense	1,207,461	—	—	—	Interest-free, settlement in cash	Unsecured, no impairment
AXA GIE						
License fees	13,163,129	—	—	—	Interest-free, settlement in cash	—
AXA Healthcare Management						
Management fees	28,786,418	—	11,166,775	—	Interest-free, settlement in cash	—

(Forward)



	2019		2018		Terms	Conditions
	Amount/volume	Outstanding Balance	Amount/volume	Outstanding Balance		
AXA PPP						
Reinsurance recoveries	42,757,168	—	14,245,250	—	Interest-free, settlement in cash	Unsecured, no impairment
Reinsurance recoverable on paid/unpaid losses	—	32,445,994	—	10,615,756	Interest-free, settlement in cash	Unsecured, no impairment
Premiums ceded to reinsurer	124,055,998	—	45,370,817	—	Interest-free, settlement in cash	Unsecured, no impairment
Due to reinsurer	—	102,573,577	—	28,565,363	Interest-free, settlement in cash	Unsecured, no impairment
AXA Global P&C						
Premiums ceded to reinsurer	10,947,219	—	7,481,958	—	Interest-free, settlement in cash	Unsecured, no impairment
Due to reinsurer	—	13,257,561	—	7,587,975	Interest-free, settlement in cash	Unsecured, no impairment
AXA France Vie						
Premiums ceded to reinsurer	49,216,217	—	36,136,703	—	Interest-free, settlement in cash	Unsecured, no impairment
Due to reinsurer	—	93,669,003	—	44,452,785	Interest-free, settlement in cash	Unsecured, no impairment
Architas						
Receivable	—	10,506,252	—	8,707,958	Interest-free, settlement in cash	Unsecured, no impairment
AXA Malaysia						
Various expenses	—	—	—	84,701	Interest-free, settlement in cash	Unsecured, no impairment
AXA Group Operations SAS						
Software Licenses	6,633,720	—	—	—	Interest-free, settlement in cash	—
AXA Group Operations						
IT Services	6,599,235	—	—	—	Interest-free, settlement in cash	—
AXA Group Operations Hong Kong Limited						
IT Services	155,812,154	—	—	—	Interest-free, settlement in cash	—
Assist and Assistance Concept, Inc.						
Service fees	1,013,600	—	—	—	Interest-free, settlement in cash	—
AXA Group Operations Philippines, Inc. (formerly AXA Shared Services Centre Philippines)						
IT services	77,038,442	—	—	—	Interest-free, settlement in cash	Unsecured, no impairment
Accounts receivables	—	40,302,591	—	35,503,040	Interest-free, settlement in cash	Unsecured, no impairment
Rental income	—	—	25,430,709	—	Interest-free, settlement in cash	Unsecured, no impairment
Shared service income	10,034,686	—	12,382,409	—	Interest-free, settlement in cash	Unsecured, no impairment
Key management personnel						
Compensation and benefits	207,064,415	—	200,863,895	—	—	—
Directors' fees	12,249,300	—	15,970,000	—	—	—



26. Leases Commitments

Company as lessee

The Parent Company entered into commercial leases on certain offices for its branches. These leases have an average life of between one (1) to eight (8) years with renewal terms included in the contracts. There are several lease contracts that include extension and termination options, which are further discussed below.

The Parent Company also has certain leases of office equipment with low value. The Parent Company applies the 'lease of low-value assets' recognition exemption for these leases.

The following are the amount recognized in statement of income:

	Notes	2019
Depreciation expense of right-of-use assets	10	₱117,014,400
Interest expense on lease liabilities		37,661,619
Expenses relating to short-term leases	21	73,269,852
Expenses relating to leases of low-value assets	21	4,813,337
Total amount recognized in statement of income		₱232,759,208

As of December 31, 2019, the carrying value of the Parent Company's right-of-use assets, amounted to ₱340.47 million (see Note 10).

