COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 0 0 1 3 3 3 5

COMPANY NAME

FMF DEVELOPMENT CORPORATION AND SUBSIDIARIES

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

3/F, ALPAP I Building, 140 L.P. Leviste Street, Salcedo Village, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

COMPANY INFORMATION

Group's Email Address	Group's Telephone Number/s	Mobile Number
–	(02) 817-1180	–

No. of Stockholders	Annual Meeting (Month / Day)	Calendar Year (Month / Day)
68,557	2nd Tuesday of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ma. Editha S. Paltongan	espaltongan@benlife.com.ph	–	–

CONTACT PERSON'S ADDRESS

3rd Floor, ALPAP I Building, 140 L.P. Leviste Street, Salcedo Village, 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 shall not excuse the corporation from liability for its deficiencies.*

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

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

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
FMF Development Corporation and Subsidiaries
3/F, ALPAP I Building
140 L.P. Leviste Street
Salcedo Village, Makati City

Opinion

We have audited the accompanying consolidated financial statements of FMF Development Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2020, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years ended December 31, 2020, 2019 and 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A for the year ended December 31, 2020 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

REYES TACANDONG & CO.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 1788-A
Valid until October 14, 2022
BIR Accreditation No. 08-005144-016-2019
Valid until July 2, 2022
PTR No. 8534288
Issued January 5, 2021, Makati City

December 2, 2021
Makati City, Metro Manila

FMF DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2020**	2019
ASSETS			
Cash and cash equivalents	4	**₱1,115,282,507**	₱1,360,009,443
Short-term investments	4	**62,796,981**	60,500,000
Insurance receivables	5	**33,538,391**	89,693,714
Investment securities	6	**6,062,065,470**	4,984,994,466
Loans and other receivables	7	**1,438,451,344**	1,695,324,743
Accrued income	6	**73,033,509**	64,051,380
Investment in an associate	8	**3,583,949**	3,777,173
Property and equipment:	9		
At revalued amounts		**647,715,036**	654,555,000
At cost		**24,321,395**	34,545,546
Investment properties	10	**6,941,620**	6,733,181
Net deferred tax assets	26	**10,987,463**	13,017,635
Creditable withholding tax		**7,587,148**	6,786,830
Other assets		**87,410,436**	85,894,736
		₱9,573,715,249	₱9,059,883,847
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities	11	**₱4,912,423,179**	₱4,097,224,154
Policyholders' dividends payable	12	**142,208,734**	133,430,815
Premium deposit fund	13	**322,498,519**	307,169,452
Insurance payables	14	**94,278,156**	90,978,607
Loans payable	16	**23,286,209**	31,081,586
Accounts and other payables	15	**166,052,902**	135,972,917
Dividends payable	16	**445,492,787**	445,578,029
Net retirement liability	25	**161,633,757**	162,721,080
Net deferred tax liabilities	26	**90,917,944**	130,470,731
Income tax payable		**3,658,568**	9,810,535
Other liabilities	17	**175,662,300**	185,007,184
Total Liabilities		**6,538,113,055**	5,729,445,090
Equity			
Capital stock		**70,000,000**	70,000,000
Additional paid-in capital		**45,680,725**	45,680,725
Retained earnings	19	**2,401,935,340**	2,312,763,859
Other comprehensive income (OCI)		**114,860,692**	443,352,271
Treasury shares		**(147,000,000)**	(147,000,000)
Equity attributable to equity holders of the Parent Company		**2,485,476,757**	2,724,796,855
Noncontrolling interest		**550,125,437**	605,641,902
Total Equity		**3,035,602,194**	3,330,438,757
		₱9,573,715,249	₱9,059,883,847

See accompanying Notes to Consolidated Financial Statements.

FMF DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2020**	2019	2018
REVENUE				
Gross premium on insurance contracts	21	**₱1,658,761,570**	₱1,668,843,509	₱1,349,120,419
Reinsurer's share of gross premiums on insurance contracts	21	**(15,258,231)**	(16,953,935)	(27,519,621)
Net insurance premiums		**1,643,503,339**	1,651,889,574	1,321,600,798
Interest income	4	**336,086,752**	442,289,625	442,935,417
Rent income	18	**24,695,620**	35,474,276	34,033,973
Dividend income	6	**31,506,955**	25,163,309	24,797,425
Gain on sale of financial assets at fair value through OCI (FVOCI)	6	**7,357,288**	18,618,469	12,537,487
Fair value gains on financial assets at fair value through profit or loss (FVPL)	6	**7,775,562**	18,366,691	–
Gain on sale of transportation equipment	9	**406,562**	–	–
Other income – net		**18,474,757**	18,459,302	11,344,298
		2,069,806,835	2,210,261,246	1,847,249,398
BENEFITS AND EXPENSES				
Net benefits and claims incurred on insurance contracts	22	**783,857,598**	822,912,977	807,739,675
Net change in legal policy reserves	22	**208,594,487**	297,728,566	114,759,843
Net insurance benefits and claims		**992,452,085**	1,120,641,543	922,499,518
General and administrative expenses	23	**558,531,958**	541,998,726	558,943,277
Commission and other direct expenses	24	**216,055,062**	274,292,132	215,716,142
Finance costs	24	**35,533,179**	36,030,733	25,185,357
Insurance taxes		**31,268,931**	31,340,762	26,289,319
Fair value losses on financial assets at FVPL		**–**	–	57,221,763
		1,833,841,215	2,004,303,896	1,805,855,376
EQUITY SHARE IN NET INCOME OF AN ASSOCIATE	8	**206,776**	1,212,915	924,836
INCOME BEFORE FOREIGN EXCHANGE GAINS AND IMPAIRMENT LOSSES ON INVESTMENT SECURITIES		**236,172,396**	207,170,265	42,318,858
FOREIGN EXCHANGE GAIN (LOSS) - Net		**(112,371,991)**	(83,112,613)	106,518,030
REVERSAL OF (PROVISION FOR) IMPAIRMENT LOSSES ON INVESTMENT SECURITIES	6	**(10,985,211)**	9,045,552	(5,978,230)
INCOME BEFORE INCOME TAX		**₱112,815,194**	₱133,103,204	₱142,858,658

(Forward)

	Note	2020	2019	2018
		Years Ended December 31		
PROVISION FOR (BENEFIT FROM) INCOME TAX	26			
Final		**₱24,507,310**	₱24,657,771	₱14,086,597
Current		**6,395,307**	16,167,268	11,222,048
Deferred		**(36,862,368)**	(2,455,850)	(1,214,960)
		(5,959,751)	38,369,189	24,093,685
NET INCOME		**118,774,945**	94,734,015	118,764,973
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified into profit or loss in subsequent periods:				
Change in revaluation reserves in investment securities (debt instruments classified as Financial assets at FVOCI)	6	**76,451,224**	174,527,533	(60,624,834)
Translation adjustment		**6,983,114**	(9,511,525)	(28,784,271)
		83,434,338	165,016,008	(89,409,105)
Items that will not be reclassified into profit or loss in subsequent periods:				
Increase in revaluation surplus - net of deferred tax	9	**–**	184,222,750	–
Remeasurement gain on legal policy reserves	11	**(481,778,294)**	(112,342,032)	224,296,576
Change in revaluation reserves in investment securities (equity instruments classified as Financial assets at FVOCI)	6	**(7,860,631)**	57,595,133	(54,934,883)
Remeasurement gain (loss) on defined benefit plan - net of deferred tax	25	**1,105,089**	(13,859,249)	11,995,081
		(488,533,836)	115,616,602	181,356,774
		(405,099,498)	280,632,610	91,947,669
TOTAL COMPREHENSIVE INCOME (LOSS)		**(₱286,324,553)**	₱375,366,625	₱210,712,642
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company	27	**₱95,755,934**	₱73,960,279	₱90,735,259
Noncontrolling interest		**23,019,011**	20,773,736	28,029,714
		₱118,774,945	₱94,734,015	₱118,764,973
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**(₱230,592,655)**	₱304,392,880	₱162,660,893
Noncontrolling interest		**(55,731,898)**	70,973,745	48,051,749
		(₱286,324,553)	₱375,366,625	₱210,712,642
BASIC/DILUTED EARNINGS PER SHARE	27	**₱1.95**	₱1.51	₱1.85

See accompanying Notes to Consolidated Financial Statements.

FMF DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2020**	2019	2018
CAPITAL STOCK - ₱1 par value				
Authorized - 175,000,000 shares				
Issued - 70,000,000 shares		**₱70,000,000**	₱70,000,000	₱70,000,000
ADDITIONAL PAID-IN CAPITAL		**45,680,725**	45,680,725	45,680,725
RETAINED EARNINGS				
APPROPRIATED	19	**102,500,000**	102,500,000	102,500,000
UNAPPROPRIATED				
Balance at beginning of year, as previously reported		**2,210,263,859**	2,166,784,966	2,003,375,037
Adjustment arising from transition to PFRS 9, *Financial Instruments*	6	**–**	–	74,676,516
Balance at beginning of year, as adjusted under PFRS 9		**2,210,263,859**	2,166,784,966	2,078,051,553
Net income		**95,755,934**	73,960,279	90,735,259
Transfer of revaluation reserves on investment securities	6	**(9,645,867)**	(28,536,680)	–
Dividend declaration	19	**–**	(7,350,000)	(4,900,000)
Transfer of revaluation surplus		**3,061,414**	5,405,294	2,898,154
Balance at end of year		**2,299,435,340**	2,210,263,859	2,166,784,966
		2,401,935,340	2,312,763,859	2,269,284,966
TREASURY SHARES - 21,000,000 shares		**(147,000,000)**	(147,000,000)	(147,000,000)
OTHER COMPREHENSIVE INCOME (LOSS)				
Revaluation Surplus on Property and Equipment - net of deferred income tax	9			
Balance at beginning of year		**270,008,838**	124,572,116	126,600,825
Increase in revaluation surplus		**–**	149,220,428	–
Transfer of revaluation surplus		**(2,142,990)**	(3,783,706)	(2,028,709)
Balance at end of year		**267,865,848**	270,008,838	124,572,116
Cumulative Remeasurement Gain (loss) on Legal Policy Reserves	11			
Balance at beginning of year		**226,893,655**	317,890,701	136,210,474
Remeasurement gain (loss) on legal policy reserves		**(390,240,418)**	(90,997,046)	181,680,227
Balance at end of year		**(₱163,346,763)**	₱226,893,655	₱317,890,701

(Forward)

	Note	Years Ended December 31 2020	2019	2018
Revaluation Reserves on Investment Securities	6			
Balance at beginning of year, as previously reported		**(₱26,716,956)**	(₱218,515,918)	₱20,008,121
Adjustment arising from transition to PFRS 9		**–**	–	(148,306,279)
Balance at beginning of year, as adjusted		**(26,716,956)**	(218,515,918)	(128,298,158)
Net change		**53,993,952**	191,798,962	(90,217,760)
Balance at end of year		**27,276,996**	(26,716,956)	(218,515,918)
Cumulative Translation Adjustment				
Balance at beginning of year		**(19,541,263)**	(11,093,373)	18,758,078
Translation adjustments		**8,147,983**	(8,447,890)	(29,851,451)
Balance at end of year		**(11,393,280)**	(19,541,263)	(11,093,373)
Cumulative Remeasurement Gain (Loss) on Net Retirement Liability - Net of deferred income tax	25			
Balance at beginning of year		**(7,292,003)**	3,849,849	(6,464,769)
Remeasurement gain (loss) on retirement liability		**1,749,894**	(11,141,852)	10,314,618
Balance at end of year		**(5,542,109)**	(7,292,003)	3,849,849
		114,860,692	443,352,271	216,703,375
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		**2,485,476,757**	2,724,796,855	2,454,669,066
NONCONTROLLING INTEREST				
Balance at beginning of year, as previously reported		**605,641,902**	539,863,147	527,858,596
Adjustment arising from transition to PFRS 9	6	**–**	–	(17,271,179)
Balance at beginning of year, as adjusted		**605,641,902**	539,863,147	510,587,417
Share in total comprehensive income during the year		**(55,731,898)**	70,973,745	48,051,749
Dividend declaration		**–**	(5,575,363)	(18,979,963)
Transfer of revaluation surplus on property and equipment		**215,433**	380,373	203,944
Balance at end of year		**550,125,437**	605,641,902	539,863,147
		₱3,035,602,194	₱3,330,438,757	₱2,994,532,213

See accompanying Notes to Consolidated Financial Statements.

FMF DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW

	Note	2020	2019	2018
		Years Ended December 31		
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱112,815,194**	₱133,103,204	₱142,858,658
Adjustments for:				
Interest income	4	**(336,086,752)**	(442,289,625)	(442,935,417)
Unrealized foreign exchange loss (gain)		**102,320,533**	56,950,050	(154,063,640)
Provision for (reversal of) impairment losses on:				
Loans and other receivables	7	**38,998,407**	35,541,595	93,930,036
Investment securities	6	**10,985,211**	(9,045,552)	5,978,230
Dividend income	6	**(31,506,955)**	(25,163,309)	(24,797,425)
Finance cost	24	**27,406,267**	25,772,190	15,416,228
Retirement benefit cost	25	**25,000,824**	20,489,717	17,861,843
Depreciation and amortization	10	**23,301,145**	28,953,151	24,594,934
Fair value losses (gains) on financial assets at FVPL	6	**(7,775,562)**	(18,366,691)	57,221,763
Gain on sale of:				
Investment securities	6	**(7,357,288)**	(18,618,469)	(12,537,487)
Equipment	9	**(406,562)**	–	–
Equity share in net income of an associate	8	**(206,776)**	(1,212,915)	(924,836)
Operating loss before changes in working capital		**(42,512,314)**	(213,886,654)	(277,397,113)
Decrease (increase) in:				
Short-term investments		**(2,296,981)**	(9,765,010)	1,603,599
Insurance receivables		**56,155,323**	(66,663,175)	(6,771,965)
Loans and other receivables		**217,874,992**	204,230,589	62,196,322
Other assets		**8,964,744**	11,155,055	(18,365,920)
Increase (decrease) in:				
Insurance contract liabilities		**333,420,731**	319,217,359	249,955,970
Policyholders' dividends payable		**8,777,919**	10,518,244	(18,538,366)
Premium deposit fund		**(10,432,815)**	4,569,876	(7,676,308)
Insurance payables		**3,299,549**	(19,737,362)	17,233,030
Accounts and other payables		**30,079,985**	(77,677,144)	168,376,269
Other current liabilities		**(9,344,884)**	26,230,259	14,749,287
Net cash generated from operations		**593,986,249**	188,192,037	185,364,805
Contributions to plan assets	25	**(15,000,000)**	(15,000,000)	(15,000,000)
Income tax paid		**(12,252,435)**	(14,428,033)	(22,620,520)
Benefits paid	25	**(9,509,448)**	(3,203,568)	(1,246,689)
Interest paid		**(1,939,226)**	(13,305,020)	(6,180,537)
Net cash provided by operating activities		**₱555,285,140**	₱142,255,416	₱140,317,059

(Forward)

		Years Ended December 31		
		2020	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Investment securities	6	**(₱3,817,451,516)**	(₱1,684,627,404)	(₱1,956,838,918)
Property and equipment	9	**(5,884,979)**	(20,068,826)	(23,246,155)
Investment properties	10	**(603,571)**	(4,123,429)	(1,810,714)
Proceeds from sale/maturities of:				
Investment securities	6	**2,673,666,638**	1,753,193,503	846,396,281
Property and equipment	9	**449,643**	–	–
Interest received		**324,612,590**	434,780,457	453,101,841
Dividends received		**31,414,328**	32,387,113	24,797,430
Net cash provided by (used in) investing activities		**(793,796,867)**	511,541,414	(657,600,235)
CASH FLOWS FROM FINANCING ACTIVITIES				
Loan availments	16	**977,531,670**	3,883,765,938	2,298,842,831
Loan payments	16	**(983,661,637)**	(4,202,823,099)	(1,952,800,471)
Payment of dividends	16	**(85,242)**	(8,722,027)	(15,936,909)
Net cash provided by (used in) financing activities		**(6,215,209)**	(327,779,188)	330,105,451
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(244,726,936)**	326,017,642	(187,177,725)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,360,009,443**	1,033,991,801	1,221,169,526
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱1,115,282,507**	₱1,360,009,443	₱1,033,991,801

See accompanying Notes to Consolidated Financial Statements.

FMF DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

FMF Development Corporation (the Parent Company) was incorporated in the Philippines on December 6, 1957 with registered office address at 3/F, ALPAP I Building, 140 L.P. Leviste Street, Salcedo Village, Makati City. The Parent Company's corporate existence was extended for another 50 years on June 29, 2007.

The Parent Company owns, invests or manages properties such as buildings or other structures and shares of stock and other types of securities while its subsidiaries are primarily engaged in life insurance and foreign investments.

