Humanizing Insurance
etiqa.com.ph

A UNIFIED ETIQA

2021 Etiqa Philippines Annual Report

Why the name Etiqa?

Etiqa is derived from ‘etika’ the Malay word for ethics.

It is defined as a system of moral principle and standard practice.

Behaving in an ethical manner is to behave in a more considerate and humane way. This is how the company attempts to humanize insurance for everyone and outside the organization.

Contents

etiqa

Did you know?

Within the Etiqa logo, the letters "T", "I", and "Q" form a face, with the yellow stroke forming a smile, thus symbolizing the human aspect of the brand. Additionally, the smile begins and ends with the letters "T" and "Q" respectively, with the "I" in the middle, signalling the shortened form of "I Thank You".

About Etiqa PH

A Glimpse of Who We Are

Etiqa Life and General Assurance Philippines, Inc. has been in the industry for more than 60 years in the group medical space. Our history has gone a long way from 1958 when we first started as Star Life Insurance and through many name changes, mergers and acquisitions, until we became AsianLife to Etiqa Philippines, our commitment to bring security and protection to the Filipino has never wavered.

Maybank, one of Asia's leading banking groups, procured shares in AsianLife in 2015 until it was rebranded in 2019 to what is now Etiqa Philippines. The name was aligned with its parent organization Etiqa International Holdings Malaysia, an investment holding company of Maybank. Etiqa's headquarters is located in Kuala Lumpur, Malaysia with regional presence in Singapore, Indonesia, Philippines and Cambodia.

Today, Etiqa Philippines offers a broad product range of both Group Life and General Insurance, Group Medical Benefits, Individual Life and Non-Life that cover protection, savings and investment needs under one unified brand.

In partnership with Maybank Philippines, it now offers various Personal Life & General Insurance products through its bancassurance partnership.

No Mean Feat

We have been keeping our commitment in making insurance accessible to everyone. Etiqa Philippines is now recognized as the leading Group Health Insurer in the country with over 1,600 accredited hospitals and clinics nationwide, with 30,000 doctors, and a 24/7 in-house call center catering to several multinational and local organizations.

For FY2021, we have outperformed the industry in Non-Life by posting 169% in growth premiums. We showed a Year-on-Year Growth of 14.03% in the Life Industry. And, paid claims of up to PhP 1.5 billion across Life, Health and Non-Life insurance plans. All that, in spite of a tumultuous year due to the pandemic.

Our awards and recognitions have propelled us to go farther and reach higher so that we can humanize insurance. We are currently ranked by the Insurance Commission as 14th in terms of premium income and 11th in net income among the life insurance companies in the country.

Milestones

1958 — STAR LIFE INSURANCE CORPORATION

Original date of Incorporation

1979 — PHILIPPINE ASIA LIFE ASSURANCE CORPORATION

Change of name from Star Life to Philippine Asia Life Assurance Corporation

1998 — GE LIFE INSURANCE COMPANY, INC.

General Electric (GE) acquired Philippine Asia Life Assurance Corporation from Knights of Columbus

2001 — ATR PROFESSIONAL LIFE ASSURANCE CORPORATION

Arnaiz, Tordesillas and Roxas (ATR) acquired General Electric (GE) Life

2003 — ASIANLIFE

AsianLife and General Assurance Corporation

2011 — A MEMBER OF MAYBANK

Mayban IB Holding Sdn. Bhd acquires ATR KimEng

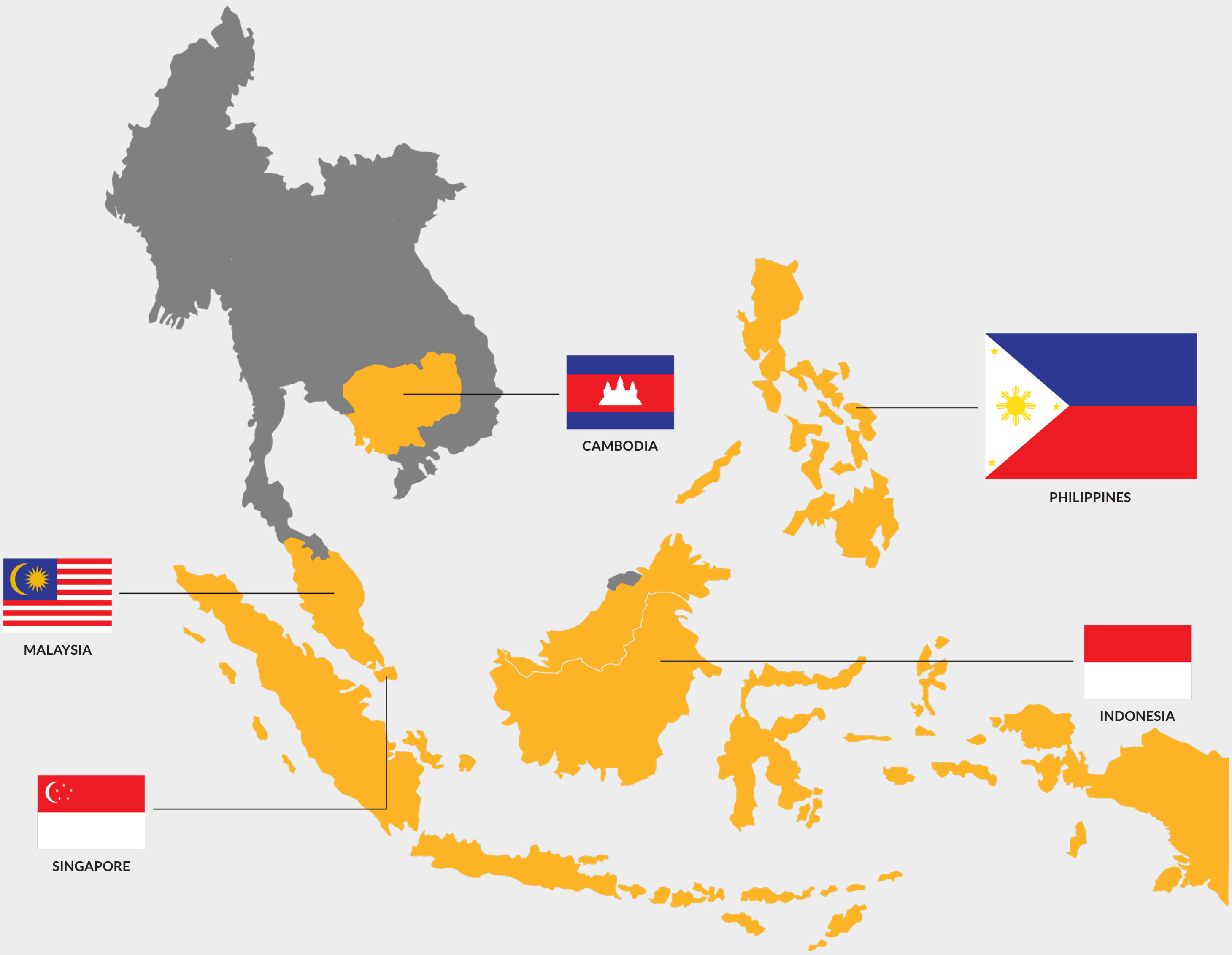
2015 — ETIQA

Etiqa, the insurance business of Maybank acquires AsianLife

2019 — ETIQA PHILIPPINES

Rebranded Asianlife to Etiqa for unified Regional presence

Our Regional Footprint



Etiqa is a leading Insurance and Takaful business in ASEAN, offering a full range of Life and General conventional insurance policies as well as Family and General Takaful plans via more than 10,000 agents, 46 branches and 17 offices. It also has a bancassurance network comprising over 490 branches, cooperatives, brokers and online platforms across Malaysia, Singapore, Indonesia, the Philippines and Cambodia.