The Parent Company also recognized lease liability with movements stated below:

	Note	2019
At January 1, 2019 (as restated)	2	₱399,569,345
Additions		68,390,690
Accretion of interest		37,661,619
Payments		(134,124,121)
		₱371,497,533

The Parent Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased asset portfolio and align with the Parent Company's business needs. Management exercises significant judgment in determining whether these assets and termination options are reasonably certain to be exercised (see Note 3). Based on management's assessment, the Parent Company will not terminate any contracts and/or plan to avail of the extension of contracts.

The maturity analysis of lease liabilities are disclosed in Note 27.

Company as lessor

The Parent Company has entered into property leases consisting of the Parent Company's surplus office spaces. These non-cancellable leases have remaining lease terms of below 5 year. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.



Future minimum rentals receivable under non-cancellable operating leases follow:

	2019	2018
Within one year	₱1,258,548	₱1,198,608
After one year but not more than five years	5,587,776	—
	₱6,846,324	₱1,198,608

27. Maturity Profile of Assets and Liabilities

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

	2019			2018		
	Due within one year	Beyond one year	Total	Due within one year	Beyond one year	Total
Assets						
Cash and cash equivalents	₱3,610,752,638	₱—	₱3,610,752,638	₱3,552,862,997	₱—	₱3,552,862,997
Insurance receivables						
Premiums due and uncollected	156,041,254	—	156,041,254	106,056,800	—	106,056,800
Recoverable from reinsurers	—	151,739,460	151,739,460	—	130,369,140	130,369,140
Due from reinsurers	88,034,155	29,122,527	117,156,682	52,509,568	4,563,894	57,073,462
Loans and receivables						
Intercompany receivables	487,677,042	—	487,677,042	345,982,231	—	345,982,231
Policy loans	333,180,321	—	333,180,321	360,990,580	—	360,990,580
Due from unit-linked funds	190,285,470	—	190,285,470	189,712,463	—	189,712,463
Due from officers and employees	53,350,765	—	53,350,765	54,193,138	—	54,193,138
Due from agents	11,101,702	—	11,101,702	25,069,342	—	25,069,342
Other receivables	7,312,881	—	7,312,881	9,476,497	—	9,476,497
Accrued income	174,890,352	—	174,890,352	153,455,170	—	153,455,170
Dividend receivable	—	—	—	350,852	—	350,852
Financial assets at FVPL						
Listed equity securities	1,497,107,226	—	1,497,107,226	1,196,401,114	—	1,196,401,114
Unit investment trust funds	296,064,035	—	296,064,035	110,572,803	—	110,572,803
Government debt securities	166,863,884	—	166,863,884	146,605,427	—	146,605,427
Investment in unit-linked fund	57,943,249	—	57,943,249	55,625,262	—	55,625,262
AFS financial assets						
Government debt securities	627,427,655	8,544,955,099	9,172,382,754	1,567,136,841	5,558,606,903	7,125,743,744
Corporate debt securities	299,155,673	1,610,426,385	1,909,582,058	325,466,006	1,373,610,242	1,699,076,248
Golf club shares	—	33,779,100	33,779,100	—	29,779,100	29,779,100
Investment in a subsidiary	—	5,029,440,576	5,029,440,576	—	3,559,440,576	3,559,440,576
Property and equipment – net	—	848,234,050	848,234,050	—	462,878,225	462,878,225
Intangible assets – net	—	28,745,346	28,745,346	—	5,917,186	5,917,186
Deferred tax assets – net	—	387,222,550	387,222,550	—	98,234,344	98,234,344
Other assets	99,004,664	79,083,603	178,088,267	—	179,736,666	179,736,666
Assets held to cover unit-linked liabilities	107,552,485,888	—	107,552,485,888	96,629,658,936	—	96,629,658,936
	115,708,678,854	16,742,748,696	132,451,427,550	104,882,126,027	11,403,136,276	116,285,262,303
Liabilities						
Insurance contract liabilities						
Legal policy reserves	4,018,677	5,519,973,342	5,523,992,019	5,572,563	5,482,022,225	5,487,594,788
Claims and benefits payable	2,093,088,794	220,087,160	2,313,175,954	754,872,314	1,102,861,652	1,857,733,966
Policyholder's dividends	173,556,844	—	173,556,844	191,357,244	—	191,357,244
Premium deposit fund	167,836,067	—	167,836,067	130,165,830	—	130,165,830
Insurance payables	93,235,287	280,689,052	373,924,339	13,565,759	159,020,752	172,586,511
Life insurance deposits	4,842,970	174,150,628	178,993,598	224,245,546	29,931,588	254,177,134
Trade and other liabilities	2,161,645,478	—	2,161,645,478	1,676,437,414	—	1,676,437,414
Lease liability	107,869,159	263,628,374	371,497,533	—	—	—
Net pension liability	—	267,849,225	267,849,225	—	172,806,606	172,806,606
Income tax payable	335,338,413	—	335,338,413	372,611,764	—	372,611,764
Unit-linked liabilities	107,552,485,888	—	107,552,485,888	96,629,658,936	—	96,629,658,936
	112,693,917,577	6,726,377,781	119,420,295,358	99,998,487,370	6,946,642,823	106,945,130,193
	₱3,014,761,277	₱10,016,370,915	₱13,031,132,192	₱4,883,638,657	₱4,456,493,453	₱9,340,132,110