The Parent Company's subsidiaries and associate are as follows:

Entity Name	Nature of Business	Effective Percentage of Ownership	
		Direct	Indirect
Beneficial Life Insurance Company, Inc. (BLIC)*	Life insurance	81%	–
Future Capital Enterprises, Ltd. (FCE)**	Investment	100%	–
Beneficial Financial Advisors, Inc. (BFAI)*	Training and consultancy services	–	81%
Solana Investment Holdings Corporation (SIHC)**	Investment	–	81%
Incepto Visium, Inc. (Incepto)*	Real Estate Activities	20%	–

*Incorporated in the Philippines
**Incorporated in British Virgin Islands

The Company also has control over FPS Holdings Limited (FPS), an investment entity incorporated in Cayman Islands, by virtue of its right arising from the contractual arrangements entered into by the Company and the stockholders of FPS. In May 2018, the Company executed a Declaration of Trust with the stockholders authorizing the resident agent of FPS to update the register of members to reflect the assignment and transfer of assets of FPS to FCE. As at reporting date, the Company is in the process of completing the documentary requirements to transfer the assets of FPS to FCE.

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

The registered office address of the Company is 3/F, ALPAP I Building, 140 L.P. Leviste Street, Salcedo Village, Makati City.

Status of Operations

The COVID-19 pandemic which broke out in early 2020 resulted to nationwide mandated lockdowns and negatively affected the Philippine economy. Management, however, believes that with the Company's strong financial position and access to short-term and long-term funding, it can readily meet its maturing obligations and continue as a going concern.

Changes in Key Management Personnel and Board of Directors (BOD)
During the stockholders' meeting held on December 29, 2020, the stockholders agreed to appoint new key officers of the Company such as the president, treasurer, corporate secretary and compliance officer. Moreover, the stockholders also appointed a new chairman and members of the BOD except the independent director.

The accompanying consolidated financial statements as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019, and 2018 were approved and authorized for issue by the BOD on December 2, 2021.

2. Summary of Significant Accounting Policies

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

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

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

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

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

- Note 3: Significant Judgments, Accounting Estimates and Assumptions;
- Note 6: Investment Securities;
- Note 9: Property and Equipment;
- Note 10: Investment Properties; and,
- Note 30: Financial Risk Management Objectives and Policies.

Adoption of Amended PFRS

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

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

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

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

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

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

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

New and Amended PFRS Issued But Not Yet Effective

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

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

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

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

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

- Annual Improvements to PFRS 2018 to 2020 Cycle:

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

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

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

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

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

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

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

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Group, except for PFRS 17. Additional disclosures will be included in the consolidated financial statements, as applicable.

Basis of Consolidation

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

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

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

The financial statements of the subsidiaries are prepared using the same reporting period of the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

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

Noncontrolling interest represents the portion of net assets and profit or loss not held by the Parent Company and is presented separately in the Group's consolidated statements of comprehensive income and within equity in the Group's consolidated statements of financial position, separate from equity attributable to equity holders of the Parent Company.

Transactions Eliminated on Consolidation. All intragroup balances, transactions, income and expenses and unrealized gains and losses are eliminated in full.

Current and Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on liquidity. The current portion is presented in Note 31.

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when it is:

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

The Group classifies all other liabilities as noncurrent.

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

Financial Instruments

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

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

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

Financial Assets

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

Classification and Measurement

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

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting year. Otherwise, these are classified as noncurrent assets.

The Group's cash and cash equivalents, short-term investments, insurance receivables, government securities assigned as investment deposit with the Insurance Commission (IC), private debt securities which are held primarily to collect contractual cash flows until maturity, loans and other receivables (excluding rent receivable), and accrued income are classified under this category.

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

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

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

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

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

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

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

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

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

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

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

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

The Group's investments in private and government debt securities held for trading, investments in money market securities under investment management agreement and quoted equity securities are classified under this category.

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

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

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

For trade receivables, the Group has applied the simplified approach and has calculated ECLs based on the lifetime ECL. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

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

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

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

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

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

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

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

- the right to receive cash flows from the asset has expired;

- the Group retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities

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

As at December 31, 2020 and 2019, the Group does not have financial liabilities measured at FVPL.

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

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

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

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

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

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

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

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

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

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

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

<u>Insurance Contracts</u>

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

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

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

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

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

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

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

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

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

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

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

Creditable Withholding Tax (CWT)
CWT represents the amount withheld by the Group's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

Other Assets
Other assets mainly consist of deposits and prepayments.

Prepayments. Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to expense as these are consumed in operations or expire with the passage of time.

Deposits. Nonrefundable deposits are recorded at transaction cost. Rental and utilities deposits are amounts paid by the Group to the lessors which will be applied against unpaid rent and any unpaid liabilities upon expiration of the lease term.

Investment in an Associate
The Group's investment in an associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, investment in associate is carried in the consolidated statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statements of comprehensive income reflect the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share in net income and losses of the associate is shown as "Equity share in net income (loss) of an associate" account in the consolidated statements of comprehensive income.

The financial statements of the associates are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over an associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

Property and Equipment
Property and equipment, other than land, buildings, office condominium and improvements, are stated at cost less accumulated depreciation and amortization and any impairment in value. The Group's land, buildings and office condominium and improvements are stated at revalued amounts based on the valuation of an independent appraiser.

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

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

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against income for the year.

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

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

	Number of Years
Buildings	10-40
Office condominium and improvements	10-40
Transportation equipment	3-5
Office furniture and equipment	2-5
Leasehold improvements	3 years or the term of the lease, whichever is shorter

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

Fully depreciated property and equipment are retained in the account until they are no longer in use.

Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes. Investment properties consist of land and buildings and building improvements that are being leased to related parties and other companies. Investment properties, except land, are carried at cost less accumulated depreciation, amortization and any impairment in value. Land is carried at cost less any impairment in value.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful life of 10 to 18 years. The Group determines depreciation and amortization for each significant part of an item of investment property.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefit from items of investment properties.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the ending of owner-occupation, commencement of an operating lease to another party or ending of the construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner occupation or commencement of development with a view to sell.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its use or disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

<u>Impairment of Nonfinancial Assets</u>

The nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount exceeds its estimated recoverable amounts, the asset is written down to its recoverable amount. The estimated recoverable amount of the asset is the higher of an asset's fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization charge is adjusted in future years to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life.

Insurance Contract Liabilities

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

The Group has different assumptions for different products. However, liabilities for contractual benefits are computed to comply with statutory requirements, which require discount rates to be based on the schedule of spot rates published by IC and mortality and morbidity rates to be in accordance with the standard table of mortality. Reserves are computed per thousand of sum insured and depend on the issue age and policy duration.

Adjustments to the liabilities arising from changes in in-force policies are recorded in "Net change in legal policy reserves" account in profit or loss. Changes in liabilities arising from changes in discount rates are recorded in "Remeasurement gain (loss) on legal policy reserves" account in other comprehensive income.

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

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

Policyholders' Dividends Payable

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

Premium Deposit Fund

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

Employee Benefits

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

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

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

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

Net interest on the net retirement liability or asset is the change during the period in the net retirement liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net retirement liability or asset.

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

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

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

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

Revenue Recognition

Premium Income. Gross recurring premiums from life insurance contracts are recognized as revenue when payable by the policyholder. For single premium business, revenue is recognized on the date from which the policy becomes effective. For regular premium contracts, receivables are recorded at the date when payments are due.

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

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

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

Rent Income. Revenue from operating leases is recognized on a straight-line basis over the lease term.

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

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

Benefits, Claims and Expenses Recognition

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

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

Commission Expense. Commissions are recognized when the insurance contracts are entered and the premiums are recognized.

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

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

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

Other Costs and Expenses. Other expenses are recognized upon receipt of goods, utilization of the service or at the date the costs and expenses are incurred.

Basic and Diluted Earnings Per Share (EPS)

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

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

Income Taxes

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

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

Deferred Tax. Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

Deferred tax is recognized in profit or loss except to the extent that it relates to items directly recognized to equity or in other comprehensive income (OCI).

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

Deferred tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity as other comprehensive income.

Equity

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

Additional Paid-in Capital. Additional paid-in capital (APIC) refers to the issuance of shares in excess of par. Incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from APIC.

Retained Earnings. Retained earnings represent the cumulative balance of the Company's results of operations, net of dividend declaration. Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders, after adjustment for any unrealized items, which are not considered available for dividend declaration. Dividends are deducted from unappropriated retained earnings and recognized as a liability when these are approved by the BOD. Appropriated retained earnings represent that portion which has been restricted and therefore is not available for any dividend declaration.

Treasury Shares. Own equity instruments which are reacquired (treasury share) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in APIC.

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

Foreign Currency-Denominated Translations and Transactions

Foreign Currency-Denominated Translation. The consolidated financial statements are presented in Philippine Peso, the Parent Company's functional currency. All subsidiaries evaluated their primary economic and operating environment and determined their functional currency. Items included in the consolidated financial statements of each entity are initially measured using their respective functional currency. The cumulative exchange differences arising from translation are recognized as translation adjustment in OCI. Upon disposal, the deferred cumulative exchange differences recognized in OCI are reclassified to profit or loss in the period of disposal.

Foreign Currency-Denominated Transaction and Balances. Transactions denominated in foreign currencies are recorded using the exchange rate at the dates of the transactions. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at reporting date. All differences are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Related Party Transactions

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

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

Leases

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

i. the right to obtain substantially all of the economic benefits from the use of the identified asset; and
ii. the right to direct the use of the identified asset.

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

The Group also assesses whether a contract contains a lease for each potential separate lease component.

The Group as a Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight line basis over the lease term on the same basis as rental income.

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

Segment Reporting

The Group's operating segments are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services to different markets. Financial information on operating segments is presented in Note 28 to the consolidated financial statements. The President, the chief operating decision maker, reviews management reports on a regular basis. The measurement policies the Group used for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

For purposes of management reporting, the Group's operating businesses are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

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

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3. Significant Judgments, Accounting Estimates and Assumptions

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

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

Determining Control over Investee. Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Management has determined that by virtue of its existing rights that give it the current ability to direct the relevant activities of BLIC, FCE, BFAI, SIHC and FPS, as evidenced by its majority ownership of voting rights in its subsidiaries and/or ability to direct its relevant activities, the Parent Company has the control over these entities.

Determining the Identification of Product Classification. The Group has determined that the policies it issues have significant insurance risk and therefore meets the definition of an insurance contract and are accounted for as such. Insurance contracts are those contracts when the Group has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event adversely affects the policyholders.

As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts also transfer financial risk.

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

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

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

Fair values of financial instruments are set out in Note 30 to the consolidated financial statements.

Establishing the Definition of Default and Credit-Impaired Financial Assets. Upon adoption of PFRS 9, the Group defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when it meets one or more of the following criteria:

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

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

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

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

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

Determining Operating Segments. Determination of operating segments is based on the information about components of the Group that management uses to make decisions about the operating matters. Operating segments use internal reports that are regularly reviewed by the Group's chief operating decision maker, which is defined to be the Group's BOD, in order to allocate resources to the segment and assess its performance. The Group reports separate information about an operating segment that meets any of the following quantitative thresholds: (a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; (b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; and (c) the assets of the segment are 10% or more of the combined assets of all operating segments.

The Group has two reportable operating segments (see Note 28).

Determining the Classification of Property. The Group determines whether a property is classified as investment properties or property and equipment:

- Investment properties comprises land, buildings and building improvements which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

- Property and equipment comprises property that is held for use in the ordinary course of business.

Classifying Lease Commitments - Company as a Lessor. Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. The Company has lease agreements with a related party and third parties on its investment properties. Critical judgment was exercised by the Company to distinguish such lease agreements as operating or finance leases by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. The Company accounted for its lease agreements as operating leases.

Classifying Lease Commitments - Company as a Lessee. The Company has entered into commercial property leases for its office space. As the lease term is 12 months renewable upon mutual agreement of parties, the Company availed exemption for short-term leases. Accordingly, lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Accounting Estimates and Assumptions

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

Assessing the Impairment of Financial Assets. In assessing ECL, the Group uses historical credit loss experience adjusted for forward-looking factors, as appropriate. The Group has no historical loss experience for investments in debt securities since these are all considered as "investment grade". For loans and notes, ECL is computed on a 12-month or lifetime basis using historical loss experience determined based on the default accounts.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information. A significant increase in credit risk can be measured by comparing the probability of default of the borrower from the initial recognition and the result of the current probability of default. When the result shows an upward movement of the probability of default, the change is considered as significant increase in credit risk.

The carrying amounts of financial assets subject to ECL and the related provision for ECL recognized as at December 31, 2020 and 2019 follows:

		2020			
		Carrying	**Provision for Impairment Loss**		
Financial Assets	Note	**Amounts**	**12-month ECL**	**Lifetime ECL**	**Total**
Debt instruments classified as financial assets at FVOCI	6	**₱2,092,928,463**	**₱7,874,551**	**₱–**	**₱7,874,551**
Investment securities at amortized cost	6	**2,178,857,109**	**3,110,660**	**–**	**3,110,660**
Loans and other receivables*	7	**1,436,773,358**	**38,998,407**	**–**	**38,998,407**
Other financial assets at amortized cost:					
Cash and cash equivalents	4	**1,115,282,507**	**–**	**–**	**–**
Short-term investments	4	**62,796,981**	**–**	**–**	**–**
Insurance receivables	5	**33,538,391**	**–**	**–**	**–**
Accrued income	6	**73,033,509**	**–**	**–**	**–**
		₱6,993,210,318	**₱49,983,618**	**₱–**	**₱49,983,618**

		2019			
		Carrying	Provision(Reversal) for Impairment Loss		
Financial Assets	Note	Amounts	12-month ECL	Lifetime ECL	Total
Debt instruments classified as financial assets at FVOCI	6	₱1,780,346,413	(₱9,602,013)	₱–	(₱9,602,013)
Investment securities at amortized cost	6	1,697,414,811	556,461	–	556,461
Loans and other receivables*	7	1,693,818,253	35,541,595	–	35,541,595
Other financial assets at amortized cost:					
Cash and cash equivalents	4	1,360,009,443	–	–	–
Short-term investments	4	60,500,000	–	–	–
Insurance receivables	5	89,693,714	–	–	–
Accrued income	6	64,051,380	–	–	–
		₱6,745,834,014	₱26,496,043	₱–	₱26,496,043

**Excluding rent receivable.*

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

There were no changes in the estimated useful lives of the Group's property and equipment and investment properties in 2020 and 2019.

The carrying amounts of property and equipment amounted to ₱672.0 million and ₱689.1 million as at December 31, 2020 and 2019, respectively (see Note 9). The carrying amounts of investment properties amounted to ₱6.9 million and ₱6.7 million as at December 31, 2020 and 2019, respectively (see Note 10).

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

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

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

The latest independent property valuation of land, building and office condominium was performed on February 3, 2020. The appraisal resulted to an increase in revaluation surplus, net of deferred tax, amounting to ₱184.2 million. The carrying amount of property and equipment at revalued amounts amounted to ₱647.7 million and ₱654.6 million as at December 31, 2020 and 2019, respectively (see Note 9).

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

The factors that the Group considers important which could trigger an impairment review include the following:

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

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

The carrying amounts of nonfinancial assets are as follows:

Asset Type	Note	2020	2019
Investment in an associate	8	**₱3,583,949**	₱3,777,173
Property and equipment:	9		
At revalued amounts		**647,715,036**	654,555,000
At cost		**24,321,395**	34,545,546
Investment properties	10	**6,941,620**	6,733,181
Creditable withholding tax		**7,587,148**	6,786,830
Other assets		**87,410,436**	85,894,736

Estimating the Legal Policy Reserves. Reserves are set up as requirement pursuant to the provision and guidelines set by the IC, which should not be less than the reserves required. These are computed using assumptions that are based on the standard mortality and morbidity tables and interest rates as required by the IC.

The carrying amount of legal policy reserves amounted to ₱3,740.9 million and ₱3,050.5 million as at December 31, 2020 and 2019, respectively (see Note 11).

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

The carrying amount of incurred but not reported included under policy and contract claims amounted to ₱251.5 million and ₱256.8 million as at December 31, 2020 and 2019, respectively (see Note 11).

Determining Retirement Liability. The determination of the obligation and cost of retirement benefits is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 28 to the consolidated financial statements and include, among others, discount rate and salary increase rate. Actual results that differ from the Group's assumptions are accumulated and recognized in OCI, therefore, generally affect the recognized expense and recorded obligation.

The net retirement liability amounted to ₱161.6 million and ₱162.7 million as at December 31, 2020 and 2019, respectively (see Note 25).