We Are Rock Solid

Vision

We aim to be a Leading Insurance Provider supported by highly-effective People and enabled by Technology

Mission

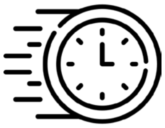
Meeting Stakeholders' needs through common Shared Values

Core Values

Our A.T.I.G.E.R. values serve as guiding principles to encourage practices that collectively form our unique culture. Our values define what we believe in and what we stand for.

A - Agility
T - Teamwork
I - Integrity
G - Growth-Mindset
E - Excellence
R - Relationship-Building

Focus Areas



CREATING A FAST AND EASY CUSTOMER EXPERIENCE

DRIVING TECHNOLOGY ACROSS THE ORGANISATION

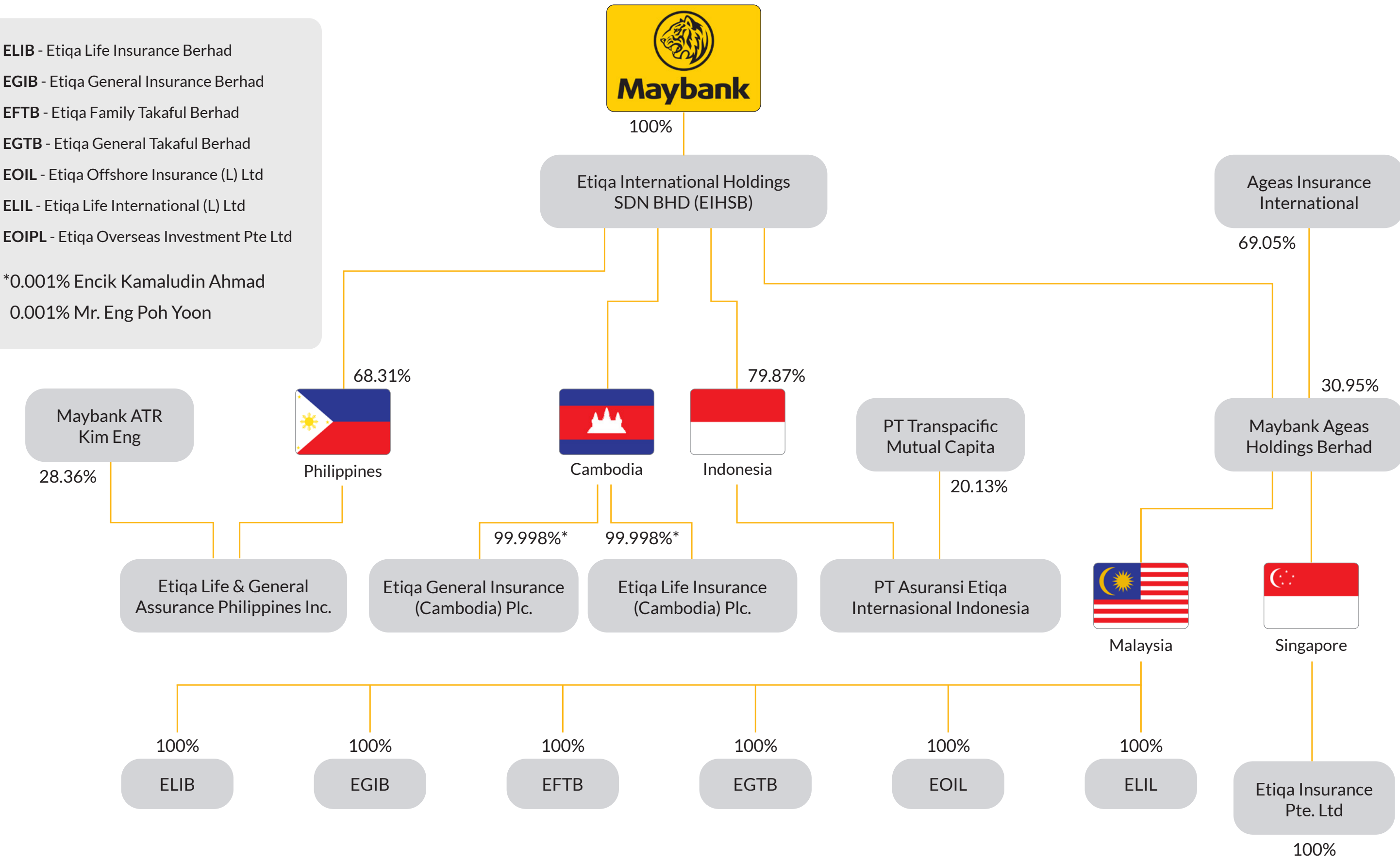
KEEPING OUR HIGHLY EFFECTIVE PEOPLE

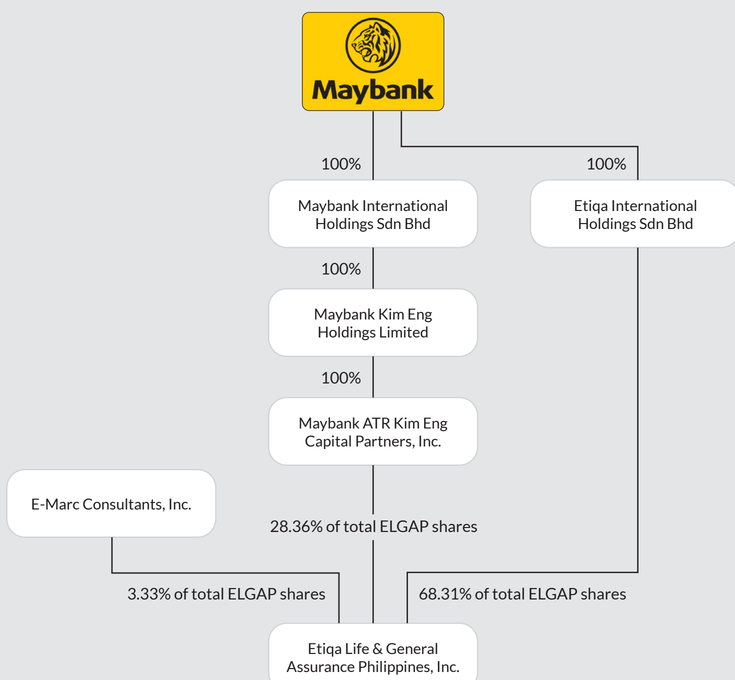
DRIVING SUSTAINABILITY

Group Organizational Structure

ELIB - Etiqa Life Insurance Berhad
EGIB - Etiqa General Insurance Berhad
EFTB - Etiqa Family Takaful Berhad
EGTB - Etiqa General Takaful Berhad
EOIL - Etiqa Offshore Insurance (L) Ltd
ELIL - Etiqa Life International (L) Ltd
EOIPL - Etiqa Overseas Investment Pte Ltd