28. Events after the reporting period***COVID-19 Outbreak***

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, unless earlier lifted or extended. On April 6, 2020, the enhanced community quarantine was extended until April 30, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. Specific to the Parent Company, these measures limit the mobility of the distributors, reduce the operational capacity of its employees and cause high volatility to investments and investment-dependent products.

The Parent Company considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Parent Company cannot determine at this time the impact to its financial position, performance and cash flows. The Parent Company will continue to monitor the situation.

29. Contingencies

The Parent Company is a defendant in several lawsuits arising from the normal course of carrying out its insurance business. The Parent Company currently does not believe these proceedings will have a material adverse effect on the Parent Company's financial position.

30. Supplementary Tax Information under Revenue Regulations No. 15-2010

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

a. Percentage Tax

The Company is engaged in the business of life insurance and paid the amount of ₱107,524,545 as percentage tax pursuant to the provisions of Sec. 123 of the National Internal Revenue Code of 1997, as last amended by Revenue Memorandum Circular No. 22-2010.

b. Value Added Tax (VAT)

Revenue Memorandum Circular (RMC) No. 30-08, as amended by RMC 59-08 and RMC 49-2010, provides that management fees, rental income, or income earned by the life insurance company from services which can be pursued independently of the insurance business activity are not subject to 5% (now 2%) premium tax but the same are treated as income for services that are subject to the imposition of VAT pursuant to Section 108 of the Tax Code, as amended.

In compliance with the said RMC, the Company paid VAT amounting to ₱244,036,988.



Details are as follows:

	Tax base	VAT
Asset management charge	₱1,987,257,266	₱238,470,872
Rental income	1,198,608	143,833
Other income	45,185,691	5,422,283
	₱2,033,641,565	₱244,036,988

c. Documentary Stamp Tax (DST)

The DST paid/accrued on the following transactions are:

Transaction	Tax base	DST
Life insurance policies		
Sum insured	₱136,082,777,045	₱9,507,250
Policy loan	50,565,673	381,539
Individual certificate of group insurance	118,440	3,553,200
Agents' loan	5,047,323	38,982
Contract of lease	4,182,417	8,368
	₱136,142,690,898	₱13,489,339

d. Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees lodged under the 'Operating and administrative expenses' sections in the Company's 2019 Statement of Comprehensive Income. Details consist of the following:

Local

Mayor's permit	₱17,663,652
Real estate taxes	562,485
Community Tax	10,500
Motor Vehicle Registration	6,019
	18,242,656

National

License fees	₱18,764,098
Fringe benefit tax	6,811,136
Regulatory body fees	881,183
Stamp duty	99,049
BIR annual registration	19,000
	26,574,466
	₱44,817,122

e. Withholding Taxes

The amount of withholding taxes paid and accrued for the year 2019 amounted to:

Tax on compensation and benefits	₱360,086,987
Expanded Withholding taxes	277,678,288
Final withholding taxes	23,034,662
Final withholding VAT	3,416,847
	₱664,216,784



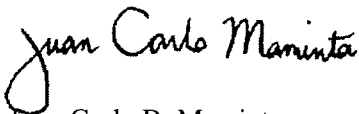
INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE

The Stockholders and the Board of Directors
Philippine AXA Life Insurance Corporation
34th Floor, GT Tower International
6813 Ayala Avenue corner H.V. Dela Costa Street
Makati City

We have audited the accompanying financial statements of Philippine AXA Life Insurance Corporation (the Company) as at December 31, 2019 and for the year then ended, on which we have rendered the attached report dated April 20, 2020.

In compliance with Revised Securities Regulation Code Rule No. 68, we are stating that the Company has twenty (20) stockholders owning more than one hundred (100) shares.

SYCIP GORRES VELAYO & CO.



Juan Carlo B. Maminta

Partner

CPA Certificate No. 115260

SEC Accreditation No. A-1699-A (Group A),

August 16, 2018, valid until August 15, 2021

Tax Identification No. 210-320-399

BIR Accreditation No. 08-001998-132-2018,

February 9, 2018, valid until February 8, 2021

PTR No. 8125258, January 7, 2020, Makati City

April 20, 2020



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE

The Stockholders and the Board of Directors
Philippine AXA Life Insurance Corporation
34th Floor, GT Tower International
6813 Ayala Avenue corner H.V. Dela Costa Street
Makati City

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of Philippine AXA Life Insurance Corporation (the Parent Company) as at December 31, 2019 and 2018, and have issued our report thereon dated April 20, 2020. Our audits were made for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Parent Company's management. This schedule is presented for the purpose of complying with Revised Securities Regulation Code Rule 68, and is not part of the basic parent company financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic parent company financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Juan Carlo B. Maminta
Partner

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April 20, 2020



**PHILIPPINE AXA LIFE INSURANCE CORPORATION
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2019**

Retained earnings, beginning		₱8,307,738,057
Less: Non-actual/unrealized income, net of tax		
Prior year appropriations due to policies with negative legal policy reserves		2,362,020,268
Increase in net deferred tax assets in the previous year		111,666,320
Unappropriated retained earnings, beginning		5,834,051,469
 Add: Net income actually earned/realized during the period	3,388,641,553	
Net income during the period closed to retained earnings		
Less: Non-actual/unrealized income, net of tax		
Increase in net deferred tax assets during the year	71,358,910	
Fair value adjustment (marked to market gains)	109,772,571	
Sub-total	181,131,481	
Net income actually earned/realized during the period		3,207,510,072
Less:		
Appropriations due to policies with negative legal policy reserves		862,332,826
Dividend declarations during the year		409,000,000
Treasury shares		163,378
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION		₱7,770,065,337

Note: The unappropriated retained earnings available for dividend declaration as computed above for the purpose of complying with the Revised SRC Rule 68 may be different from the statutory unappropriated retained earnings available for dividend declaration. The Parent Company is in the insurance industry and is subject to the regulatory requirements of the Insurance Commission such as margin of solvency, fixed capitalization requirement and risk-based capital requirement. The regulatory requirements restrict the Parent Company in declaring dividends out of the unappropriated retained earnings and are imposed to minimize the risk of default and insolvency on the part of the Parent Company to meet the unforeseen liabilities as they arise.