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

The Group has recognized deferred tax asset amounting to ₱88.7 million and ₱84.8 million as at December 31, 2020 and 2019, respectively (see Note 26).

The Group did not recognize deferred tax assets amounting to ₱3.3 million and ₱2.1 million as at December 31, 2020 and 2019, respectively, as management assessed that it is not probable that sufficient taxable profit will be available against which the deferred tax assets can be utilized (see Note 26).

4. Cash and Cash Equivalents and Short-term Investments

Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	**₱78,000**	₱78,548
Cash in banks	**853,211,111**	745,107,302
Cash equivalents	**261,993,396**	614,823,593
	₱1,115,282,507	₱1,360,009,443

Cash and cash equivalents include cash in banks and short-term deposits which earn interest at prevailing bank deposit rates. Cash equivalents are made for varying periods of up to three (3) months from date of maturity depending on the immediate cash requirements of the Group.

Short-term Investments

Short-term investments amounted to ₱62.8 million and ₱60.5 million as at December 31, 2020 and 2019, respectively. Short-term investments are short-term placements with maturities of more than three months but less than one (1) year from date of acquisition. The effective interest rates of these investments range between 0.88% to 2.75% and 3.1% to 4.0% in 2020 and 2019, respectively.

Interest Income

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

	Note	2020	2019	2018
Cash and cash equivalents		**₱8,406,475**	₱14,035,012	₱9,674,207
Short-term investments		**5,323,941**	21,144,815	16,270,583
Investment securities:				
Financial assets at amortized cost	6	**103,024,123**	88,411,448	45,980,416
Financial assets at FVOCI	6	**70,931,610**	82,292,112	77,709,919
Financial assets at FVPL	6	**39,770,216**	31,180,395	24,798,889
Loans and other receivables	7	**108,630,387**	205,225,843	268,501,403
		₱336,086,752	₱442,289,625	₱442,935,417

5. Insurance Receivables

This account consists of:

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

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

Due from reinsurers pertain to claims recoverable from reinsurers. These receivables are due and demandable. Reinsurer's share in net benefits and claims amounted to ₱34.6 million, ₱15.0 million, and ₱7.7 million in 2020, 2019, and 2018, respectively (see Note 22).

6. Investment Securities

Movements of this account are as follows:

	2020			
	Financial Assets			
	At FVPL	At FVOCI	At Amortized Cost	Total
Balance at beginning of year	₱793,917,740	₱2,493,661,915	₱1,697,414,811	₱4,984,994,466
Additions	709,545,100	1,210,973,291	1,896,933,125	3,817,451,516
Maturities and disposals	(470,748,588)	(790,492,943)	(1,412,425,107)	(2,673,666,638)
Foreign exchange changes	(26,384,249)	(96,456,967)	–	(122,841,216)
Fair value changes	7,775,562	64,179,541	–	71,955,103
Amortization	(321,647)	(12,440,394)	44,940	(12,717,101)
Provision for impairment loss	–	–	(3,110,660)	(3,110,660)
Balance at end of year	₱1,013,783,918	₱2,869,424,443	₱2,178,857,109	₱6,062,065,470

	2019			
	Financial Assets			
	At FVPL	At FVOCI	At Amortized Cost	Total
Balance at beginning of year	₱848,273,003	₱2,891,250,972	₱1,158,967,433	₱4,898,491,408
Additions	329,367,515	274,749,906	1,080,509,983	1,684,627,404
Maturities and disposals	(391,723,943)	(820,475,946)	(540,993,614)	(1,753,193,503)
Fair value changes	18,366,691	256,007,599	–	274,374,290
Foreign exchange changes	(10,779,934)	(91,860,525)	–	(102,640,459)
Amortization	414,408	(16,010,091)	(512,530)	(16,108,213)
Provision for impairment loss	–	–	(556,461)	(556,461)
Balance at end of year	₱793,917,740	₱2,493,661,915	₱1,697,414,811	₱4,984,994,466

The adoption of PFRS 9 on January 1, 2018 resulted to net increase in the opening balance of unappropriated retained earnings and noncontrolling interest amounting to ₱74.7 million and ₱17.3 million, respectively, as a result of changes in classification of financial instruments, recognition of additional impairment for expected credit losses on investment securities and loans receivables, net of recognition of deferred tax asset.

Financial Assets at FVPL

This account consists of:

	2020	2019
Private debt securities - foreign currency	**₱764,194,168**	₱552,736,377
Equity securities	**227,907,419**	219,799,557
Money market securities under Investment Management Agreement (IMA)	**21,682,331**	21,381,806
	₱1,013,783,918	₱793,917,740

Private debt securities and unsecured subordinated bank notes earn annual interest of 2.12% to 9.0% in 2020 and 1.00% to 8.50% in 2019. Interest income earned on these financial assets amounted to ₱39.8 million, ₱31.2 million, and ₱24.8 million in 2020, 2019, and 2018, respectively (see Note 4).

Equity securities pertain to investments in listed companies in the Philippine Stock Exchange (PSE). Dividend income earned from financial assets at FVPL amounted to ₱6.6 million, ₱13.8 million, and ₱12.8 million in 2020, 2019, and 2018, respectively.

Money market securities under IMA are managed by a local bank.

Financial Assets at FVOCI

These accounts consist of:

	2020	2019
Debt securities:		
Private debt securities - foreign	**₱937,872,293**	₱1,049,837,876
Government debt securities - foreign	**1,155,056,170**	730,508,537
	2,092,928,463	1,780,346,413
Equity securities - local and foreign	**776,495,980**	713,315,502
	₱2,869,424,443	₱2,493,661,915

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

Equity securities pertain to investments in shares listed in the PSE Index and other foreign stock exchange markets. Dividend income earned from equity securities amounted to ₱24.9 million, ₱11.4 million, and ₱12.0 million and in 2020, 2019, and 2018, respectively.

Movements of revaluation reserves on investment securities are as follows:

	2020			December 31,
	Fair Value Change	**12-month ECL**	**Total**	2019
Balance at beginning of year	**(₱59,809,948)**	**₱9,427,403**	**(₱50,382,545)**	(₱282,505,211)
Change in revaluation reserves:				
Fair value gain	**65,045,235**	**–**	**65,045,235**	256,007,599
Transfer to retained earnings	**9,645,867**	**–**	**9,645,867**	28,536,680
Foreign exchange changes	**(6,617,772)**	**–**	**(6,617,772)**	(24,201,131)
Transfers to profit or loss:				
Gain on sale	**(7,357,288)**	**–**	**(7,357,288)**	(18,618,469)
Provision for (reversal of) impairment loss	**–**	**7,874,551**	**7,874,551**	(9,602,013)
	60,716,042	**7,874,551**	**68,590,593**	232,122,666
Balance at end of year	**₱906,094**	**₱17,301,954**	**₱18,208,048**	(₱50,382,545)

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

	2020	2019
Balance at beginning of year	**(₱50,382,545)**	(₱282,505,211)
Items that will be reclassified to profit or loss	**76,451,224**	174,527,533
Items that will not be reclassified into profit or loss	**(7,860,631)**	57,595,133
Balance at end of year	**₱18,208,048**	(₱50,382,545)

Revaluation reserves on investment securities attributable to NCI amounted to ₱9.1 million, ₱23.7 million, and ₱64.0 million as at December 31, 2020, 2019, and 2018, respectively.

Financial Assets at Amortized Cost
This account consists of:

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

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

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

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

Impairment Losses
Provision for (reversal of) impairment losses on investment securities recognized in the consolidated statements of comprehensive income follows:

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

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

	2020	2019	2018
Financial assets at FVPL	**₱6,595,243**	₱13,805,022	₱12,752,389
Financial assets at FVOCI	**24,911,712**	11,358,287	12,045,036
	₱31,506,955	₱25,163,309	₱24,797,425

Accrued Investment Income

Accrued investment income pertains mainly to interest accrued from short-term deposits, short-term investments, investment securities and loans and other receivables.

This account consists of:

	Note	2020	2019
Interest:			
Third parties		**₱70,443,440**	₱63,668,407
Related parties	20	**1,714,469**	–
Dividends		**875,600**	382,973
		₱73,033,509	₱64,051,380

7. Loans and Other Receivables

This account consists of:

	Note	2020	2019
Salary loans		**₱1,135,054,047**	₱1,325,256,427
Mortgage and collateral loans:			
Related party	20	**140,625,000**	150,000,000
Third parties		**5,837,168**	5,912,664
Policy loans		**99,393,059**	154,547,244
Trade receivables:			
Third parties		**80,537,451**	79,801,798
Related party	20	**10,029,548**	9,279
Notes receivables:			
Related party	20	**26,162,424**	36,162,424
Third parties		**20,466,913**	20,102,077
Agents' balances		**33,390,036**	37,793,512
Rent receivable	18	**1,677,986**	1,506,490
Advances to related parties	20	**572,330**	573,152
Others		**10,642,235**	2,671,215
		1,564,388,197	1,814,336,282
Less allowance for impairment losses		**(125,936,853)**	(119,011,539)
		₱1,438,451,344	₱1,695,324,743

Salary loans consist of loans granted to the employees and teachers of Department of Education (DepEd). The Group and DepEd entered into a Memorandum of Agreement (MOA) to provide interest-bearing loans to DepEd's employees and teachers. The loans bear annual interest rate ranging from 7.50% to 9.66% with terms of one (1) to five (5) years.

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

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

Trade receivables represent amounts due from lessees for rent and service fees and are typically due within 15 days. Trade receivables from inactive tenants are fully provided with allowance for impairment losses.

Notes receivables pertain to loans to employees that are paid through salary deduction. Notes receivables from related parties bear interest rate ranging from 4% to 7% per annum.

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

Rent receivable represents the difference between leases recognized on a straight-line basis and leases based on the terms of the lease contracts.

Others consist of receivables from life insurance pools, advances to officers and employees and security fund.

The movement of the allowance for impairment losses for loans and other receivables follows:

	2020		
	12-month ECL	**Lifetime ECL**	**Total**
Balance at beginning of year	**₱29,122,870**	**₱89,888,669**	**₱119,011,539**
Provision for impairment loss	**38,998,407**	**–**	**38,998,407**
Transfer from 12-month ECL to lifetime ECL	**(55,992,396)**	**55,992,396**	**–**
Write-off	**–**	**(32,073,093)**	**(32,073,093)**
Balance at end of year	**₱12,128,881**	**₱113,807,972**	**₱125,936,853**

	2019		
	12-month ECL	Lifetime ECL	Total
Balance at beginning of year	₱11,705,670	₱155,129,401	₱166,835,071
Provision for impairment loss	35,541,595	–	35,541,595
Transfer from 12-month ECL to lifetime ECL	(18,124,395)	18,124,395	–
Write-off	–	(83,365,127)	(83,365,127)
Balance at end of year	₱29,122,870	₱89,888,669	₱119,011,539

Provision for impairment loss recognized in the consolidated statements of comprehensive income amounted to ₱39.0 million, ₱35.5 million and ₱93.9 million in 2020, 2019 and 2018, respectively (see Note 23).

Interest income on loans and other receivables are as follows (see Note 4):

	2020	2019	2018
Salary loans	**₱79,605,010**	₱135,924,912	₱238,550,167
Policy loans	**14,615,875**	52,865,358	18,159,781
Mortgage and collateral loans	**9,729,178**	10,571,820	4,467,670
Notes receivables	**1,945,384**	2,441,095	3,803,067
Agents' balances	**941,260**	1,077,273	1,047,824
Others	**1,793,680**	2,345,385	2,472,894
	₱108,630,387	₱205,225,843	₱268,501,403

8. Investment in an Associate

The Parent Company has 20% ownership in Incepto, an entity incorporated and domiciled in the Philippines. The details and movements are shown below.

	2020	2019
Acquisition cost	₱2,000,000	₱2,000,000
Accumulated equity in net earnings:		
Balance at beginning of year	1,777,173	964,258
Equity in net income of an associate	206,776	1,212,915
Dividends received	(400,000)	(400,000)
Balance at end of year	1,583,949	1,777,173
	₱3,583,949	₱3,777,173

Financial information on the Parent Company's investment in an associate follows:

	2020	2019
Current assets	₱23,191,199	₱9,439,911
Noncurrent assets	17,166,946	17,438,932
Current liabilities	18,471,878	7,241,208
Noncurrent liabilities	1,609,108	2,759,938
Revenue	19,251,029	38,456,176
Net income	1,033,880	6,064,577

9. Property and Equipment

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

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

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

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

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

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

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

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

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

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

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

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

	2020			
	Land	**Buildings**	**Office Condominium and Improvements**	**Total**
Cost	**₱95,963,907**	**₱132,313,974**	**₱42,323,078**	**₱270,600,959**
Accumulated depreciation	**–**	**(70,242,727)**	**(25,069,736)**	**(95,312,463)**
Carrying amount	**₱95,963,907**	**₱62,071,247**	**₱17,253,342**	**₱175,288,496**

	2019			
	Land	Buildings	Office Condominium and Improvements	Total
Cost	₱95,963,907	₱132,313,974	₱42,323,078	₱270,600,959
Accumulated depreciation	–	(67,987,265)	(24,264,758)	(92,252,023)
Carrying amount	₱95,963,907	₱64,326,709	₱18,058,320	₱178,348,936

Movements in revaluation surplus recognized in equity follow:

	2020		
	Revaluation Surplus	**Deferred Tax** (see Note 26)	**Net**
Balance at beginning of year	**₱476,206,064**	**(₱142,861,820)**	**₱333,344,244**
Transfer to retained earnings	**(3,779,524)**	**1,133,857**	**(2,645,667)**
Balance at end of year	**₱472,426,540**	**(₱141,727,963)**	**₱330,698,577**

	2019		
	Cumulative Revaluation Surplus	Deferred Tax (Note 26)	Net
Balance at beginning of year	₱219,703,910	(₱65,911,174)	₱153,792,736
Appraisal	263,175,357	(78,952,607)	184,222,750
Transfer to retained earnings	(6,673,203)	2,001,961	(4,671,242)
Balance at end of year	₱476,206,064	(₱142,861,820)	₱333,344,244

Revaluation surplus attributable to NCI amounted to ₱62.8 million, ₱63.3 million, and ₱29.2 million as at December 31, 2020, 2019, and 2018, respectively. Transfer of revaluation surplus on property and equipment, net of deferred tax, amounted to ₱2.6 million, ₱4.7 million, and ₱2.5 million in 2020, 2019, and 2018, respectively.

Movements of property and equipment at cost are as follows:

	2020			
	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost				
Balance at beginning of year	₱77,618,630	₱76,555,142	₱1,095,283	₱155,269,055
Additions	2,188,527	3,696,452	–	5,884,979
Disposals	–	(861,607)	–	(861,607)
Balance at end of year	79,807,157	79,389,987	1,095,283	160,292,427
Accumulated Depreciation and Amortization				
Balance at beginning of year	60,684,437	58,943,789	1,095,283	120,723,509
Depreciation and amortization	7,110,298	8,955,751	–	16,066,049
Disposals	–	(818,526)	–	(818,526)
Balance at end of year	67,794,735	67,081,014	1,095,283	135,971,032
Carrying Amount	₱12,012,422	₱12,308,973	₱–	₱24,321,395

	2019			
	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost				
Balance at beginning of year	₱74,826,687	₱69,615,428	₱1,095,283	₱145,537,398
Additions	2,791,943	6,939,714	–	9,731,657
Balance at end of year	77,618,630	76,555,142	1,095,283	155,269,055
Accumulated Depreciation and Amortization				
Balance at beginning of year	52,468,978	47,989,447	1,095,283	101,553,708
Depreciation and amortization	8,215,459	10,954,342	–	19,169,801
Balance at end of year	60,684,437	58,943,789	1,095,283	120,723,509
Carrying Amount	₱16,934,193	₱17,611,353	₱–	₱34,545,546

The Group has fully depreciated property and equipment still in use with cost amounting to ₱115.8 million and ₱52.5 million as at December 31, 2020 and 2019, respectively.

In 2020, the Company sold certain items of transportation equipment with proceeds and gain of ₱0.4 million.

Depreciation and amortization expense on property and equipment charged to operations amounted to ₱22.9 million, ₱28.6 million and ₱24.5 million in 2020, 2019 and 2018, respectively (see Note 10).