*0.001% Encik Kamaludin Ahmad
0.001% Mr. Eng Poh Yoon





As of December 2021

Message from the Chairman

Kamaludin Bin Ahmad

> **The "Go Unified" slogan is not just a great catch phrase for a marketing campaign but a genuine intention to help more people have access to security and protection.**

To my fellow Shareholders,

Agility and preparedness were the keywords that stuck in my mind in 2020 when the world was beginning to be besieged with the COVID-19 pandemic. Confidence in Etiqa Philippines' long history and sound financial background as an organization together with our deep connection with the ASEAN market has set in motion our resolution to close the gap. Taking that and our commitment to "Humanize Insurance", we became intentional in the midst of a seemingly insurmountable challenge.

Several years ago, when the world took to digitalization we immediately positioned ourselves where we could leverage on the technological innovations. That decision proved to be pivotal even as the pandemic continued to surge in 2021. Using online platforms became a seamless way for us to reach each other, our customers and the community. We were able to respond quickly to customers' needs through our SmilePH App and our website. With a click of a finger everyone can have access to our products and make outright purchases, or be updated on new information. Online training and webinars were readily available for our employees and third-party services. We ensured that no one felt alone or left out. While everything was closing down, we were opening up.

How true it is that great ideas spring forth from great adversities. Quarantine was a time to rethink and reassess values and priorities. We placed more value in saving lives, not just our own but extending it to the community through our Environment, Social and Governance programs. Business became our tool for a higher purpose. Probably one of the hardest lessons we learned in the pandemic was about losing people and property, and it hit us hard. The more than sixty years of experience and expertise we have at Etiqa Philippines gave us the backbone to fully comprehend what insurance truly means. It is about the people we care for.

The COVID-19 crisis further embedded our Core Beliefs within the whole organization. This moved us to formulate our 2021 campaign "Go Unified", that consolidates our Life, Health and Non-Life businesses under one unified brand to give Filipinos access to simpler, integrated products and services with the best advice. We are now one of the leading providers in the Group Health Insurance category in the Philippines and we aim to keep it that way. It speaks of how we, as an organization, put a premium on people's lives.

Today, we are ranked third (3rd) in the ASEAN-owned Insurer category and ninth (9th) as Overall Insurer in the ASEAN. The advancements in our digitalization programs have put us at par with the rest of the world in terms of technology. By always creating more outputs that offer a win-win solution like longer-term regular premium products, we are making ourselves consistently relevant. Our composite license empowered us to fulfill various protection, savings, and investment needs for different segments in the Philippines. Having integrated all our products in one unified brand simplifies the selection process for Filipinos. The "Go Unified" slogan is not just a great catch phrase for a marketing campaign but a genuine intention to help more people have access to security and protection.

Our core values impelled us to reach more people, not just our target. With over 490 bancassurance partners, 46 branches and 10,000 agents across the ASEAN region working together, as well as our diligent cost and risk management, and comprehensive evaluation of our investment activities delivered Etiqa an overall positive performance for 2021. But we could not have done it alone, so it is fitting to honor and appreciate everyone who stood behind, beside and in front of us; our commendable people in the organization, our forbearing partners, our loyal customers and third-party services, and the courageous people in our community. We are more motivated and inspired than ever as we step into the future.

The silver lining that we have been looking for during the COVID-19 global crisis is us after all.

Always at your service,

Kamal

Message from the President & Chief Executive Officer

Rico Bautista

It is without a doubt that the COVID-19 pandemic had put us all in a spirit of fear, dishevel and uncertainty. People were forced to get out of their comfort zones, some even lost jobs, businesses faced either closure or suffered consequential losses and economies stuttered to keep afloat on a global level. So many lives were taken away from us. But in the same breath, we have never seen the resilience and tenacity of the Filipino people more prevalent than in the last two years. What was even more heart-warming is the ability of the people to smile even during the worst catastrophes. And it is in this annual report where we share who we are as an organization and the role we played in one of the most challenging times we all had ever faced.

We, at Etiqa Philippines, had been ceaselessly working to create solutions not only for the organization but for the community as well. As the world closed down in 2020, we progressed towards a digital transformation journey. At the threat of operations being paralyzed, our people were given an opportunity to work online in the comfort of their homes, protecting them and their families from the dangers of COVID-19. Not one person in our organization lost their job. Our timely launch of the SmilePh App before the pandemic happened, was a good foresight that made us more responsive in the height of the worldwide crisis.

In this thrust, we went even further by "Humanizing Insurance". We made our products more understandable, accessible and affordable through our website where people can buy our products on the spot. It is a way for us to reach out to more Filipinos and let them know that insurance is not a complicated process, everyone can have access to health, financial security and protection.

The composite license of our company allowed us to offer options for Life, Health and Non-Life insurance. We were able to integrate all our products under one unified brand and empowered us to design them to meet the protection, savings and investment needs of people from all walks of life. With the kick-off of our "Go Unified" battlecry in 2021, we embodied our resolute commitment to invariably innovate, improve and invest in our products and services through automation and digitalization. It became easier and faster for people to reach us.

Our mindfulness mind-set spilled over to the community when we recognized the conditions of our frontliners and the threat of the virus on their lives and their loved ones. Guided by our core values and a spirit of humanizing, we reallocated 100% of our marketing funds on Corporate Social Responsibility programs and were able to extend our activities to those who we think needed it most.

"In the most adversarial of times, we were there for our people, our customers and the community."

Under Etiqa Cares, we took the initiative of delivering thousands of Personal Protective Equipment (PPE) sets to our partner hospitals and medical institutions all throughout Metro Manila to keep our healthcare workers safe. Moreover, 28,000 men and women of the Philippine National Police National Capital Region Police Office (PNP NCRPO) received free EZ-Y Pneumonia Plans amounting to P2.8 million worth of insurance costs. This lifts off the anxiety of protecting their own lives while enforcing the law. It was moving and gratifying for us when these initiatives were recognized by the Insurance Asia Award for two consecutive years, in 2020 and 2021. Bringing peace of mind to our pandemic heroes is immeasurable. In the most adversarial of times, we were there for our people, our customers and the community. In the same way, they came through for us allowing us to reach our targets. Our concerted effort and steadfast dedication made 2021 a good year for us.

Today, our Etiqa Smile is more pleasing than ever as we go all-in with our commitment in "Humanizing Insurance".

Group Insurance Products

Group Protect

This plan provides a life insurance coverage renewable every year. The insurance is payable in case of death of the insured from any cause. The amount of insurance may vary according to either position/rank or salary.