10. Investment Properties

Movements in this account follow:

	2020		
	Land	Buildings and Building Improvements	Total
Cost			
Balance at beginning of year	**₱479,997**	**₱16,958,053**	**₱17,438,050**
Additions	–	**603,571**	**603,571**
Balance at end of year	**479,997**	**17,561,624**	**18,041,621**
Accumulated Depreciation and Amortization			
Balance at beginning of year	–	**10,704,869**	**10,704,869**
Depreciation and amortization	–	**395,132**	**395,132**
Balance at end of year	–	**11,100,001**	**11,100,001**
Carrying Amount	**₱479,997**	**₱6,461,623**	**₱6,941,620**

	2019		
	Land	Buildings and Building Improvements	Total
Cost			
Balance at beginning of year	₱479,997	₱12,834,624	₱13,314,621
Additions	–	4,123,429	4,123,429
Balance at end of year	479,997	16,958,053	17,438,050
Accumulated Depreciation and Amortization			
Balance at beginning of year	–	10,400,577	10,400,577
Depreciation and amortization	–	304,292	304,292
Balance at end of year	–	10,704,869	10,704,869
Carrying Amount	₱479,997	₱6,253,184	₱6,733,181

Depreciation and amortization expense charged to operations is as follows (see Note 23):

	Note	2020	2019	2018
Property and equipment	9	**₱22,906,013**	₱28,648,859	₱24,532,405
Investment properties		**395,132**	304,292	62,529
		₱23,301,145	₱28,953,151	₱24,594,934

Rental income earned from investment properties amounted to ₱24.7 million, ₱35.5 million and ₱34.0 million in 2020, 2019 and 2018, respectively (see Note 18). Related expenses, which include real property taxes, depreciation and amortization, outside services and property management fees incurred on the investment properties amounted to ₱7.7 million, ₱9.9 million and ₱7.8 million in 2020, 2019 and 2018, respectively.

The fair values of the investment properties were determined by an independent appraiser. Based on the latest appraisal reports dated February 18, 2020, the investment properties have an aggregate fair value of ₱932.6 million. The management used these appraisal reports due to the close proximity of the appraisal report dates to the reporting dates. In addition, there is no evidence that the investment properties have either significantly increased or decreased in value between the reporting dates and the appraisal report dates. The fair value of the investment properties was determined based on the published selling prices of similar properties in the same vicinity as of the reporting date. The appraisal of the properties gave due consideration to the highest and best use of the property. The fair value measurement for investment properties has been categorized under Level 2.

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

	Valuation Technique	Observable Inputs	Range (weighted average)
Land, Buildings and Building Improvements	Market approach for land and cost approach for building and other land improvements	Price per square meter for land and current materials and labor costs for improvements	₱100,000 to ₱125,000

11. Insurance Contract Liabilities

This account consists of:

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

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

Movements in legal policy reserves are as follows:

	Note	2020	2019
Balance at beginning of year		**₱3,050,521,775**	₱2,640,451,177
Recognized in:			
Profit or loss	22	**208,594,487**	297,728,566
OCI		**481,778,294**	112,342,032
Balance at end of year		**₱3,740,894,556**	₱3,050,521,775

Movements of revaluation of legal policy reserves are as follows:

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

Cumulative remeasurement on legal policy reserves attributable to NCI amounted to ₱38.3 million, ₱53.2 million, and ₱74.6 million as at December 31, 2020, 2019, and 2018, respectively.

In compliance with IC Circular Letter No. 2017-30, BLIC appropriated its retained earnings for negative legal policy reserves representing traditional life policies wherein the present value of gross premiums exceeds the present value of benefits and expenses. The appropriation for negative legal policy reserves amounted to ₱42.9 million, ₱80.6 million, and ₱112.6 million as at December 31, 2020, 2019, and 2018, respectively.

Movements in policy and contract claims are as follows:

	Note	2020	2019
Balance at beginning of year		**₱1,046,702,379**	₱1,025,213,586
Benefits and claims	22	**783,857,598**	822,912,977
Payments		**(659,031,354)**	(801,424,184)
Balance at end of year		**₱1,171,528,623**	₱1,046,702,379

12. Policyholders' Dividends Payable

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

Movements in policyholders' dividends payable are as follows:

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

13. Premium Deposit Fund

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

Premium deposit fund amounted to ₱322.5 million and ₱307.2 million as at December 31, 2020 and 2019, respectively. Interest expense amounted to ₱25.8 million, ₱12.5 million and ₱9.2 million in 2020, 2019 and 2018 respectively (see Note 24).

14. Insurance Payables

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

The movements in this account are as follows:

	Note	2020	2019
Balance at beginning of year		**₱90,978,607**	₱110,715,969
Premiums ceded	21	**15,258,231**	16,953,935
Payments		**(11,958,682)**	(36,691,297)
Balance at end of year		**₱94,278,156**	₱90,978,607

15. Accounts and Other Payables

This account consists of:

	Note	2020	2019
Accounts payable		**₱95,808,797**	₱80,871,971
Accrued expenses		**46,786,612**	35,043,353
Statutory payables		**22,177,591**	18,777,691
Due to officers	20	**1,279,902**	1,279,902
		₱166,052,902	₱135,972,917

Accounts payable pertain to liabilities to service providers and are normally settled on 45 to 60 days terms.

Accrued expenses mainly consist of interest, outside services and professional fees. These are normally settled within one year after the reporting date.

Statutory payables consist of Social Security System, Medicare and Home Development Mutual Fund payable, output VAT payable and withholding taxes on wages which are subsequently remitted on the following month after the reporting date.

16. Loans Payable and Dividends Payable

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

The carrying amount of loans payable amounted to ₱23.3 million and ₱31.1 million as at December 31, 2020 and 2019, respectively. Interest expense amounted to ₱1.6 million, ₱13.3 million and ₱6.2 million in 2020, 2019 and 2018, respectively (see Note 24).

Movements of loans payable are as follows:

	2020	2019
Balance at beginning of year	**₱31,081,586**	₱351,570,855
Availments	**977,531,670**	3,883,765,938
Payments	**(983,661,637)**	(4,202,823,099)
Translation adjustments	**(1,665,410)**	(1,432,108)
Balance at end of year	**₱23,286,209**	₱31,081,586

The table below details changes in the Group's liabilities arising from financing activities, including both cash and noncash changes:

	2020		
	Loans Payable	**Dividends Payable**	**Total**
Balance at beginning of year	**₱31,081,586**	**₱445,578,029**	**₱476,659,615**
Changes from financing cash flows:			
Loan availments	**977,531,670**	**–**	**977,531,670**
Loan payments	**(983,661,637)**	**–**	**(983,661,637)**
Dividends paid	**–**	**(85,242)**	**(85,242)**
Non-cash change -			
Translation adjustments	**(1,665,410)**	**–**	**(1,665,410)**
Balance at end of year	**₱23,286,209**	**₱445,492,787**	**₱468,778,996**

	2019		
	Loans Payable	Dividends Payable	Total
Balance at beginning of year	₱351,570,855	₱441,374,693	₱792,945,548
Changes from financing cash flows:			
Loan availments	3,883,765,938	–	3,883,765,938
Loan payments	(4,202,823,099)	–	(4,202,823,099)
Dividends paid	–	(8,722,027)	(8,722,027)
Non-cash change:			
Dividend declaration	–	12,925,363	12,925,363
Translation adjustments	(1,432,108)	–	(1,432,108)
Balance at end of year	₱31,081,586	₱445,578,029	₱476,659,615

17. Other Liabilities

This account consists of:

	Note	2020	2019
Life insurance deposits		**₱109,583,857**	₱107,903,124
Agents' fund		**29,325,958**	31,304,516
Rental deposits	18	**3,965,835**	4,165,585
Others		**32,786,650**	41,633,959
		₱175,662,300	₱185,007,184

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

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

Others pertain to non-interest bearing liabilities.

18. Lease Commitments

The Group as Lessor

The Group entered into lease for its investment properties for a period ranging from one (1) year to five (5) years, renewable upon mutual agreement of both parties and upon settlement of all unpaid accounts. Certain lease agreements include an escalation clause of 5% to 10% every year. The lease contract do not provide for any contingent rent. Rent income (including rent income from Incepto) amounted to ₱24.7 million, ₱35.5 million and ₱34.0 million in 2020, 2019 and 2018, respectively (see Note 10). Rental deposits amounted to ₱4.0 and ₱4.2 million as at December 31, 2020 and 2019 respectively (see Note 17).

Future minimum rentals receivable under non-cancellable operating leases as at December 31, 2020 and 2019 follows:

	2020	2019
Within one year	**₱9,243,315**	₱13,429,896
After one year but not more than five years	**6,639,697**	23,548,010
More than five years	**363,142**	1,798,415
	₱16,246,154	₱38,776,321

The amounts by which rental income recognized under the straight-line method exceeded the rental amounts due in accordance with the terms of the lease agreements amounting to ₱1.7 million and ₱1.5 million as at December 31, 2020 and 2019 respectively, are recognized as rent receivable (see Note 7).

The Group as Lessee

The Group has various lease agreements for its branches and agency offices. The lease periods vary from one (1) year to five (5) years, renewable upon mutual agreement of both parties. Some of the lease agreement includes an escalation clause of 7.5% every year.

Rental expense charged to operations amounted to ₱2.8 million, ₱2.9 million and ₱2.7 million in 2020, 2019 and 2018, respectively (see Note 23). Rent expense presented under "Agency expenses" amounted to ₱8.7 million, ₱10.5 million and ₱10.2 million in 2020, 2019 and 2018, respectively (see Note 23).

Future minimum rental payable under noncancellable operating lease as at December 31, 2020 and 2019 follows:

	2020	2019
Within one year	**₱10,701,856**	₱9,768,285
After one year but not more than five years	**2,373,374**	3,873,296
	₱13,075,230	₱13,641,581

Rental deposits are to be used for the restoration of the leased premises at the end of the contract and cannot be applied to unpaid rental obligations. Rental deposit amounting to ₱1.3 million as at December 31, 2020 and 2019 is presented under "Other assets" account in the consolidated statements of financial position.

19. Retained Earnings

In 2020 and 2019, the BOD of the Parent Company approved the declaration of cash dividends to stockholders as follows:

Approval Date	Dividend per Share	Total Dividends
July 25, 2019	₱0.15	₱7,350,000
July 25, 2018	0.10	4,900,000

Outstanding dividends payable amounted to ₱445.5 million and ₱445.6 million as at December 31, 2020 and 2019, respectively.

In 2016, the Parent Company's BOD approved the appropriation of retained earnings amounting to ₱102.5 million to be used for the acquisition of a building for the Parent Company's corporate office and lease out remaining spaces to prospective tenants which is expected to be completed within three years. In 2019, the Parent Company's BOD approved the extension for the completion of the project for another three years.

20. Related Party Transactions

In the normal course of business, the Group engages in transactions with its related parties which include key management and stockholders as described below:

Related Party	Note	Nature of Transactions	Transactions During the Year 2020	Transactions During the Year 2019	Outstanding Balance 2020	Outstanding Balance 2019	Terms and Conditions
Loans and Other Receivables	7						
Associate - Incepto		Rent income	**₱9,900,436**	₱16,375,535	**₱10,029,548**	₱9,279	Unsecured, short-term, noninterest-bearing, subject to rental escalation of 5% to 10% annually, no impairment, payable in cash
Stockholders and other related parties		Advances and salary loans	**–**	–	**572,330**	573,152	Unsecured, short-term, noninterest-bearing, no impairment, payable in cash
		Mortgage loan	**–**	–	**140,625,000**	150,000,000	7% interest, payable in 6 years, no impairment , payable in cash
		Interest income on mortgage loan	**9,682,962**	10,556,629	**1,714,469**	–	Due and demandable
		Notes receivable	**–**	–	**26,162,424**	36,162,424	2-5 years, 4%-7% interest, payable annually, unsecured, no impairment, payable in cash
		Interest income on notes receivable	**1,143,999**	1,344,658	**–**	–	Due and demandable
Key management personnel		Advances to officer	**–**	450,000	**22,866,154**	22,866,154	Non-interest bearing, unsecured, no impairment, payable in cash
Accounts and Other Payables							
Officers	15	Advances and salary loans	**₱–**	₱107,599	**₱1,279,902**	₱1,279,902	Unsecured, on-demand

Compensation of key management personnel of the Group are as follows:

	2020	2019
Salaries and other employee benefits	**₱45,641,130**	₱48,436,496
Retirement expense	**6,545,787**	14,113,815
	₱52,186,917	₱62,550,311

21. Net Insurance Premiums

The gross premiums on insurance contracts consist of:

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

The reinsurers' share of gross premiums on insurance contracts consists of (see Note 14):

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

22. Net Insurance Benefits and Claims

Net benefits and claims incurred on insurance contracts consist of (see Note 11):

	Note	2020	2019	2018
Claims		**₱511,497,745**	₱561,296,822	₱609,080,740
Maturities and surrenders		**272,933,159**	255,967,260	181,021,715
Experience refunds		**34,074,689**	20,609,332	25,305,571
Gross benefits and claims		**818,505,593**	837,873,414	815,408,026
Reinsurers' share	5	**(34,647,995)**	(14,960,437)	(7,668,351)
		₱783,857,598	₱822,912,977	₱807,739,675

Net change in legal policy reserves consists of (see Note 11):

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

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

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

23. General and Administrative Expenses

This account consists of:

	Note	**2020**	2019	2018
Service fees		**₱177,605,077**	₱139,501,837	₱103,721,680
Personnel costs		**149,282,374**	148,336,113	142,816,795
Agency expenses	18	**55,172,824**	67,149,819	70,848,234
Provision for impairment losses	7	**38,998,407**	35,541,595	93,930,036
Depreciation and amortization	10	**23,301,145**	28,953,151	24,594,934
Professional fees		**17,968,373**	16,909,772	11,408,513
Outside services		**17,110,747**	14,733,223	14,548,258
Taxes and licenses		**12,457,732**	7,171,273	7,428,581
Advertising and promotions		**11,756,392**	9,566,905	10,563,734
Utilities		**7,880,480**	8,823,520	9,422,655
Repairs and maintenance		**7,249,872**	8,682,775	8,583,091
Entertainment, amusement and recreation		**6,431,109**	11,889,165	13,368,175
Supplies		**6,090,610**	7,045,926	6,904,301
Conferences and meetings		**5,669,560**	7,108,259	8,076,505
Rent	18	**2,842,981**	2,874,167	2,706,270
Association dues and fees		**2,545,330**	2,300,450	2,669,097
Transportation and travel		**2,099,476**	5,037,032	6,554,858
Insurance		**1,754,201**	1,830,967	1,910,983
Directors' fees		**888,000**	1,456,000	5,448,993
Trainings and seminars		**187,353**	358,232	366,933
Others		**11,239,915**	16,728,545	13,070,651
		₱558,531,958	₱541,998,726	₱558,943,277

Personnel costs consist of:

	Note	**2020**	2019	2018
Salaries and wages		**₱99,161,002**	₱103,720,184	₱98,347,031
Retirement benefits cost	25	**25,000,824**	20,489,717	17,861,843
Other employee benefits		**25,120,548**	24,126,212	26,607,921
		₱149,282,374	₱148,336,113	₱142,816,795

Agency expenses include rent expense, utilities and other expenses incurred in the operations of branches and agency offices (see Note 18).

24. Commissions and Other Direct Expenses and Finance Costs

Commissions and Other Direct Expenses
This account consists of:

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

Finance Costs
This account consists of:

	Note	**2020**	2019	2018
Interest expense on:				
Premium deposit fund	13	**₱25,761,882**	₱12,467,170	₱9,235,691
Loans payable	16	**1,644,385**	13,305,020	6,180,537
		27,406,267	25,772,190	15,416,228
Bank charges and other service fees		**8,126,912**	10,258,543	9,769,129
		₱35,533,179	₱36,030,733	₱25,185,357

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

25. Employee Benefits

The Group has funded and unfunded, non-contributory defined benefit plans providing retirement benefits for all of its qualified employees. The latest actuarial report was made on December 31, 2020.

The components of retirement benefits cost recognized in the consolidated statements of comprehensive income are as follows (see Note 23):

	2020	2019	2018
Current service cost	**₱21,576,880**	₱12,108,547	₱11,486,492
Net interest cost	**3,423,944**	8,381,170	6,375,351
	₱25,000,824	₱20,489,717	₱17,861,843

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

	2020	2019
Present value of defined benefit obligation	**₱258,530,661**	₱239,484,369
Fair value of plan assets	**(96,896,904)**	(76,763,289)
	₱161,633,757	₱162,721,080

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

	2020	2019
Balance at beginning of year	**₱162,721,080**	₱140,636,004
Remeasurement loss (gain)	**(1,578,699)**	19,798,927
Contributions paid	**(15,000,000)**	(15,000,000)
Current service cost	**21,576,880**	12,108,547
Net interest expense	**3,423,944**	8,381,170
Benefits paid out of Group fund	**(9,509,448)**	(3,203,568)
Balance at end of year	**₱161,633,757**	₱162,721,080

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

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

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

	2020	2019
Balance at beginning of year	**₱239,484,369**	₱197,035,805
Current service cost	**21,576,880**	12,108,547
Interest cost	**5,964,981**	13,367,066
Remeasurement loss	**1,013,879**	20,176,519
Benefits paid out of Group fund	**(9,509,448)**	(3,203,568)
Balance at end of year	**₱258,530,661**	₱239,484,369

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

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

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

	2020		
	Cumulative Remeasurement Loss (Gain)	**Deferred Tax (see Note 26)**	**Net**
Balance at beginning of year	**₱12,743,241**	**₱3,822,972**	**₱8,920,269**
Remeasurement gain	**(1,578,699)**	**(473,610)**	**(1,105,089)**
Balance at end of year	**₱11,164,542**	**₱3,349,362**	**₱7,815,180**

	2019		
	Cumulative Remeasurement Loss (Gain)	Deferred Tax (see Note 26)	Net
Balance at beginning of year	(₱7,055,686)	(₱2,116,706)	(₱4,938,980)
Remeasurement loss	19,798,927	5,939,678	13,859,249
Balance at end of year	₱12,743,241	₱3,822,972	₱8,920,269

Cumulative remeasurement loss on net retirement liability attributable to NCI amounted to ₱2.3 million and ₱1.6 million as at December 31, 2020 and 2019, respectively. Cumulative remeasurement gain on net retirement liability attributable to NCI amounted to ₱1.1 million as at December 31, 2018.

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

	2020	2019
Discount rate	**3.36%**	4.85%
Salary increase rate	**5.00%**	5.00%

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

	Change in variable	Increase (decrease) in defined benefit obligation
Discount rate	1.00%	₱219,241,262
	-1.00%	254,837,136
Salary increase rate	1.00%	255,190,790
	-1.00%	220,800,209

The maturity analysis of the undiscounted benefit payments follows:

	Amount
Less than 1 year	₱30,746,014
1 year to less than 5 years	49,886,395
5 years to less than 10 years	198,081,258
10 years to less than 15 years	70,209,406
15 years to less than 20 years	108,076,136
20 years and above	148,857,717

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

26. Income Tax

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

	2020	2019	2018
Income tax expense at statutory tax rate	**₱33,844,558**	₱39,930,961	₱42,857,597
Change in unrecognized deferred tax assets	**1,126,212**	(1,460,292)	(810,517)
Tax effects of:			
Nondeductible expenses	**(17,616,503)**	(8,885,940)	12,371,386
Interest and dividend income subjected to lower tax rates	**(12,539,148)**	(12,835,360)	(7,584,644)
Nontaxable income	**(6,236,083)**	23,989,199	(19,858,224)
Income exempt from tax	**(4,538,787)**	(2,369,379)	(3,841,388)
Expired portion of excess MCIT over RCIT and NOLCO	**–**	–	959,475
Effective income tax	**(₱5,959,751)**	₱38,369,189	₱24,093,685

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

	2020	2019
Through profit or loss	**₱58,448,120**	₱21,585,752
Through other comprehensive income	**(138,378,601)**	(139,038,848)
	(₱79,930,481)	(₱117,453,096)

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

	2020	2019
Deferred tax asset on net retirement liability	**₱3,349,362**	₱3,822,972
Deferred tax liability on revaluation surplus	**(141,727,963)**	(142,861,820)
	(₱138,378,601)	(₱139,038,848)

Parent Company

The components of the Parent Company's net deferred tax assets are as follows:

	2020	2019
Deferred tax assets:		
Net retirement liability	**₱6,791,156**	₱8,822,215
Allowance for impairment losses on loans and other receivables	**4,414,381**	4,413,494
Advance rental	**233,873**	233,873
	11,439,410	13,469,582
Deferred tax liability-		
Rent receivable	**451,947**	451,947
Net deferred tax assets	**₱10,987,463**	₱13,017,635

The Parent Company did not recognize the following deferred tax assets:

	2020	2019
Allowance for impairment losses on other current assets	**₱1,985,198**	₱1,985,198
Excess MCIT over RCIT	**434,969**	140,128
NOLCO	**831,371**	–
	₱3,251,538	₱2,125,326

Deferred tax assets are recognized only to extent that taxable income will be available against which the deferred tax assets can be used. The Parent Company assesses the unrecognized deferred tax assets and will recognize previously unrecognized deferred tax assets to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

NOLCO incurred by the Parent Company in 2020 amounting to ₱2.8 million can be claimed as deduction from future taxable income until 2025.

The carry forward benefits of excess MCIT over RCIT can be claimed as deduction from RCIT due as follows:

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2020	₱294,841	₱–	₱–	₱294,841	2023
2018	140,128	–	–	140,128	2021
	₱434,969	₱–	₱–	₱434,969	

The excess MCIT over RCIT balance may be applied as credit against future income tax liabilities of the Parent Company.

Subsidiaries
The components of BLIC's net deferred tax liabilities are as follows:

	2020	2019
Deferred tax assets:		
Net retirement liability	**₱41,698,971**	₱39,994,109
Allowance for impairment losses on loans and other receivables	**33,366,675**	31,289,969
Excess MCIT over RCIT	**2,178,427**	–
	77,244,073	71,284,078
Deferred tax liabilities:		
Revaluation surplus	**(144,626,408)**	(145,760,265)
Accrued interest using effective interest rate	**(74,902,125)**	(77,474,581)
Unrealized foreign exchange gain	**51,366,516**	21,480,037
	(168,162,017)	(201,754,809)
Net deferred tax liabilities	**(₱90,917,944)**	(₱130,470,731)

27. Basic/Diluted Earnings Per Share

Basic and diluted earnings per share are computed as follows:

	2020	2019	2018
Net income attributable to equity holders of the Parent Company	**₱95,755,934**	₱73,960,279	₱90,735,259
Divided by weighted average number of outstanding common shares	**49,000,000**	49,000,000	49,000,000
Earnings per share	**₱1.95**	₱1.51	₱1.85

Diluted earnings per share equals the basic earnings per share as the Group does not have any dilutive potential common shares at the end of each of the years presented.

28. Segment Information

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the service provided. The operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different markets.

The life insurance segment underwrites insurance upon the lives of individuals, either single or in groups, and every other kind of insurance appertaining thereto or connected therewith, including reinsurance.

The investment holdings segment owns, invests, or manages properties such as buildings or other structures and shares of stock and other types of securities.

Business Segments

The following tables present revenue and profit and certain asset and liability information regarding the Group's business segments as at and for the years ended December 31, 2020, 2019 and 2018.

	2020			
	Life Insurance	**Holding**	**Eliminations**	**Consolidated**
Revenue:				
Third party	**₱2,039,920,135**	**₱29,886,700**	**₱–**	**₱2,069,806,835**
Inter-segment	**–**	**400,000**	**(400,000)**	**–**
Total revenue	**₱2,039,920,135**	**₱30,286,700**	**(₱400,000)**	**₱2,069,806,835**
Segment Results:				
Income before tax	**₱114,795,092**	**(₱1,786,674)**	**(₱193,224)**	**₱112,815,194**
Provision for (benefit from) income tax	**6,357,595**	**(397,844)**	**–**	**5,959,751**
Net income (loss)	**₱121,152,687**	**(₱2,184,518)**	**(₱193,224)**	**₱118,774,945**
Other Information:				
Segment assets	**₱8,975,822,039**	**₱1,734,790,239**	**(₱1,136,897,029)**	**₱9,573,715,249**
Segment liabilities	**6,105,752,146**	**432,360,909**	**–**	**6,538,113,055**
Depreciation and amortization	**22,684,704**	**616,441**	**–**	**23,301,145**

	2019			
	Life Insurance	Holding	Eliminations	Consolidated
Revenue:				
Third party	₱2,162,094,128	₱48,567,118	₱–	₱2,210,661,246
Inter-segment	–	24,282,192	(24,282,192)	–
Total revenue	₱2,162,094,128	₱72,849,310	(₱24,282,192)	₱2,210,661,246
Segment Results:				
Income before tax	₱148,397,787	₱7,774,694	(₱23,069,277)	₱133,103,204
Provision for (benefit from) income tax	(39,062,332)	693,143	–	(38,369,189)
Net income	₱109,335,455	₱8,467,837	(₱23,069,277)	₱94,734,015
Other Information:				
Segment assets	₱8,454,555,242	₱1,752,447,478	(₱1,147,118,873)	₱9,059,883,847
Segment liabilities	5,281,781,863	447,663,227	–	5,729,445,090
Depreciation and amortization	28,455,995	497,158	–	28,953,153

	2018			
	Life Insurance	Holding	Eliminations	Consolidated
Revenue:				
Third party	₱1,802,724,262	₱44,525,136	₱–	₱1,847,249,398
Inter-segment	1,290,121	81,701,077	(82,991,198)	–
Total revenue	₱1,804,014,383	₱126,226,213	(₱82,991,198)	₱1,847,249,398
Segment Results:				
Income before tax	₱172,992,176	₱50,642,723	(₱80,776,241)	₱142,858,658
Provision for (benefit from) income tax	(24,177,244)	83,559	–	(24,093,685)
Net income	₱148,814,932	₱50,726,282	(₱80,776,241)	₱118,764,973

	2018			
	Life Insurance	Holding	Eliminations	Consolidated
Other Information:				
Segment assets	₱7,951,733,662	₱1,740,830,549	(₱1,158,668,415)	₱8,533,895,796
Segment liabilities	5,096,514,038	442,849,545	–	5,539,363,583
Depreciation and amortization	24,338,609	256,325	–	24,594,934

29. Capital Management and Regulatory Framework

Capital Management Framework
The objective in managing capital is to ensure that the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance and to sustain future development of the business.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group, except for BLIC, is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes in 2020 and 2019.

BLIC
It is BLIC's objective that it remains in compliance with all regulatory requirements that would ensure safety and stability of its financial position and that shareholder value is optimized. BLIC maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders. The level of capital maintained is usually higher than the minimum capital requirements set by the regulators and the amount computed under the Risk-based Capital (RBC) Model.

BLIC assesses its capital adequacy annually by adopting an internal capital measurement framework that reflects the regulatory capital definitions and BLIC's view of its exposure to risk. In 2020, 2019 and 2018, BLIC has complied with all externally required capital. In any event that the capital adequacy assessment falls below the minimum standard set, it is BLIC's policy to make capital calls and/or liquidate certain investments with substantial reserves.

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

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

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

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

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

Pursuant to Section 202 of the Amended Insurance Code, the amount of non-admitted assets as at December 31, 2020 and 2019 follows:

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

As at December 31, 2020 and 2019, BLIC's net worth follows:

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

As at December 31, 2020 and 2019, BLIC is compliant with the minimum statutory net worth requirements of the IC.

RBC Requirements
The Amended Insurance Code provides that the Commissioner may require the adoption of the RBC approach and other internationally accepted forms of capital framework. Under CL No. 2016-68, which was issued by the IC in December 2016 and provides for the amended RBC framework (also known as "RBC2 Framework"), every insurance company is annually required to maintain a minimum RBC ratio of 100% and not fail the trend test. An insurance company has failed the trend test, in the event that all have occurred:

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

Failure to meet the RBC ratio shall subject the insurance company to the corresponding regulatory intervention which has been defined at various levels.

The following table shows how the RBC ratio as at December 31, 2020 and 2019 was determined by BLIC based on its internal calculations:

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

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

30. Financial Risk Management Objectives and Policies

Insurance Risk
The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

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

Life insurance contracts offered by the Group mainly include whole life, term insurance, and endowment products.

Whole life and term insurance are conventional products where lump sum benefits are payable on death.

Endowment products are investments/savings products where lump sum benefits are payable after a fixed period or on death before the period is completed.

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

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

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

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

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

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

The table below sets out the concentration of legal policy reserves by type of contract (see Note 11):

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

Key Assumptions
Material judgment is required in determining the liabilities and in the choice of assumptions relating to insurance contracts. Assumptions in use are based on past experience, current internal data and conditions and external market indices and benchmarks, which reflect current observable market prices and other published information. Such assumptions are determined as appropriate at inception of the contract and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations. Assumptions are subject to the provisions of the Amended Insurance Code and guidelines set by the IC. For insurance contracts, the Group determines the assumptions in relation to future deaths, illness or injury and investment returns at inception of the contract.

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

The key assumptions to which the estimation and adequacy testing of liabilities are particularly sensitive are as follows:

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

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

Discount Rates. Life insurance liabilities are determined as the sum of the discounted value of the expected benefits, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows.

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

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

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

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

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

Expenses. Administrative expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

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

	Mortality and Morbidity Rates		Discount Rates	
	2020	2019	**2020**	2019
Ordinary life	**1980 CSO, 1959 ADB, and 1952 Disability**	**1941 CSO, 1958 CSO, 1980 CSO**	**1.6% to 4.6%**	3.7 % TO 6.4%
Group life	**Based on Experience**	**Based on Experience**	**Based on Experience**	Based on Experience

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

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

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

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

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

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

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

Financial Instruments

The following table sets forth the carrying amounts and estimated fair values of financial assets and liabilities recognized as at December 31, 2020 and 2019:

	2020		2019	
	Fair Value	**Carrying Amount**	Fair Value	Carrying Amount
Financial Assets				
Cash and cash equivalents	**₱1,115,282,507**	**₱1,115,282,507**	₱1,360,009,443	₱1,360,009,443
Short-term investments	**62,796,981**	**62,796,981**	60,500,000	60,500,000
Insurance receivables	**33,538,391**	**33,538,391**	89,693,714	89,693,714
Investment securities	**6,188,032,116**	**6,062,065,470**	5,073,809,200	4,984,994,466
Loans and other receivables	**1,575,926,839**	**1,438,451,344**	1,869,357,568	1,695,324,743
Accrued income	**73,033,509**	**73,033,509**	64,051,380	64,051,380
	₱9,048,610,343	**₱8,785,168,202**	₱8,517,421,305	₱8,254,573,746
Financial Liabilities				
Insurance contract liabilities	**₱4,912,423,179**	**₱4,912,423,179**	₱4,097,224,154	₱4,097,224,154
Policyholders' dividends payable	**142,208,734**	**142,208,734**	133,430,815	133,430,815
Premium deposit fund	**322,498,519**	**322,498,519**	307,169,452	307,169,452
Insurance payables	**94,278,156**	**94,278,156**	90,978,607	90,978,607
Accounts and other payables*	**143,875,311**	**143,875,311**	117,195,226	117,195,226
Dividends payable	**445,492,787**	**445,492,787**	445,578,029	445,578,029
Loans payable	**23,286,209**	**23,286,209**	31,081,586	31,081,586
Other liabilities	**175,662,300**	**175,662,300**	185,007,186	185,007,186
	₱6,259,725,195	**₱6,259,725,195**	₱5,407,665,055	₱5,407,665,055

*Excluding statutory payables amounting to ₱22.2 million and ₱18.8 million as at December 31, 2020 and 2019, respectively.

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

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

The fair value of the loans and receivables is estimated using the discounted cash flow technique that makes use of risk-free interest rates ranging from 4.3% to 4.7%. The estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk free interest rates and credit risk. These are classified under level 2 of the fair value hierarchy with indirectly observable inputs.

<u>Credit Risk</u>

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

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

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

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

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

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

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

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

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

	2020	2019
Cash and cash equivalents*	₱1,115,204,507	₱1,359,930,895
Short-term investments	62,796,981	60,500,000
Insurance receivables	33,538,391	89,693,714
Investment securities	6,062,065,470	4,984,994,466
Loans and other receivables**	1,562,710,211	1,812,829,792
Accrued income	73,033,509	64,051,380
	₱8,909,349,069	₱8,372,000,247

**Excluding cash on hand amounting to ₱0.1 million as at December 31, 2020 and 2019.*
***Excluding rent receivable amounting to ₱1.7 million and ₱1.5 million as at December 31, 2020 and 2019, respectively.*

The carrying amount of the financial assets represents the maximum exposure to credit risk at reporting date except for policy loan mortgage and collateral loans. The financial effect of collateral or credit enhancement amounted to ₱519.1 million and ₱574.3 million in 2020 and 2019, respectively. The Group holds cash surrender values of policyholder's insurance policy and Transfer Certificate of Title (TCT) for real properties as collaterals.

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

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

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

The following table summarizes the impairment analysis of the Group's financial assets as at December 31, 2020 and 2019. It indicates whether the financial assets were subjected to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired.