Any of the following benefits can be attached to the Group Protect Plan:

- Accidental Death & Dismemberment Benefit
- Total & Permanent Disability Benefit Rider

Group Personal Accident

This plan provides insurance benefits in case of death or loss as a result of accidental bodily injury.

Group Credit Protect

The Group Credit Protect is a life insurance plan that gives creditors protection where the outstanding balance of a loan is paid in case of death of a debtor. This is normally procured by financial loan institutions. The amount of insurance is equivalent to the amount of the loan.

MedProtect

This plan is offered to executives, employees and staff designed to reimburse expenses incurred by the client if confined in a hospital or clinic. Room and board, hospital services, physician's fees and medicines are all covered in the Group MedProtect Plan.

Hospital Daily Income Benefit Rider

The client is provided a daily income during confinement due to sickness or injury.
The benefit is paid to a specified number of days.

Superior Hospitalization Benefit of Group MedProtect

- Over 1600+ accredited hospitals and clinics nationwide including Makati Medical Center, St. Luke's Medical Center, Cardinal Santos Medical Center, Asian Hospital, UST Hospital, Medical City General Hospital & other major hospitals in key cities Nationwide.
- Not limited to accredited hospitals & physicians. The planholder can opt to choose their own health practitioner.
- No-Cash-Out Availment.

Individual Insurance Products

Our Gift

Our Gift is an endowment plan that provides a guaranteed education fund for your child's college tuition fee and other expenses at the same time provides you an insurance coverage for any unforeseen events.

Prosperity Shield

The Prosperity Shield is a regular pay variable life insurance plan in Philippine currency that prepares you for the future by building a significant amount of funds. Pay in as short as 5 or 7 years and you can increase investment anytime through top-ups.

Prosperity Tiger

Prosperity Tiger is a single pay variable life insurance plan in US Dollars that allows you to invest in a broad array of professionally managed portfolios. This plan preserves your wealth so you can provide substantial inheritance for your loved ones.

Prosperity Plus

The Prosperity Plus is a single pay variable life insurance plan that allows you to invest in a broad array of professionally managed funds by top-level fund managers paid in Philippine currency. This plan comes with a guaranteed life insurance policy as well.

Prosperity Spring

The Prosperity Spring is a 10-pay variable life insurance plan in Philippine currency which provides insurance protection and coverage over the insured's life. It also allows them to participate in a broad array of professionally managed portfolios handled by top-level fund managers.

Prosperity Tree

The Prosperity Tree is a 3-pay variable life insurance plan in Philippine Currency with a short-term premium payment but with greater flexibility in your future benefits.

Variable Universal Life Riders

The Rider Plan is an additional benefit on your Prosperity Shield, Tree, and Spring . It provides you protection against any uncertainties. The plan is a specially tailored insurance benefit that can be added to your regular pay policy to provide extra coverage based on your needs.

Non-Life Insurance Products

Comprehensive Car Insurance

Etiqa's Comprehensive Car Insurance is designed to protect and provide you with the financial assistance to pay for accidental loss and damage to the vehicle caused by accidental collisions, fire and lightning, theft and damage caused by natural catastrophes. It also provides assistance to cover liabilities that arise from damage to third-party vehicles, property, bodily injuries and death.

The plan has an easy Claim and convenient Pay methods, and a 24/7 Road Assistance.

Residential Fire Insurance

Residential Fire Insurance's basic coverage is for fire and lightning. It also protects you against financial loss from property damages caused by earthquake, typhoon, flood, smoke, falling aircraft, vehicle impact, explosion, riot, strike and malicious damage.

Commercial Fire Insurance

The Commercial Fire Insurance protects you against financial loss from commercial property damages caused by earthquake, typhoon, flood, smoke, falling aircraft, vehicle impact, explosion, riot, strike and malicious damage. The basic coverage is fire and lightning.

Travel Assistance Plan

Our Travel Assistance Plan is designed to protect you against unforeseen events while traveling. It protects you against flight cancellation, medical emergency, emergency accommodations or vehicle accidents.

Contractor's All-Risk Insurance

The Contractor's All-Risk Insurance is designed to offer comprehensive protection against losses to contract works, construction plant and equipment, construction machinery and liability to third-party. It also provides financial stability to all parties in the construction contract.

Vehicle Fleet Management

The Vehicle Fleet Management Insurance protects your fleet of motor vehicles against loss in the event of an accident, theft, or damage caused by natural occurrences so you can keep running your business. The plan comes with a 24/7 Road Assistance.

E-CTPL

Our E-CTPL plan brings the convenience of getting your vehicle's Compulsory Third Party Liability from anywhere online.

eChannel Products

MyLife+ Plan

The MyLife+ Plan covers health, life and accident protection for the whole family.

Regardless of the package that you choose, you and your family will have access to Etiqa's extensive network of 30,000+ doctors, 1,600+ hospitals and clinics including the country's top 6 hospitals: Asian Hospital Medical Center, St. Luke's Global City, St. Luke's QC, Makati Medical Center, The Medical City, and Cardinal Santos Medical Center.

E-ZY Pneumonia

The E-ZY Pneumonia Plan offers financial assistance to cover the high-cost of confinement due to Community-Acquired-Pneumonia (CAP) with Accidental Death and Dismemberment Benefit for you and your family members. Pneumonia due to COVID-19 is covered in this plan.

E-ZY Dengue

The E-ZY Dengue Plan offers financial assistance to cover the high-cost of Dengue-related hospital confinement with Accidental Death and Dismemberment Benefit for you and your family members.

To know more about any of Etiqa PH's products, please visit www.etiqa.com.ph or email @customeradvocacy@etiqa.com.ph

At Your Fingertips

Putting our customer's needs at the forefront, we have made our products available through a network of distribution channels including brokers, agents, online as well as business partners. Our products are sold both through person-to-person and online through our website.

SmilePH, our digital servicing app, is at the center of our omni-channel servicing model. The latest version of the app provides our group medical customers a more seamless experience. Today, our customers can conveniently view their policy benefits, request Letters of Guarantee (LOG), manage their dependent's policy, find accredited hospitals and doctors, and file medical reimbursement claims.

GET IT ON Google Play

Download on the App Store

Our Board of Directors

The Board of Etiqa Philippines comprises eight (8) members as of 31 December 2021, of whom four (4) are Non-Independent Non-Executive Directors, three (3) are Independent Non-Executive Directors, and one (1) Non-Independent Executive Director. The board committees are also chaired by Independent Non-Executive Directors.

ELGAP's Board held six (6) board meetings during the financial year ended 31 December 2021. All the directors, including the President and Chief Executive Officer attended all board meetings. All of the directors were also present in the Annual Shareholders' Meeting held on 16 March 2021.

Details of the meeting attendance by each of the directors for the financial year ended 31 December 2021 are as follows:

Directors	02/10/2021	03/16/2021	05/19/2021	06/18/2021	09/09/2021	11/22/2021	Total no. of meetings
Kamaludin Bin Ahmad	✔	✔	✔	✔	✔	✔	6
Lee Hin Sze	✔	✔	✔	✔	✔	✔	6
Rico Bautista	✔	✔	✔	✔	✔	✔	6
Manuel Tordesillas	✔	✔	✔	✔	✔	✔	6
Eulogio Mendoza	✔	✔	✔	✔	✔	✔	6
Ma. Victoria Viñas	✔	✔	✔	✔	✔	✔	6
Ricardo Nicanor Jacinto	✔	✔	✔	✔	✔	✔	6
Helen De Guzman						✔	1
TOTAL	7	7	7	7	7	8	

Note: Independent Director Helen De Guzman was elected as member of the Board on 15 October 2021.