	2020			
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total
Cash in banks and cash equivalents*	₱1,115,204,507	₱–	₱–	₱1,115,204,507
Short-term investments	62,796,981	–	–	62,796,981
Insurance receivables	33,538,391	–	–	33,538,391
Investment securities	6,062,065,470	–	–	6,062,065,470
Loans and other receivables**	1,436,773,358	–	125,936,853	1,562,710,211
Accrued income	73,033,509	–	–	73,033,509
	₱8,783,412,216	₱–	₱125,936,853	₱8,909,349,069

**Excluding cash on hand amounting to ₱0.1 million as at December 31, 2020.*
***Excluding rent receivable amounting to ₱1.7million as at December 31, 2020.*

	2019			
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total
Cash in banks and cash equivalents*	₱1,359,930,895	₱–	₱–	₱1,359,930,895
Short-term investments	60,500,000	–	–	60,500,000
Insurance receivables	89,693,714	–	–	89,693,714
Investment securities	4,984,994,466	–	–	4,984,994,466
Loans and other receivables**	1,693,818,253	–	119,011,539	1,812,829,792
Accrued income	64,051,380	–	–	64,051,380
	₱8,252,988,708	₱–	₱119,011,539	₱8,372,000,247

**Excluding cash on hand amounting to ₱0.1 million as at December 31, 2019.*
***Excluding rent receivable amounting to ₱1.5 million as at December 31, 2019.*

Liquidity Risk Management

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

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

Based on the Group's historical cash flows, management believes that the cash flow from the Group's operating activities will continue to provide sufficient liquidity for the Group to satisfy all future obligations. The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted cash flows as at December 31, 2020 and 2019:

	2020			2019		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Insurance contract liabilities	**₱4,912,423,179**	**₱–**	**₱4,912,423,179**	₱4,097,224,154	₱–	₱4,097,224,154
Policyholders' dividends payable	**142,208,734**	**–**	**142,208,734**	133,430,815	–	133,430,815
Premium deposit fund	**322,498,519**	**–**	**322,498,519**	307,169,452	–	307,169,452
Insurance payables	**94,278,156**	**–**	**94,278,156**	90,978,607	–	90,978,607
Accounts and other payables *	**143,875,311**	**–**	**143,875,311**	117,195,226	–	117,195,226
Dividends payable	**445,492,787**	**–**	**445,492,787**	445,578,029	–	445,578,029
Loans payable	**23,286,209**	**–**	**23,286,209**	31,081,586	–	31,081,586
Other liabilities	**174,559,343**	**1,102,957**	**175,662,300**	183,904,229	1,102,957	185,007,186
	₱6,258,622,238	**₱1,102,957**	**₱6,259,725,195**	₱5,406,562,098	₱1,102,957	₱5,407,665,055

**Excluding statutory payables amounting to ₱22.2 million and ₱18.8 million as at December 31, 2020 and 2019, respectively.*

Market Risks

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

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

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

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

Foreign Currency Risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

- United States Dollar (USD)
- Singaporean Dollar (SGD)
- Euro (EUR)
- Brazilian Real (BRL)
- Australian Dollar (AUD)
- Japanese Yen (JPY)
- Hong Kong Dollar (HKD)
- Great Britain Pound (GBP)
- Swiss Franc (CHF)

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

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

	2019								
	USD	SGD	EUR	BRL	AUD	HKD	GBP	CHF	TOTAL (PHP)
Assets									
Cash and cash equivalents	$3,441,173	$10,477	€10,859	R$–	A$327,519	HKD9,938	£1,843	SFR–	₱186,982,245
Loans and receivables	5,861		–	–		–	–	–	27,652,088
Investment securities	48,037,460	314,881	289,323	–	1,614,638	4,004,869	173,871	–	2,554,983,466
Accrued income	536,616		–	–	13,629	–	–	–	296,759
	52,021,110	$325,358	300,182	–	1,955,786	4,014,807	175,714	–	2,769,914,558
Liabilities									
Accounts payable and accrued expenses	24,197	–	–	–	–	–	–	–	1,225,216
Insurance contract liabilities	1,274,993	–	–	–	–	–	–	–	64,559,291
Loans payable	613,836	–	–	–	–	–	–	–	31,081,586
Premium deposit fund	61	–	–	–	–	–	–	–	3,083
Other liabilities	6,085	–	–	–	–	–	–	–	308,110
	1,919,172	–	–	–	–	–	–	–	97,177,286
	$50,101,938	$325,358	€300,182	R$–	A$1,955,786	HKD4,014,807	£175,714	SFR–	₱2,672,737,272

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

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

The following table demonstrates the sensitivity to reasonably possible change in foreign exchange rate, with all other variables held constant, of the Group's income before tax as at December 31, 2020 and 2019:

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

Interest Rate Risk

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

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk. The Group's fixed rate investments in particular are exposed to fair value interest risk.

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

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

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

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

	2020			
	Up to 1 year	**1-3 years**	**3-5 years**	**Over 5 years**
Financial assets at FVOCI	**₱486,108,607**	**₱217,195,515**	**₱261,672,131**	**₱1,127,952,210**
Financial assets at FVPL	**19,259,144**	**29,058,237**	**57,708,279**	**609,823,466**

	2019			
	Up to 1 year	1-3 years	3-5 years	Over 5 years
Financial assets at FVOCI	₱30,652,404	₱281,932,105	₱202,285,204	₱1,265,476,700
Financial assets at FVPL	–	20,414,007	41,316,641	347,838,146

The following table below presents the impact on profit before tax and equity due to a reasonable possible change in the interest rate for the year ended December 31, 2020 and 2019:

	2020		
	Change in variable	**Impact on profit before tax Increase (decrease)**	**Impact on Equity Increase (decrease)**
USD	**5.2072%**	**₱26,889,473**	**₱21,404,647**
	-5.2072%	**(26,889,473)**	**(21,404,647)**
AUD	**5.1250%**	**–**	**2,348,565**
	-5.1250%	**–**	**(2,348,565)**
PHP	**2.1164%**	**–**	**2,193,205**
	-2.1164%	**–**	**(2,193,205)**

	2019		
	Change in variable	Impact on profit before tax Increase (decrease)	Impact on Equity Increase (decrease)
USD	5.4052%	₱344,970	₱65,106,340
	-5.4052%	(344,970)	(65,106,340)
AUD	4.6458%	–	5,426,927
	-4.6458%	–	(5,426,927)
SGD	4.1250%	–	1,172,865
	-4.1250%	–	(1,172,865)
PHP	5.2757%	–	253,179
	-5.2757%	–	(253,179)

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

In 2020 and 2019, the Group determined the reasonably possible change in interest rates using the percentages changes in weighted average yield rates of outstanding securities for the past five years.

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

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

The table below shows the equity impact of reasonably possible change of PSEi and other foreign stock exchange indices as at December 31, 2020 and 2019:

	2020		
Market Indices	**Change in stock index**	**Impact on profit before tax**	**Impact on equity**
Hang Sex Index (HSI)	**10.36%**	**₱–**	**₱377,691**
	(10.36%)	**–**	**(377,691)**
PSEi	**3.60%**	**–**	**489,855**
	(3.60%)	**–**	**(489,855)**
Financial Times Stock Exchange (FTSE)	**18.71%**	**–**	**306,921**
	(18.71%)	**–**	**(306,921)**
Standard and Poor's Index (SPX)	**4.04%**	**–**	**104,284**
	(4.04%)	**–**	**(104,284)**
FTSE Straits Times Index (FSSTI)	**10.64%**	**–**	**572,903**
	(10.64%)	**–**	**(572,903)**

	2019		
Market Indices	Change in stock index	Impact on profit before tax	Impact on equity
Hang Sex Index (HSI)	17.29%	₱–	₱915,115
	(17.29%)	–	(915,115)
PSEi	16.53%	–	2,040,005
	(16.53%)	–	(2,040,005)
Financial Times Stock Exchange (FTSE)	16.58%	–	460,973
	(16.58%)	–	(460,973)
Standard and Poor's Index (SPX)	1.93%	–	56,746
	(1.93%)	–	(56,746)
FTSE Straits Times Index (FSSTI)	18.13%	–	2,140,594
	(18.13%)	–	(2,140,594)

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

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

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

31. Classification of Consolidated Statements of Financial Position Accounts

The current portions of the Group's assets and liabilities as at December 31, 2020 and 2019 are as follows:

	2020	2019
Current assets:		
Cash and cash equivalents	**₱1,115,282,507**	₱1,360,009,443
Short-term investments	**62,796,981**	60,500,000
Insurance receivables	**33,538,391**	89,693,714
Investment securities	**1,410,870,189**	1,285,773,765
Loans and other receivables	**701,272,236**	561,878,695
Accrued income	**73,033,509**	64,051,380
Creditable withholding tax	**7,587,148**	6,786,830
Other current assets	**223,420**	210,664
	₱3,404,604,381	₱3,428,904,491
Current liabilities:		
Insurance contract liabilities	**₱1,822,644,265**	₱1,553,937,226
Policyholders' dividends payable	**142,208,734**	133,430,815
Premium deposit fund	**322,498,519**	307,169,452
Insurance payables	**94,278,156**	90,978,607
Accounts and other payables	**166,052,902**	135,972,917
Loans payable	**23,286,209**	31,081,586
Income tax payable	**3,658,568**	9,810,535
Dividends payable	**445,492,787**	445,578,029
Other liabilities	**175,662,300**	183,904,229
	₱3,195,782,440	₱2,891,863,396

REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
FMF Development Corporation and Subsidiaries
3/F, ALPAP I Building
140 L.P. Leviste Street
Salcedo Village, Makati City

We have audited in accordance with the Philippine Standards on Auditing, the consolidated financial statements of FMF Development Corporation and Subsidiaries (the Group) as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 and have issued our report thereon dated December 2, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Supplementary Schedules as Required by Part II of the Revised Securities Regulation Code Rule 68

The supplementary schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

DARRYLL REESE Q. SALANGAD
Partner
CPA Certificate No. 107615
Tax Identification No. 227-770-760-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 1788-A
Valid until October 14, 2022
BIR Accreditation No. 08-005144-016-2019
Valid until July 2, 2022
PTR No. 8534288
Issued January 5, 2021, Makati City

December 2, 2021
Makati City, Metro Manila

FMF DEVELOPMENT CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2020 and 2019

	2020	2019
CURRENT/LIQUIDITY RATIO		
Current assets	**₱3,404,604,381**	₱3,428,904,491
Current liabilities	**3,195,782,440**	2,891,863,394
	1.07	1.19
SOLVENCY RATIO		
Net income before depreciation and amortization	**142,076,090**	123,687,166
Total liabilities	**6,538,113,055**	5,729,445,092
	0.02	0.02
DEBT-TO-EQUITY RATIO		
Total liabilities	**6,538,113,055**	5,729,445,092
Total equity	**3,035,602,194**	3,330,438,757
	2.15	1.72
ASSET-TO-EQUITY RATIO		
Total assets	**9,573,715,249**	9,059,883,847
Total equity	**3,035,602,194**	3,330,438,757
	3.15	2.72
INTEREST-COVERAGE RATIO		
Earnings before interest and taxes	**140,221,461**	158,875,394
Interest expense	**27,406,267**	25,772,190
	5.12	6.16
PROFITABILITY RATIO		
Net income	**118,774,945**	94,734,015
Average equity	**3,183,020,475**	1,517,801,097
	0.04	0.06

FMF DEVELOPMENT CORPORATION

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION OF THE PARENT COMPANY

DECEMBER 31, 2020

	Amount
Unappropriated retained earnings, *as shown in the separate financial statements at beginning of year*	₱537,379,449
Adjustments for:	
Treasury shares	(147,000,000)
Accumulated fair value adjustment on financial assets at FVPL at beginning of year	(37,808,138)
Gross deferred tax assets through profit or loss at beginning of year	(12,746,325)
Rent receivable per PFRS 16 at beginning of year	423,248
Unappropriated retained earnings, *as adjusted to available for dividend distribution at beginning of year*	340,248,234
Net income during the year closed to retained earnings	178,014
Adjustments for:	
Fair value adjustment on financial assets at FVPL during the year	(300,525)
Movement in gross deferred tax asset recognized in profit or loss during the year	103,003
Net income earned during the year	(19,508)
Unappropriated retained earnings available for dividend declaration at end of year	₱340,228,726

Reconciliation:

Unappropriated retained earnings as shown in the separate financial statements at end of year	₱538,423,157
Adjustments for:	
Treasury shares	(147,000,000)
Accumulated fair value adjustment on financial assets at FVPL at end of year	(38,108,663)
Gross deferred tax assets through profit or loss at end of year	(12,643,322)
Transfer from cumulative fair value changes on financial assets at FVOCI	(865,694)
Rent receivable per PFRS 16 at end of year	423,248
Unappropriated retained earnings available for dividend declaration at end of year	₱340,228,726

FMF DEVELOPMENT CORPORATION AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II
OF SRC RULE 68, AS AMENDED
DECEMBER 31, 2020

Table of Contents

FMF DEVELOPMENT CORPORATION AND SUBSIDIARIES
SCHEDULE A – FINANCIAL ASSETS
DECEMBER 31, 2020

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds and notes*	*Amount shown in the statements of financial position*	*Value based on market quotation at end of reporting period*	*Income received and accrued*
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL)				
WACHOVIA CAP TRUST III 5.56975%	8,847,000	₱9,700,646	₱9,700,646	₱386,570
AEGON NV FRN PERPETUAL	8,918,000	7,931,959	7,931,959	151,458
HSBC HOLDINGS PLC 6.375%	9,265,000	10,469,014	10,469,014	632,693
CLOVERIE PLC FOR ZURICH INSURANCE CO 4.75% PERP	9,422,000	9,823,105	9,823,105	470,743
7.5% NOTES CREDIT SUISSE GROUP AG	10,707,000	10,481,980	10,481,980	739,956
HSBC HOLDINGS PLC VRN ECLEAR PERP	10,740,000	10,071,384	10,071,384	728,095
LLOYDS BANKING GROUP PLC 7.5%	10,792,000	11,009,273	11,009,273	747,710
NOTES SCOTIABANK PERU SAA 4.5%	10,036,000	10,105,845	10,105,845	427,982
NOTES SCOTIABANK PERU SAA 4.5%	10,154,000	10,105,845	10,105,845	413,015
6.875% NOTES CREDIT AGRICOLE SA	10,340,000	10,711,050	10,711,050	681,911
NOTES ELECTRICITE DE FRANCE SA	10,504,000	10,370,087	10,370,087	558,955
TBG GLOBAL PTE LTD 5.25%	10,420,000	9,607,001	9,607,001	503,447
LISTRINDO CAPITAL BV 4.95%U	10,420,000	9,950,366	9,950,366	525,838
COUNTRY GARDEN HLDGS 4.75%	10,421,000	9,796,692	9,796,692	500,828
5.875% ROYAL CAPITAL BV W/O FIXED MAT	10,526,000	9,784,686	9,784,686	587,779
NORDEA BANK AB VRN PERPU	10,373,000	9,806,297	9,806,297	521,239
TIMES PROPERTY HOLDINGS LTD 6.25%	10,180,000	9,629,572	9,629,572	539,716
HSBC HOLDINGS PLC 6.25% VRN PERPETUAL CALL 03/23/2023U	10,235,000	10,071,384	10,071,384	722,854
LMIRT CAPITAL PTE LTD 7.25%	10,222,000	9,694,883	9,694,883	651,551
COMMERZBANK AG VRN PERPETUAL	10,442,200	10,290,368	10,290,368	696,341
BANK OF EAST ASIA LTD PERPETUAL	10,436,000	9,865,845	9,865,845	556,868
COMMERZBANK AG VRN PERPETUAL	10,363,000	10,290,368	10,290,368	697,571
NORDEA BANK AB VRN PERP	10,358,000	9,806,297	9,806,297	520,569
BANCO BILBAO VIZCAYA ARGENTARIA VRN PERP	10,136,000	10,115,565	10,115,565	610,488
AGILE GROUP HOLDINGS LTD VRN PERP	10,122,000	10,135,734	10,135,734	784,339
(Forward)				

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds and notes*	*Amount shown in the statements of financial position*	*Value based on market quotation at end of reporting period*	*Income received and accrued*
BANCO BILBAO VIZCAYA ARGENTARIA VRN PERP	10,160,000	10,115,565	10,115,565	607,066
SUNAC CHINA HOLDINGS LTD 6.50%	20,264,000	19,814,290	19,814,290	1,258,895
TIMES PROPERTY HOLDINGS LTD 6.25%	10,203,000	9,629,572	9,629,572	418,177
NOTES JOLLIBEE WORLDWIDE PTE LTDU	10,196,000	9,244,428	9,244,428	365,952
6% NOTES YUZHOU PROPERTIES CO LTD	10,163,000	9,852,399	9,852,399	564,096
EASY TACTIC LTD 8.125%	10,163,000	8,766,118	8,766,118	675,703
SOFTBANK GROUP CORP VRN PERP	10,156,000	9,412,508	9,412,508	543,697
HUARONG FINANCE CO LTD 2017 FNMRY 4.0 PERP '22 FRN	10,300,000	9,772,681	9,772,681	309,812
SVENSKA HANDELSBANKEN AB 5.25%	10,119,000	9,652,623	9,652,623	348,788
NOTES HSBC HLDINGS PLC 2015 6.375%	10,152,000	10,529,523	10,529,523	394,607
NOTES ARGENTUM NETHERLANDS BV 2017 4.625%	10,092,000	9,760,195	9,760,195	291,693
PROMIGAS SA ESP PMGX 3.75%	10,122,000	10,228,899	10,228,899	228,083
CHINA OIL AND GAS GROUP	10,068,000	9,654,544	9,654,544	338,648
3.905% NOTES MALAYAN BANKING BHD MAYBANK	9,996,000	9,797,172	9,797,172	182,563
4.875% ROYAL CAPITAL BV 2016 PERP	9,996,000	9,792,370	9,792,370	247,281
6.125% EMIRATES NBD BANK PJSC W/O FIXED MAT	9,890,000	10,307,369	10,307,369	281,307
6.125% EMIRATES NBD BANK PJSC W/O FIXED MAT	9,875,000	10,307,369	10,307,369	265,999
BONDS ROYAL CAPITAL BV 2020-W/O FIXED MAT GUARANTEED FIXED/FLOATING RATE	9,875,000	9,929,235	9,929,235	221,113
NATWEST GROUP PLC FRN PERP DD 30JUN2020	4,936,500	4,658,231	4,658,231	26,951
NATWEST GROUP PLC FRN PERP DD 30JUN2020	4,937,500	4,658,231	4,658,231	26,982
UBS GROUP AG VRN PERP DD 31JAN2018	9,875,000	9,646,860	9,646,860	218,850
SVENSKA HANDELSBANKEN AB	9,768,000	9,652,623	9,652,623	196,303
WESTPAC BANKING CORP/NEW ZEALAND VRNECLEAR PERPETUAL DTD 9/21/2017	9,768,000	10,153,023	10,153,023	187,170
UBS GROUP AG VRN ECLEAR PERPETUAL DTD 31JAN2018	9,704,000	9,646,860	9,646,860	171,025
SOFTBANK GROUP CORP VRN ECLEAR PERPETUALDTD 19JUL2017	9,696,000	9,412,508	9,412,508	195,800
BONDS RIZAL COMMERCIAL BANKING CORP. 2020-WITHOUT FIXED MATURITY FIXED/VARIABLE RATE	24,315,000	24,321,248	24,321,248	562,814
HUARONG FINANCE FNMRY 4.50 PERP	9,678,000	9,784,686	9,784,686	101,887
DNB BANK ASA VRN ECLEAR PERP REGS	9,678,000	9,976,298	9,976,298	110,109
COUNTRY GARDEN HOLDINGS CO LTD 4.80%	9,678,000	10,324,945	10,324,945	99,764
BANGKOK BANK PCL/HONGONG VRN CLEAR	9,730,000	10,069,463	10,069,463	104,219
WESTPAC BANING CORP/NEW ZEALAND VRN CLEAR PERP	9,730,000	10,153,023	10,153,023	103,546
BANGKOK BANK PCL/HONGONG VRN CLEAR	9,696,000	10,069,463	10,069,463	92,102
(Forward)				

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NATWEST GROUP PLC VRN ECLEAR PERP DD 04OCT2007	9,678,000	9,316,462	9,316,462	1,580
DNB BANK ASA VRN ECLEAR PERP REGS	9,679,000	9,976,298	9,976,298	84,768
BONDS RE1 LIMITED 2020-24.09.80 REG S FLOATING RATE	9,730,000	10,027,202	10,027,202	95,632
MEDIUM TERM NOTES CENTRAL PLAZA DEVELOPMENT LTD 2019	9,671,000	9,505,557	9,505,557	125,665
BONDS TMB BANK PUBLIC COMPANY LTD 2019 FIXED/VARIABLE RATE	9,671,000	9,388,497	9,388,497	112,502
NOTES SMC GLOBAL POWER HOLDINGS CORP	18,462,300	18,709,521	18,709,521	252,798
NOTES SMC GLOBAL POWER HOLDINGS CORP	10,688,700	10,831,828	10,831,828	146,278
GENERAL ELECTRIC CO VRN	9,663,000	8,974,538	8,974,538	56,299
GENERAL ELECTRIC CO VRN	9,614,000	8,974,538	8,974,538	26,891
CENTRAL CHINA REAL ESTATE GROUP CHINA CO LTD CNTCN 7.25%	9,662,000	9,580,589	9,580,589	115,006
PETROLEOS MEXICANOS PEMEX 6.49 01/23/27U	9,662,000	10,113,644	10,113,644	110,241
Banco de Brasil (Cayman) 9%	9,604,600	10,721,615	10,721,615	865,223
LLOYDS BANKING GROUP PLC 7.50 PERP	9,604,600	11,009,273	11,009,273	718,344
BPI UITF IN MONEY MARKET SECURITIES		21,682,331	21,682,331	1,010,865
FPS HOLDINGS INC INVESTMENTS		244,645,186	244,645,186	7,839,840
FUTURE CAPITAL ENTERPRISES INVESTMENTS		31,607,271	31,607,271	–
Total Financial Assets at FVPL		**₱1,013,783,918**	**₱1,013,783,918**	**₱35,661,450**
FINANCIAL ASSETS AT AMORTIZED COST				
Corporate Bonds (PHP):				
AYALA LAND INC 5.9203% due 2028	30,000,000	₱30,000,000	₱34,263,639	₱1,776,090
SM PRIME HOLDINGS INC SERIES H 5.663%	10,000,000	10,043,223	10,180,827	547,949
SM PRIME HOLDINGS INC SERIES I 6.0804%	10,000,000	10,078,552	10,841,133	591,821
NLEX CORP 6.90% SERIES B DUE 2028	15,000,000	15,000,000	16,718,332	1,035,000
NLEX CORP 6.6407% SERIES A DUE 2025	8,800,000	8,800,000	9,053,574	584,382
NLEX CORP 6.90% SERIES B DUE 2028	3,000,000	3,000,000	3,343,666	207,000
NLEX CORP 6.6407% SERIES A DUE 2025	10,000,000	10,000,000	10,288,152	664,070
SMC GLOBAL POWER HOLDINGS CORP SERIES G 6.75%	35,000,000	35,000,000	36,600,655	2,362,500
PETRON CORP SERIES C 7.8183% 2024	17,500,000	17,500,000	18,827,848	1,368,203
PETRON CORP SERIES D 8.0551% 2025	25,000,000	25,000,000	27,240,800	2,013,775
ABOITIZ POWER CORP SERIES C 10YR BONDS 8.5091%	7,300,000	7,300,000	8,447,100	621,164
SMC GLOBAL POWER HOLDINGS CORP SERIES H 6.835%	15,000,000	15,000,000	15,361,467	1,025,250
SMC GLOBAL POWER HOLDINGS CORP SERIES J 7.60%	50,000,000	50,000,000	55,640,426	3,800,000

(Forward)

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds and notes*	*Amount shown in the statements of financial position*	*Value based on market quotation at end of reporting period*	*Income received and accrued*
SM PRIME HOLDINGS 6.2223% SERIES J 3Y FIXED RATE BONDS	50,000,000	50,000,000	50,702,270	3,111,150
UNIONBANK 6% SERIES B SENIOR FIXED RATE BONDS 2022	50,000,000	50,000,000	52,039,554	3,000,000
PETRON PREFERRED SHARES SERIES 3A 6.8713% 25K SHARES	25,000,000	25,000,000	25,250,000	–
PETRON PREFERRED SHARES SERIES 3B 7.1383% 25K SHARES	25,000,000	25,000,000	27,850,000	–
CHINA BANKING CORPORATION 5.70% 18-MONTH FIXED RATE BONDS DUE 2021	100,000,000	100,000,000	100,353,239	5,700,000
ROBINSONS BANK 5.125% FIXED RATE PHP BONDS DUE 08/12/2021	22,300,000	22,300,000	22,722,707	1,142,875
AYALA CORP CLASS "B" PREFERRED SHARES 4.8214% 142,570 SH @ P500/SH	71,285,000	71,285,000	73,494,835	–
BDO SERIES "1" BONDS 4.408% DUE 2022	50,000,000	50,000,000	50,000,000	2,001,967
SAN MIGUEL FOOD AND BEVERAGE INC. 5.05% DUE 2025	34,000,000	34,000,000	33,421,304	1,387,908
ARTHALAND FIXED RATE ASEAN GREEN BONDS 6.3517% DUE 2025	50,000,000	50,000,000	50,081,687	2,867,087
UNIONBANK UNSECURED SUBORDINATED NOTES 5.25% DUE 2024MAY30	100,000,000	100,000,000	103,911,728	4,477,083
ABOITIZ POWER CORPORATION SERIES E BONDS 3.125% DUE 2022	50,000,000	50,000,000	50,586,345	763,889
ROBINSONS LAND CORPORATION SERIES C BONDS 3.683% DUE 2023	50,000,000	50,000,000	51,056,510	383,646
SECURITY BANK 3.125% DUE 2022	50,000,000	50,000,000	50,532,893	694,444
CIRTEK HOLDINGS PHILS CORP C3 CPS 4.75% 2/18/2021	100,000,000	99,382,192	99,503,106	1,576,039
ABOITIZ EQUITY VENTURES SERIES C BOND DUE 2023 2.8403%	200,000,000	200,000,000	200,340,936	710,075
FILINVEST LAND INC 3.3353% 3Y bonds due 2023	100,000,000	100,000,000	100,418,259	398,383
DEVELOPMENT BANK OF THE PHILIPPINES SERIES 2 BONDS 2022	50,000,000	50,000,000	50,063,771	72,917
Government Bonds (PHP):				
PIBD2023B048 1	2,000,000	₱2,117,721	₱2,372,600	₱212,486
PIBD2023J068 1	1,000,000	1,038,573	1,204,481	102,313
PIBD2023J068 1	7,000,000	7,270,011	8,431,369	716,190
PIBD2024F075 1	3,000,000	3,212,794	3,810,082	321,192
PIBD2024F075 1	5,770,000	6,179,220	7,328,058	617,772
PIBD2025J116 1	4,000,000	4,327,757	5,409,829	433,860
PIBD2026A122 1	30,000,000	30,522,317	38,875,417	2,998,114
PIBD2026A122 1	40,000,000	40,696,422	51,833,889	3,997,485
PIBD2026A122 1	20,000,000	20,348,211	25,916,944	1,998,742
PIBD2026L139 1	30,000,000	27,708,178	37,113,720	2,674,461
(Forward)				

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds and notes*	*Amount shown in the statements of financial position*	*Value based on market quotation at end of reporting period*	*Income received and accrued*
PIBD2026L139 1	20,000,000	18,472,119	24,742,480	1,782,974
PIBD2026L139 1	20,000,000	18,472,119	24,742,480	1,782,974
PIBD2531A032 1	5,000,000	5,265,864	7,935,226	548,030
PIBD2531J042	20,000,000	18,747,275	29,508,783	1,936,321
PIBD2531J042	15,311,002	14,351,978	22,590,452	1,482,351
PIID0522L114 1	50,000,000	50,000,000	52,093,858	2,312,500
PIID0321F092	30,000,000	30,000,000	30,366,695	1,462,500
PIID0524C129	30,000,000	30,000,000	33,216,031	1,875,000
PIBD0726B627	9,750,000	10,363,220	11,154,133	506,016
PIID0323B101	87,087,000	87,087,000	90,749,870	3,386,717
PIID0323B101	50,000,000	50,000,000	52,102,995	1,944,444
PIBD1021D531	30,000,000	30,433,951	30,416,038	296,973
PIBD0321A236	25,000,000	25,037,590	25,041,082	193,959
PIBD0321A236	50,000,000	50,085,860	50,082,164	387,533
PIBD0721C574	50,000,000	50,187,518	50,201,702	373,663
PIID0525H130	20,000,000	20,000,000	20,083,325	202,708
PIID0321F092	20,000,000	20,278,452	20,244,463	129,364
PIBL1220A017	30,000,000	29,991,693	29,994,755	236,738
PIBL1220B070	3,000,000	2,994,487	2,995,924	15,391
PIBL1220D176	20,000,000	19,894,006	19,916,876	115,875
PIBL1220B070	20,000,000	19,963,448	19,972,827	98,233
PIBL1220B089	15,100,000	15,067,771	15,076,469	74,421
PIBL1220F245	10,200,000	10,134,221	10,135,649	5,908
Total Financial Assets at Amortized Cost		**₱2,183,938,743**	**₱2,304,797,429**	**₱80,107,875**
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)				
Government Bonds (USD):				
6.375% BOND REPUBLIC OF THE PHILIPPINES	387,690,400	₱586,164,870	₱586,164,870	₱17,233,003
REPUBLIC OF THE PHILIPPINES 7.75%	105,177,750	162,701,924	162,701,924	4,886,989
Government Bonds (PHP):				
PIBL1220F254	30,000,000	₱29,798,888	₱29,798,888	₱145,349
PIBL1220F236	30,000,000	29,821,655	29,821,655	135,769
PIBL1220B070	35,000,000	34,953,437	34,953,437	116,578
(Forward)				

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds and notes*	*Amount shown in the statements of financial position*	*Value based on market quotation at end of reporting period*	*Income received and accrued*
PIBL1220C097	17,500,000	17,465,057	17,465,057	82,300
PIBL1220D167	30,000,000	29,886,503	29,886,503	158,157
PIBL1220C104	10,000,000	9,979,933	9,979,933	47,285
PIBL1220B089	30,000,000	29,954,100	29,954,100	139,033
PIBD0721C574 (1.675%)	30,000,000	30,120,147	30,120,147	156,438
PIBL1220C113	4,750,000	4,739,546	4,739,546	22,047
PIBL0620I182	5,300,000	5,287,510	5,287,510	23,348
PIBL1220D149	6,800,000	6,781,128	6,781,128	25,483
PIBL1220E219	40,000,000	39,774,024	39,774,024	21,489
PIBD0523C752 (1.985%)	50,000,000	53,005,675	53,005,675	38,611
PIBL1220K445	40,000,000	39,458,977	39,458,977	14,328
PIID0522L114 (1.85%)	40,000,000	41,668,616	41,668,616	6,492
PIBL1220J438 (1.585%)	32,000,000	31,581,296	31,581,296	4,171
Private Debt Securities:				
COLOMBIA, REPUBLIC OF 8.375%	8,350,000	₱ 11,199,156	₱ 11,199,156	₱ 612,577
PERTH AIRPORT PTY LTD 5.5%	10,061,340	11,036,778	11,036,778	396,624
AUST & NZ BANKING GROUP 4.75%	9,899,820	11,383,130	11,383,130	458,285
COMISION FEDERAL DE ELECTRICIDAD 4.875%	9,330,000	10,668,309	10,668,309	411,932
SSG RESOURCES LTD 4.25%	9,222,000	10,054,576	10,054,576	344,096
MEGAWORLD CORP 4.25%	9,462,000	9,921,552	9,921,552	417,794
OVERSEA-CHINESE BANKING 4.25%	9,436,000	10,489,088	10,489,088	343,415
CHINA CLEAN ENERGY DEV LTD 4%	9,426,000	10,587,151	10,587,151	326,746
4.125% NOTES RELIANCE INDUSTRIES LTD	11,560,000	13,330,585	13,330,585	437,126
4.625% MEDIUM TERM NOTES BPCE SA	9,367,000	10,731,940	10,731,940	439,712
COMMONWEALTH BANK OF AUSTRALIA 4.5%	11,655,000	13,753,187	13,753,187	459,095
3.15% NOTES HASBRO INC	11,615,000	12,069,657	12,069,657	268,994
SAUDI ELEC GLOBAL SUKUK 4%	11,655,000	13,050,971	13,050,971	406,306
4% MEDIUM TERM NOTES NATIONWIDE BUILDING SOCIETY	11,868,750	13,318,579	13,318,579	487,594
3.95% NOTES STANDARD CHARTERED PLC	11,972,500	12,496,185	12,496,185	492,999
3% NOTES AT&T INC	7,278,000	7,450,528	7,450,528	184,801
HUARONG FINANCE II CO LTD 4.625%	12,071,250	13,380,408	13,380,408	483,562
BOC AVIATION PTE LTD 3.875%	12,092,500	13,111,119	13,111,119	440,441
4.5% NOTES LLOYDS BANKING GROUP PLC SUBORD	12,455,000	13,427,891	13,427,891	532,034
EURASIAN DEVELOPMENT BANK 4.767%	12,581,250	12,636,052	12,636,052	488,331
(Forward)				