Atty. Raul Hebron
Corporate Secretary

Atty. John Joseph Tamares
Assistant Corporate Secretary

Profiles of the Board of Directors

Kamaludin Bin Ahmad

Chairman of the Board
Non-Independent Non-Executive Director (NINED)

Date of Re-Election	:	16 March 2021
Board Meeting Attendance	:	6/6 (100%)
Date of Birth	:	19 August 1967
Citizenship	:	Malaysian

Mr. Kamaludin Ahmad was appointed as Chief Executive Officer (CEO) of Maybank Ageas Holdings Berhad and Group Chief Executive Officer of Insurance & Takaful, Maybank Group effective 1 December 2013.

He is responsible for driving and managing the overall strategy, profitability and growth of the Group's Insurance and Takaful business represented by Etiqa Group in Malaysia and ASEAN region. Aside from managing the life/family and general businesses, his teams also oversee the investment, commercial, corporate planning, risk management and IT decisions pertaining to the Insurance & Takaful operations.

Etiqa aspires to be the leading ASEAN insurer driven by its 2023 purpose statement, which is "To Make the World a Better Place", focusing in four focus areas: (i) Providing advice that puts the customer's interest first; (ii) Creating a Fast and Easy customer experience; (iii) Driving technology across the organization; and (iv) Keep only highly effective people.

Mr. Kamaludin joined Maybank Group as CEO of Etiqa Insurance Berhad on 4 June 2012 to drive Etiqa's conventional insurance business. Prior to joining Etiqa, he was with UEM Group as Head of Corporate Strategy and Performance. He was with AIG for 15 years where he left as Regional VP, Asia Pacific. He has worked with Bank Negara Malaysia, Securities Commission Malaysia and Am Investment Bank. Currently, he is also a Director of Etiqa Insurance Pte. Ltd. (incorporated in Singapore), Chairman of the Board of Commissioners of PT Asuransi Etiqa International Indonesia, Director for Etiqa General Insurance (Cambodia) Plc., and Chairman of Etiqa Life and General Assurance Philippines, Inc. (incorporated in the Philippines).

Lee Hin Sze

Vice Chairman of the Board
Non-Independent Non-Executive Director (NINED)

Date of Re-Election	:	16 March 2021
Board Meeting Attendance	:	6/6 (100%)
Date of Birth	:	18 January 1970
Citizenship	:	Malaysian

Mr. Lee Hin Sze is currently the Chief Financial Officer of Maybank Ageas Holding Berhad. Prior to his appointment, he was Head of Corporate Accounting for Maybank Ageas Holding Berhad (2015-2017) and Chief Financial Officer of Syarikat Takaful Malaysia Berhad (2011-2015). Currently, he sits on the Board of Etiqa Life Insurance (Cambodia) Plc, Etiqa Life and General Assurance Philippines, Inc., Etiqa Life International (L) Ltd and Etiqa Offshore Insurance (L) Ltd (both incorporated in Labuan, Malaysia).

He is also a member of the Malaysian Institute of Public Accountants since 1999 and the Malaysia Institute of Accountants since 2001.

Rico Bautista

Executive Director (ED)
President and Chief Executive Officer

Date of Re-Election	:	16 March 2021
Board Meeting Attendance	:	6/6 (100%)
Date of Birth	:	08 January 1973
Citizenship	:	Filipino

Mr. Rico Bautista is a veteran in the insurance industry in the Philippines and an accomplished Senior Executive who has more than 20 years of successful general management, business operations, sales management and business-building experience.

He is highly skilled in growing the business with emphasis on increasing new business accounts and decreasing the operational expense ratios. He has comprehensive knowledge in business strategies for the company to execute, and to implement improvement in business processes, particularly on sales and operations. He is a visionary and a passionate person. He comes forth as assertive, goal and people oriented, as well as a results and teamwork-oriented individual. He is naturally driven, pro-active and demonstrates strong planning qualities and follow-up skills.

His strengths include leadership and relationship building. He has an extensive experience in life insurance and bancassurance. As a leader, he is inclusive and believes in the importance of teamwork, cohesiveness, mentoring and coaching.

He was previously connected with BPI-Philam as Vice President for Segment Strategy and Customer Management, Philam Life as Vice President and Director of Agencies, PruLife UK as Vice President and Sales Director, Insular Life as Senior Assistant Vice President and Division Head, Regus Business Center as Area Director for Philippines and Indonesia, and Philam Plans as Vice President for Sales. He is a registered financial planner and a fellow of the Life Management Institute (LOMA). He completed his Bachelor of Arts major in Philosophy at the University of Santo Tomas (UST).

Manuel Tordesillas

Non-Independent Non-Executive Director (NINED)

Date of Re-Election	:	16 March 2021
Board Meeting Attendance	:	6/6 (100%)
Date of Birth	:	02 December 1952
Citizenship	:	Filipino

Mr. Manuel Tordesillas has over 35 years of experience in international and local investment banking. Over the last 13 years, he has led all of ATR KimEng's engagements in initial public offerings, private equity, debt placements and financial advisory services, including mergers and acquisitions, asset buybacks and corporate restructurings. Under his leadership, ATR KimEng was awarded "Best Domestic Equity House" by Finance Asia in 2008 and 2011, "Best Domestic Equity House" by The Asset in 2009 and "Best Domestic Equity House" by AsiaMoney in 2009.

His membership in Professional Societies include: President, Investment House Association of the Philippines (IHAP); Member of the Board of Advisors of De La Salle University College of Business and Economics. His professional record includes: President and Chief Executive Officer, ATR KimEng Financial Corp., Manila, Philippines. (1998 to Present); President and Chief Executive Officer, Peregrine Capital Philippines, Inc. (1995 to 1998); Executive Director – Corporate Finance, Head of Equity Capital Markets, Peregrine Capital Limited, Hong Kong. (1991 to 1995); Executive Director – Cross-Border Corporate Finance, Citicorp International Limited, Hong Kong. (1985-1991); Assistant Vice President, BPI International Finance Ltd., Hong Kong. (1982-1985); Senior Assistant Treasurer, Head of Equities and Bond Origination, Bancom Development Corp., Manila, Philippines. (1976-1980).

He completed his Masters of Business Administration in 1982 at the Harvard Business School and Bachelor of Science in Industrial Management Engineering (with Honors) at De La Salle University in 1975.