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds and notes*	*Amount shown in the statements of financial position*	*Value based on market quotation at end of reporting period*	*Income received and accrued*
4% AFRICAN EXPORT-IMPORT BANK NOTES	12,543,750	12,160,024	12,160,024	464,815
3.625% MEDIUM TERM NOTES ABU DHABI NATIONAL ENERGY COMPANY GLOBAL SERIES	9,935,000	9,755,392	9,755,392	290,234
2.63567% GOLDMAN SACHS GROUP INC	12,481,250	12,628,668	12,628,668	338,611
3.95% GUARANTEED NOTES CHINA OVERSEAS FINANCE	9,972,000	10,041,129	10,041,129	331,898
5.196% NOTES OMGRID FUNDING LTD	9,936,000	9,700,166	9,700,166	504,413
GOHL CAPITAL LTD 4.25%	9,961,000	10,223,136	10,223,136	397,151
2.63567% GOLDMAN SACHS GROUP INC	7,515,000	7,577,201	7,577,201	198,806
4.125% NOTES BANCO SANTANDER (MEXICO) SA	10,069,000	10,143,898	10,143,898	327,466
CNAC HK FINBRIDGE CO LTD 3.5%	10,188,000	9,701,606	9,701,606	350,089
3.75% EURO MEDIUM TERM NOTES BANK MUSCAT	10,114,000	9,613,724	9,613,724	336,457
SGSP AUSTRALIA ASSETS PTY LTD 3.5%	10,181,000	10,649,129	10,649,129	329,978
MIRVAC GROUP FINANCE LTD 3.625%	10,142,000	10,373,640	10,373,640	360,878
3.625% MEDIUM TERM NOTES ABU DHABI NATIONAL ENERGY COMPANY GLOBAL SERIES	10,308,000	9,755,392	9,755,392	298,514
4.125% NOTES BANCO SANTANDER (MEXICO) SA	10,322,000	10,143,898	10,143,898	329,999
SINOCHEM INT DEV PTE LTD 3.125%	10,249,000	9,795,155	9,795,155	299,247
APICORP SUKUK LTD 3.141%	10,158,000	10,027,202	10,027,202	308,563
3% MEDIUM TERN NOTES KOREA RESOURCES CORP.	10,236,000	9,891,297	9,891,297	305,366
MEXICO CITY ARPT TRUST 4.25%	10,098,000	10,204,888	10,204,888	392,973
FPC TREASURY LTD 4.5%	10,141,000	9,945,563	9,945,563	404,399
ROYAL BANK OF SCOTLAND GRP PLC 3.875%	10,220,000	10,399,285	10,399,285	362,655
4.101% NOTES ANTHEM INC	10,423,000	11,369,637	11,369,637	403,881
3.45% MTN JOHN DEERE CAPITAL CORP.	10,400,000	10,785,197	10,785,197	342,475
4.25% NOTES AT&T INC	10,696,000	11,234,352	11,234,352	432,202
4.1% NOTES CVS HEALTH CORP	10,696,000	10,895,746	10,895,746	410,004
3.50% NOTES BLUESTAR FINANCE HOLDINGS	10,700,000	9,716,974	9,716,974	425,919
4.75% MEDIUM TERM NOTES WOORI BANK	10,700,000	10,603,478	10,603,478	474,524
4.346% NOTES FORD MOTOR CO.	10,702,000	10,176,074	10,176,074	445,345
4.90% NOTES HEWLETT PACKARD ENTERPRISE CO	10,706,000	11,250,375	11,250,375	454,112
5.35% MTN PETROLEOS MEXICANO PEMEX	10,570,000	9,476,379	9,476,379	591,348
4.50% NOTES PETROLEOS MEXICANOS PEMEX	10,570,000	9,619,007	9,619,007	541,778
5.375% MEDIUM TERM NOTES WESTWOOD GROUP HOLD LTD	10,685,000	10,369,126	10,369,126	576,696
SINO-OCEAN LAND TREASURE IV LD	16,060,500	14,407,620	14,407,620	462,724
4.75% BOND REPACK NOTE ARGENTUM CAP	13,505,000	10,718,734	10,718,734	1,364,423
(Forward)				

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds and notes*	*Amount shown in the statements of financial position*	*Value based on market quotation at end of reporting period*	*Income received and accrued*
BEICA 2.789% 4.33825 % 4.924% 4.47725% FRN	10,850,000	9,576,939	9,576,939	378,125
BONDS SINO-OCEAN LAND TREASURE IV FLOATING RATE	10,804,000	9,619,487	9,619,487	325,700
5.3% BONDS BEIJING ENVIRONMENT SANTIATION	10,740,000	9,836,551	9,836,551	520,674
ABOITIZ POWER SERIES D BONDS DUE 2026 5.2757%	50,000,000	52,878,000	52,878,000	2,637,850
BEAZLEY INSURANCE DAC 5.5%	10,452,000	10,400,821	10,400,821	519,118
BEAZLEY INSURANCE DAC 5.5%	10,328,000	10,400,821	10,400,821	506,464
8.05% BONDS CFLD (CAYMAN) INVESTMENT LTD	10,160,000	7,995,830	7,995,830	786,681
RONSHINE CHINA HOLDINGS LTD 8.25%	10,203,000	9,652,623	9,652,623	516,714
CENTRAL CHINA REAL ESTATE LTD 6.50%	10,100,000	9,655,504	9,655,504	564,414
BANQUE OUEST AFRICAINE DE DEVELOPPEMENT BOAD 4.70 10/22/31	10,300,000	10,372,968	10,372,968	355,566
BANQUE OUEST AFRICAINE DE DEVELOPPEMENT BOAD 4.70 10/22/31	10,144,000	10,372,968	10,372,968	385,680
SEAZEN GROUP LTD 7.50%	10,158,000	9,649,742	9,649,742	387,795
4.25% NOTES PT PELABUHAN INDONESIA II	10,160,000	10,514,156	10,514,156	294,595
BKNET 3.50	10,160,000	9,844,715	9,844,715	367,005
AFRICAN EXPORT-IMP 4.125	10,134,000	10,259,153	10,259,153	341,098
4.75% NOTES SEAGATE HDD CAYMAN	10,168,000	10,453,359	10,453,359	303,224
BKNET 3.50	10,134,000	9,844,715	9,844,715	335,856
ADANI TRANSMISSION 4%	10,134,000	10,381,516	10,381,516	333,904
REC LTD 3.875% 07/07/27	10,080,000	10,229,091	10,229,091	328,364
4.375% NOTES ADANI PORTS & SPECIAL ECONOMIC ZONE LTS	10,112,000	10,436,839	10,436,839	359,838
3.733% MTN BANGKOK BANK PUBLIC CO LTD	10,112,000	10,023,361	10,023,361	273,005
3.875% MEDIUM TERM NOTES REC LTD	10,006,000	10,304,295	10,304,295	223,386
4.125% JGSH PHILIPPINES LTD	9,882,000	10,126,610	10,126,610	191,610
6.50% NOTES PETROLEOS MEXICANOS PEMEX GTD GLOBAL	9,873,000	9,938,552	9,938,552	312,405
4.375% NOTES MANILA WATER COMPANY INC	24,083,500	23,840,706	23,840,706	450,279
Foreign Debt Securities:	12,005,750	₱12,127,008	₱12,127,008	₱528,977
TRANSNET SOC LTD 4%	9,604,600	10,955,967	10,955,967	455,787
Myriad International Holdings BV 4.85%	9,604,600	10,061,011	10,061,011	396,630
Santos Finance Ltd 4.125%	9,604,600	10,601,077	10,601,077	382,049
Mexichem Sab de CV 4%	9,604,600	9,844,715	9,844,715	670,910
DAR AL ARKAN SUKUK CO LTD DAARR 6.875%	12,005,750	12,127,008	12,127,008	528,977

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds and notes*	*Amount shown in the statements of financial position*	*Value based on market quotation at end of reporting period*	*Income received and accrued*
Local Equity Securities:				
ALLIANCE GLOBAL GROUP INC	2,600,000	₱27,560,000	₱27,560,000	–
ALSONS CONS. RESOURCES, INC.	5,000,000	6,800,000	6,800,000	100,000
ACR MINING CORP NON TRADEABLE	25,000	–	–	–
AGP Industrial Corporation/Asiabest group	306	3,176	3,176	–
AREIT, INC. (WITH RECYCLING)	3,615,900	106,126,665	106,126,665	2,047,312
ASIA UNITED BANK CORP	15,225	683,603	683,603	30,450
AYALA LAND INC PREFERRED	75,934	3,105,701	3,105,701	3,775
BELLE CORPORATION	3,800,000	6,498,000	6,498,000	456,000
EMPERADOR, INC.	2,280,000	23,028,000	23,028,000	364,800
Empire East Land Holding	83,669	26,774	26,774	–
Ginebra San Miguel	30,000	1,482,000	1,482,000	–
Holcim	30,000	217,500	217,500	–
Lopez Holdings Corporation	3,500,000	13,020,000	13,020,000	350,000
MARCVENTURES HOLDINGS, INC.	4,115,000	6,007,900	6,007,900	–
NATIONAL REINSURANCE	2,680,000	1,795,600	1,795,600	–
NICKEL ASIA CORPORATION	2,592,000	14,515,200	14,515,200	777,600
PETRON CORP	3,839,300	15,318,807	15,318,807	383,930
P L D T	2,100	21,000	21,000	–
PHIL LONG DISTANCE TEL CO "COMMON"	10,500	14,070,000	14,070,000	808,500
PNB	3	88	88	–
SSI GROUP, INC.	2,468,000	3,677,320	3,677,320	–
Foreign Equity Securities:				
CITIGROUP	399	₱1,182,070	₱1,182,070	₱40,358
CITIGROUP	659	1,950,771	1,950,771	66,603
Singapore Airlines Ltd	2,480	383,392	383,392	–
Singapore Airlines Ltd	32,352	5,001,412	5,001,412	–
GLENCORE INTL SHARES	4,600	703,329	703,329	–
BARRICK GOLD CORP	2,100	2,297,324	2,297,324	30,254
CREDIT SUISSE NOVA (LUX) SICAV	4,756	23,787,668	23,787,668	742,642
ISHARES SILVER TRUST	3,000	3,539,775	3,539,775	–
SPROTT PHYSICAL SILVER TRUST	12,100	5,427,271	5,427,271	–
(Forward)				

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statements of financial position	Value based on market quotation at end of reporting period	Income received and accrued
JPMORGAN INVESTMENT FUNDS SICAV	3,667	23,400,468	23,400,468	1,051,815
EXXONMOBIL CORP NPV	510	1,009,549	1,009,549	87,459
HSBC HOLDINGS PLC USD 0.50	6,000	1,514,311	1,514,311	–
SCHLUMBERGER LTD	520	545,138	545,138	32,702
SANDS CHINA LTD	20,552	4,334,184	4,334,184	132,388
SCHLUMBERGER LTD	1,032	1,081,889	1,081,889	64,901
STANDARD CHARTERED PLC	5,600	1,686,035	1,686,035	–
ISHARES EURO STOXX BANKS DE	3,350	1,419,938	1,419,938	16,313
ORANGE SA	1,045	601,294	601,294	37,252
ORANGE SA	5,340	3,072,640	3,072,640	190,360
VALUE PARTNERS GROUP	70,000	1,773,199	1,773,199	100,731
BIOGEN INC COM	200	2,351,782	2,351,782	–
CREDIT SUISSE GROUP ZUERICH ADR	3,500	2,151,430	2,151,430	38,280
CHINA UNICOM HONG KONG LTD	79,200	2,182,837	2,182,837	82,764
CHINA UNICOM HONG KONG LTD	75,392	2,077,885	2,077,885	78,787
ISHARES EURO STOXX BANKS DE	3,650	1,547,097	1,547,097	17,774
MW EUREKA FUND USD RESTRICTED	1,768	34,065,302	34,065,302	–
CHINA LIFE INSURANCE CO LTD	60,650	6,423,372	6,423,372	273,130
STANDARD CHARTERED PLC	1,600	481,724	481,724	–
LLOYDS BANKING GROUP PLC	128,040	3,015,156	3,015,156	–
ISHARES EURO STOXX BANKS DE	8,324	3,528,228	3,528,228	40,535
BGF DYNAMIC HIGH INCOME A6	30,864	13,888,134	13,888,134	956,307
CS INVESTMENT FUNDS 13 CREDIT SUISSE (LUX) ASIA	1,987	9,744,847	9,744,847	357,933
DWS INVEST SICAV DWS INVEST ASIAN BONDS	2,060	9,829,135	9,829,135	466,657
FIDELITY FUNDS - ASIAN HIGH YIELD	38,231	14,741,047	14,741,047	926,086
FIDELITY FUNDS - ASIAN HIGH YIELD	25,265	9,741,706	9,741,706	612,010
CS INVESTMENT FUNDS 3 SICAV CREDIT SUISSE (LUX)	5,142	24,293,026	24,293,026	762,604
ASHMORE SICAV EMERGING MARKETS SHORT DURATION FUND	2,773	10,891,070	10,891,070	654,845
CS INVESTMENT FUNDS 3 SICAV - CREDIT SUISSE (LUX) FIXED MATURITY 2023 S-IV	5,000	22,926,176	22,926,176	765,892
UBS ASIAN BONDS SERIES 4 A	2,000	10,128,051	10,128,051	469,478
BLACKROCK GLOBAL FUNDS-ASIAN TIGER BOND FUND	43,564	18,012,189	18,012,189	712,581
FIDELITY ENHANCED RESERVE A MINCOME(G)	49,057	17,815,677	17,815,677	520,737
LM WA DIV GL CR FMB S3-A USD	5,000	23,728,164	23,728,164	1,067,918
BLACKROCK GLOBAL FUNDS-ASIAN TIGER BOND FUND	18,450	7,628,573	7,628,573	185,775

(Forward)

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds and notes*	*Amount shown in the statements of financial position*	*Value based on market quotation at end of reporting period*	*Income received and accrued*
Non-listed Club Shares:				
Capitol Hills & Golf Country Club	–	₱75,000	₱75,000	–
Casino Español	–	200,000	200,000	–
Doble Vista	–	810,000	810,000	–
Manila Golf & Country Club	–	151,000,000	151,000,000	–
Phil Columbian	–	50,000	50,000	–
Tower Club	–	–	–	–
Other Shares (Unlisted/Suspended/Certificated):				
Unlisted shares	–	₱1,866,740.00	₱1,866,740.00	–
MANILA ELECTRIC CO. (certificated)	236	68,912.00	68,912.00	–
PETRON CORP (certificated)	–	–	–	–
NATIONAL REINSURANCE CORP (certified by issuer)	513,500	344,045.00	344,045.00	–
PLDT PREFERRED SERIES V (certificated)	200	–	–	–
REYNOLDS PHILS CORP	35,712	–	–	–
UNIWIDE	40,000	–	–	–
GOTESCO LAND A	440,000	–	–	–
METRO ALLIANCE HOLDINGS	5,000	9,650.00	9,650.00	–
PHIL. TELEGRAPH & TEL. CO.	2,000	–	–	–
SPI TECHNOLOGIES	216	–	–	–
STENIEL	30,000	–	–	–
UNI RIGHTFIELD	245,000	–	–	–
Commonwealth Foods Corporation	1,354,847	296,877	296,877	–
FGU Insurance Corporation	10,652	78,219	78,219	–
Manco Holdings, Inc.	17,314	1,810,164	1,810,164	–
Universal Textile Mills		33,909	33,909	–
Total Financial Assets at FVOCI		₱2,869,424,443	₱2,869,424,443	₱77,416,195

FMF DEVELOPMENT CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2020

			Deductions		*Ending Balance*		
Name and designation of debtor	*Balance at beginning of period*	*Additions*	*Amounts collected*	*Amounts written off*	*Current*	*Non current*	*Balance at end of period*
Due from related parties							
Merje Trading, Inc.	₱36,162,424	₱–	₱10,000,000	₱–	₱26,162,424	₱–	₱26,162,424
Jaime C. Fernandez - President	22,866,154	–	–	–	22,866,154	–	22,866,154
Mortgage loan receivable							
Manila Cordage Company	150,000,000	–	9,375,000	–	–	140,625,000	140,625,000
	₱209,028,578	₱–	₱19,375,000	₱–	₱49,028,578	₱140,625,000	₱189,653,578

FMF DEVELOPMENT CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2020

			Deductions		*Ending Balance*		
Name and designation of debtor	*Balance at beginning of period*	*Additions*	*Amounts collected*	*Amounts written off*	*Current*	*Not current*	*Balance at end of period*
Beneficial Financial Advisors, Inc., *Subsidiary*	₱56,172,313	₱5,756,588	₱6,891,177	₱–	₱55,037,724	₱–	₱55,037,724

FMF DEVELOPMENT CORPORATION AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2020

				Number of shares held by		
Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related statements of financial position caption*	*Number of shares reserved for options, warrants, conversion and other rights*	*Related parties*	*Directors, officers and employees*	*Others*
Common shares - ₱1 par value per share	175,000,000	70,000,000	–	70,000,000	–	–