Eulogio Mendoza

Non-Independent Non-Executive Director (NINED)

Date of Re-Election	:	16 March 2021
Board Meeting Attendance	:	6/6 (100%)
Date of Birth	:	13 September 1948
Citizenship	:	Filipino

Mr. Eulogio Mendoza is currently the Chairman and President of the following companies: ATRKE Philippine Balanced Fund, Inc., ATRKE Equity Opportunity Fund, Inc., ATRKE Alpha Opportunity Fund, Inc., ATR KimEng AsiaPlus Recovery Fund, Inc., and ATR KimEng Total Return Bond Fund, Inc.

His professional record includes: President of Asianlife and General Assurance Corporation (now Etiqa Life and General Assurance Philippines, Inc.); Incorporator of PhilamCare Health Systems, Inc. (an AIG HMO), and member of the Board of Directors; Incorporator of Philam Plans, Inc. (an AIG Pre-need Company), and member of the Board of Directors; President and CEO of The Pan Philippine Life Insurance Corporation (now Philippine AXA Life); Vice-President of the Philippine American Life Insurance Company, Inc. (an AIG company) and President and CEO of GE Life Insurance Company and then ATR Professional Life Assurance Corporation. He was formerly President of Philippine Life Insurance Association (PLIA), an association of all life insurance companies in the Philippines.

He earned the title Fellow, Life Management Institute (FLMI) from the Life Office Management Administration (LOMA) and obtained his Master of Arts in Business Administration from the Ateneo Graduate School of Business. He earned both his Master of Arts in Philosophy as cum laude and Bachelor of Science in Philosophy also as cum laude from the University of Santo Tomas.

Ma. Victoria Viñas

Independent Non-Executive Director (INED)

Date of Re-Election	:	16 March 2021
Board Meeting Attendance	:	6/6 (100%)
Date of Birth	:	05 March 1954
Citizenship	:	Filipino

Ms. Ma. Victoria Viñas held directorships in Maybank ATRKE Capital and ATRKE Asset Management, Inc. An independent fund manager, she manages and advises various trust funds of high net worth individuals, institutions, foundations, non government organizations, religious orders, congregations, dioceses, and corporations.

She is currently Director & President of Anita Realty & Dev. Corp.; Director & Corporate Secretary of Quorum Int'l., Inc. (Toby's Sports); Director of Sports Resource, Inc.; Trustee of De La Salle Santiago Zobel School; Trustee of La Consolacion College Manila; and a Member of the Finance & Investments Committee of De La Salle Brothers, Inc. She was formerly from San Miguel Corporation where she was Senior Vice President for Corporate Finance/Retirement Funds.

Ms. Viñas earned her Bachelor of Arts degree in Economics, cum laude, from Maryknoll College. She attended Investment Management and Pension Funds & Money Management programs at the University of Pennsylvania Wharton Business School and Stock Market Dynamics at University of California-Berkeley.

Ricardo Nicanor Jacinto

Independent Non-Executive Director (INED)

Date of Re-Election	:	16 March 2021
Board Meeting Attendance	:	6/6 (100%)
Date of Birth	:	14 December 1960
Citizenship	:	Filipino

Mr. Ricardo Jacinto is the Vice-Chairman of SBS Philippines Corporation (a publicly-listed corporation) and also a director of its subsidiary, SBS Holdings and Enterprise Corporation. He is likewise an independent director of the Metro Retail Stores Group, Inc. and an executive director of the Torre Lorenzo Development Corporation. His previous directorships were at the Manila Water Corporation and the Socialized Housing Finance Corporation, a government owned and controlled corporation (GOCC).

As a trustee of the Institute of Corporate Directors, he is a highly-rated lecturer and facilitator for the directors' training seminars and strategic planning workshops that cater to the needs of publicly-listed companies, privately-held family firms and GOCCs. He is also the treasurer and trustee of the Judicial Reform Initiative, a non-profit corporation which advocates reforms in the judiciary with emphasis on its impact on business and the economy. He also worked at Bankers Trust Company (Manila OBU) and AB Capital and Investment Corporation. He served in various capacities at Ayala Corporation from 1997 to 2011; as Vice President for the Land and Community Development Group at Ayala Land, Inc. from 1997 to 2004, he is responsible for leading several expansion projects, overseeing the land acquisition and development of various high-end subdivisions such as Nuvali, Westgrove Heights, Paseo de Magallanes, Ayala Southvale and Ayala Heights. He recently joined the faculty of the MBA program of the University of the Philippines Virata School of Business in Bonifacio Global City as a lecturer.

He received a degree in Business Economics as magna cum laude from the University of the Philippines in 1982 and his Master's degree in Business Administration in 1986 from the Harvard Business School. He has continued his professional development by attending executive education courses at Harvard and IESE in Barcelona.

Helen De Guzman

Independent Non-Executive Director (INED)

Date of Re-Election	:	15 October 2021
Board Meeting Attendance	:	1/1 (100%)
Date of Birth	:	06 January 1958
Citizenship	:	Filipino

Ms. Helen De Guzman has more than 30 years of experience in managing risk-based internal audit activities and overseeing accounting, tax management and risk management functions. She has held various directorship positions in Miescor Builders, Inc., Customer Frontline Solutions, Inc., the Philippine Institute of Certified Public Accountants, Institute of Internal Auditors, Philippines, and the Asian Confederation of Institutes of Internal Auditors. She is a seasoned chief audit executive and a former external auditor. She has work experience in senior executive positions in comptrollership, treasury and general management in various companies, which include Metro, Inc., Computer Information System, Inc. and Carlos J. Valdes & Co. CPAs. From 1986-2018 she worked in various capacities at Manila Electric Company ("Meralco"); she was appointed as Chief Audit Executive (CAE) responsible for the performance of the audit activity from 2000-2008 and 2011-2018.

Currently, she is an Audit Committee advisor of the Peace and Equity Foundation Inc., board trustee of the Meralco Employees' Savings and Loan Association and a teaching Fellow and instructor of the Institute of Corporate Directors and the Institute of Internal Auditors Philippines, respectively. She is also an independent director of SBS Philippines Corporations and Chairperson of the Audit, Risk and Oversight and Related Party Transaction Committee.

Ms. De Guzman received a degree in Commerce major in Accountancy from the University of Santo Tomas in 1979. She obtained her Master's degree in Business Administration in 2001 from the Asian Institute of Management. She is a Certified Public Accountant, Certified Internal Auditor and has a global certification on risk management assurance.

The Board Committees

To aid in complying with the principles of good corporate governance, the Board constituted the following Committees:

Audit Committee of the Board (ACB)

The ACB exercises oversight over the company's financial reporting, internal control system, and internal and external audit processes. The ACB is responsible for overseeing the senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

The committee is composed of three (3) members: one (1) Non-Executive Director and two (2) Independent Non-Executive Directors, including the Chairperson. All members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. Membership composition of ACB as at 31 December 2021 is as follows:

Chairperson: Ma. Victoria Viñas (INED)

Members:
- Ricardo Nicanor Jacinto (INED)
- Lee Hin Sze (NINED)

ELGAP's Audit Committee held five (5) meetings in 2021. The Chairperson of the committee and the committee members were all present on the dates of the board committee meetings.

Directors	02/10/ 2021	03/09/ 2021	06/11/ 2021	09/02/ 2021	11/15/ 2021	Total no. of meetings
Ma. Victoria Viñas (Chairperson)	✔	✔	✔	✔	✔	5
Ricardo Nicanor Jacinto	✔	✔	✔	✔	✔	5
Lee Hin Sze	✔	✔	✔	✔	✔	5
TOTAL	3	3	3	3	3	

Corporate Governance Committee (CGC)

The CGC is tasked to assist the board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee. The CGC is likewise tasked to ensure compliance with and proper observance of corporate governance principles and practices.

The committee is composed of three (3) members: one (1) Non-Executive Director and two (2) Independent Non-Executive Directors, including the Chairperson. Membership composition of CGC as at 31 December 2021 is as follows:

Chairperson: Ricardo Nicanor Jacinto (INED)

Members:
- Ma. Victoria Viñas (INED)
- Lee Hin Sze (NINED)

ELGAP's Corporate Governance Committee held five (5) meetings in 2021. The Chairperson of the committee and the committee members were all present on the dates of the board committee meetings.

Directors	04/14/ 2021	06/11/ 2021	06/29/ 2021	07/28/ 2021	07/30/ 2021	09/01/ 2021	Total no. of meetings
Ricardo Nicanor Jacinto (Chairperson)	✔	✔	✔	✔	✔	✔	6
Ma. Victoria Viñas	✔	✔	✔	✔	✔	✔	6
Lee Hin Sze	✔	✔	✔	✔	✔	✔	6
TOTAL	3	3	3	3	3	3	

Related Party Transactions Committee (RPTC)

The RPTC is primarily tasked with reviewing all material related party transactions of the company. The Committee is composed of three (3) members: one (1) Non-Executive Director and two (2) Independent Non-Executive Directors, including the Chairperson. Membership composition of RPTC as at 31 December 2021 is as follows:

Chairperson: Ricardo Nicanor Jacinto (INED)

Members:
- Ma. Victoria Viñas (INED)
- Lee Hin Sze (NINED)

ELGAP's Related Party Transactions Committee held one (1) meeting in 2021. The Chairperson of the committee and the committee members were all present on the date of the board committee meeting.

Directors	04/14/ 2021	Total no. of meetings
Ricardo Nicanor Jacinto (Chairperson)	✔	1
Ma. Victoria Viñas	✔	1
Lee Hin Sze	✔	1
TOTAL	3	

Board Risk and Compliance Oversight Committee (BRCOC)

The BRCOC is primarily responsible for overseeing the company's Enterprise Risk Management system to ensure its functionality and effectiveness. It also oversees the implementation of the Compliance Framework and provides guidance for the company's execution of the programs, actions and activities.

Enterprise Risk Management is integral to an effective corporate governance process and the achievement of a company's value creation objectives. Thus, the BRCOC has the responsibility to assist the board in ensuring that there is an effective and integrated risk management process in place. With an integrated approach, the board and top management will be in a confident position to make well-informed decisions, having taken into consideration risks related to significant business activities, plans and opportunities.

The Compliance Framework and Program is designed to address the growing need to assess the company's level of compliance with certain pre-identified regulatory requirements and submission to local and foreign regulators.

The committee is composed of four (4) members: one (1) Non-Executive Director and three (3) Independent Non-Executive Directors, including the Chairperson. Membership composition of BRCOC as at 31 December 2021 is as follows:

Chairperson: Helen De Guzman (INED)

Members:
- Ma. Victoria Viñas (INED)
- Ricardo Nicanor Jacinto (INED)
- Lee Hin Sze (NINED)

ELGAP's Board Risk and Compliance Oversight Committee held one (1) meeting in 2021. The Chairperson of the committee and the committee members were all present on the date of the board committee meeting.

Directors	12/07/ 2021	Total no. of meetings
Helen De Guzman (Chairperson)	✔	1
Ma. Victoria Viñas	✔	1
Ricardo Nicanor Jacinto	✔	1
Lee Hin Sze	✔	1
TOTAL	4	

We Are Reliable

Corporate Governance

An Overview Statement

In compliance with the Code of Corporate Governance, ELGAP strengthens its culture of integrity, trust, and sustainability through a commitment to ensure transparency and accountability, give the utmost fair benefit to its stakeholders and other related parties, and enhance its competitive advantage.

CORPORATE GOVERNANCE PRACTICES UNDER THE CODE

This Corporate Governance Overview Statement sets out a summary of Etiqa Philippines' corporate governance practices during FY2021. As of 31 December 2021, Etiqa Philippines has applied all recommended practices in the Revised Code of Corporate Governance for Insurance Commission Regulated Companies (IC-Circular Letter No. 2020-71) save for Recommendation 8.4 about disclosure of individual remuneration of directors and executives and Recommendation 13.4 concerning alternative dispute mechanism to resolve intra-corporate disputes.

The application of each practice in the Revised Code of Corporate Governance is disclosed in Etiqa Philippines' Annual Corporate Governance Report (ACGR), which is available on Etiqa Philippines' corporate website at

www.etiqa.com.ph/corporate-governance.aspx.

BOARD LEADERSHIP AND EFFECTIVENESS

The Role of the Board

The business and affairs of the company are managed under the direction and oversight of its board. The board is also responsible for approving and periodically reviewing and approving the overall strategies, business, organization, and its significant policies premised on sustainability. They promote ethical conduct in business dealings, understand the significant risks faced by the company, set acceptable levels of risk taking, and ensure that senior management takes the steps necessary to identify, measure, monitor and control these risks. The board also sets the company's core values and adopts proper standards to ensure that the company operates with integrity and complies with the relevant rules and regulations. It also approves the organizational structure and ensures that senior management monitors the effectiveness of the internal control system. A description of the roles and responsibilities of the board can be found in our Board Charter, which is available on Etiqa Philippines' corporate website at

www.etiqa.com.ph/corporate-governance.aspx.

The company has a Code of Ethics and Conduct Policy that sets out sound principles and standards of good practice in the insurance industry that will guide all its employees in discharging their duties. Aside from the standards, the Code also includes specific clauses that will apply to employees even after they have ceased employment with the company.

The board also has a formal schedule of matters specifically reserved for its decision, details of which can also be found in our Board Charter, which is available on Etiqa Philippines' corporate website at **www.etiqa.com.ph/corporate-governance.aspx.**

Board Size, Composition and Diversity

As at 31 December 2021, the board increased the number of its members to eight (8) following the appointment of Ms. Helen T. De Guzman as an Independent Non-Executive Director on 15 October 2021. The decision was made in compliance with the recommendation under the IC-issued Revised Code of Corporate Governance to set up a separate Board Risk Oversight Committee ("BROC"), which must be chaired by an independent director who is not a chairman of any other board committees. In the course of identifying experienced, qualified, and fit-for-purpose candidates, the Corporate Governance Committee (CGC) approached several external sources, including the Institute of Corporate Directors (ICD). To guide the selection of potential candidates, the "Must-Have" skill set, which had been identified by the CGC, was shared with aforesaid external sources. Ms. De Guzman's appointment strengthens the board's composition of INEDs from 28.6% to 37.5%.

The Board seats:

- Executive Director (ED) - 12.5%
- Independent Non-Executive Directors (INEDs) – 37.5%
- Non-Independent Non-Executive Directors (NINEDs) – 50%

The company's President and Chief Executive Officer (PCEO) is the only ED on the board. At the same time, the four (2) NINEDs are nominees of Maybank Kim Eng Capital Inc. (formerly Maybank ATR Kim Eng Capital Partners, Inc.) and Etiqa International Holdings Sdn Bhd. The board is committed to maintaining diversity and inclusion in its composition and decision-making process. In this regard, it considers variety from several different aspects, including gender, age, cultural and educational background, nationality, professional experience, skills, knowledge, and length of service.

As at 31 December 2021, women directors represented 25% of board members. Two foreign nationals on the board (25%), Mr. Kamaludin Bin Ahmad and Mr. Lee Hin Sze are Malaysians and nominees of Etiqa International Holdings Sdn Bhd.

Separation of Roles of the Chairman, and the President and Chief Executive Officer (PCEO)

The roles and responsibilities of the Chairman and the PCEO are separated by a clear division of responsibilities defined and approved by the board in line with best practices to ensure the appropriate supervision of management. This distinction allows for a better understanding and distribution of jurisdictional responsibilities and accountabilities. The clear hierarchical structure with its focused approach facilitates efficiency and expedites informed decision-making.

Board Effectiveness Evaluation (BEE)

The effectiveness of the board is vital to the success of the company. The board conducts its first-ever rigorous evaluation process for FY2021 to assess the performance of the board, the board committees and each individual board member. In compliance with the IC-issued Revised Code of Corporate Governance, the BEE will be conducted by an independent firm of consultants once every three years starting 2023. The BEE for FY2021 was conducted internally (with the assistance of the local Corporate Secretarial Department) via online questionnaires to evaluate the effectiveness of the board and the board committees and the performance, personality and quality aspects of individual directors as well as independence of INEDs.

Considering the M25 Plan of the Maybank Group, the questionnaire was supplemented with assessments on conflict of interest, ESG priority topics and training.

The overall results of the BEE conducted for FY2021 were positive, with all evaluated areas rated as either "strong" or "satisfactory," reflecting strong performance by the board and the board committees.

Our identified key strengths:

- Collegiality in decision-making and openness to ideas
- Diversity in age, background, skills and experience of directors
- Benefit of a regional perspective and the access to best practices from other countries
- Financial and non-financial reporting
- Communication between ELGAP and regulators
- Managing Conflicts of Interest
- Board interaction and communication with Management
- Business Conduct
- Effectiveness in Managing Group Health Insurance Business

The Board also identified the following key areas for enhancement:

- Technology and Digitalization
- Environment, Social and Governance (ESG) Training
- Sustainability Strategies, priorities and targets
- Progress against the achievement of sustainability targets
- Setting KPIs for the Management
- Communication with ELGAP's stakeholders
- Directors Learning and Development Programme
- Driving culture of compliance and ethics
- Crisis and business-continuity management
- Board meeting documents
- Manual Processes

Directors' Training

The board acknowledges the importance of continuing education for the directors to ensure they are well equipped with the necessary skills and knowledge to perform their duties and meet the board's challenges. During FY2021, all the board members attended various training programs and workshops on issues relevant to the Maybank Group, including a tailor-made ESG program conducted by an international independent academic institution.

As for the BEE for FY2021, the following critical training needs of directors were identified as follows:

- Global Financial Markets
- Trends & Developments
- Managing External Fund Managers
- Deep-dive on Risk Management Metrics
- Environment, Social and Governance (ESG) Initiatives

Onboarding Programme

A comprehensive induction program has been established to ease new directors into their role and assist them in understanding the company's business strategy and operations. New directors must attend the on-boarding program as soon as possible once they have been appointed. Typically, the program includes intensive sessions with the PCEO, wherein the new directors will be briefed and updated on business operations and challenges and issues the company faces. During FY2021, Ms. Helen T. De Guzman participated in the induction program via video conferencing.

Directors' Remuneration

The Maybank Group Nomination and Remuneration Committee (NRC) is authorized by the Maybank Board to develop and implement formal and transparent procedures in developing Maybank and all subsidiaries' remuneration policy for its directors by ensuring that their compensation is competitive and consistent with industry standards. The group NRC has established a remuneration framework for the NEDs (NED Remuneration Framework), subject to periodic review.

In line with this principle, a Board Remuneration Review (BRR) is conducted annually and periodically with the assistance of an independent international firm of consultants. Since the Maybank Board had appointed an independent firm of consultants to conduct the BRR for FY2020, the BRR for FY2021 was conducted internally (with the assistance of the local Corporate Secretarial Department).

The main objective of the internal BRR was to verify and refresh the data provided by said consultants and to assess whether the NEDs' remuneration is still competitive.

Under the BRR undertaken, the Maybank Board found that the structure and level of fees and benefits accorded to the Chairman and NEDs of Etiqa Philippines are aligned to the lower market quartile. After reviewing the findings of the BRR, the Maybank Board has recommended increasing the board and board committee fees by 30% to align with the market median. The recommendation was endorsed for the approval of the stockholders of Etiqa Philippines in the next Annual Shareholder's Meeting in 2022.

The total annual compensation of directors for FY2021 amounted to PhP3,242,000.00.

Remuneration Policy for the CEO

An annual review of the remuneration of the PCEO, both fixed and variable, is submitted to the Corporate Governance Committee for the board's recommendation and approval.

EFFECTIVE AUDIT AND RISK MANAGEMENT

Internal Controls and Risk Management

The company has a comprehensive system of internal controls designed to ensure that risks are mitigated, and the company's objectives are attained. The board recognizes its duty to present a fair, balanced, and understandable assessment of the company's position and prospects. It is accountable for reviewing and approving the effectiveness of internal controls operated by the company, including financial, operational and compliance controls and risk management. The board also acknowledges its responsibility in respect of the company's risk management process and system of internal control and oversees the activities of the external auditors and the risk management function, which have been delegated to the Audit Committee of the Board (ACB), and Board Risk and Compliance Oversight Committee (BRCOC).

STAKEHOLDER ENGAGEMENTS

Annual Stockholders' Meeting (ASM)

The ASM is a primary platform for two-way interaction between shareholders and the board with the support of its senior management. Given the prolonged COVID-19 pandemic and the restrictions the Government of the Philippines issued, the FY2021 Annual Stockholders' Meeting was conducted virtually on 16 March 2021. The meeting was attended by 10 out of 12 shareholders through video conferencing.

During the 2021 ASM, the PCEO gave separate presentations to shareholders on various topics, including the company's FY2020 financial and business performance. All questions raised by shareholders before and during the meeting were shared with the shareholders during the virtual ASM.

The notice of the 2021 ASM was dispatched to shareholders not less than twenty-one (21) days before the ASM. At that ASM, voting on each resolution was undertaken through e-polling, and the poll results were immediately announced and have since been made available on Etiqa Philippines' corporate website. The Minutes of the ASM was published on Etiqa Philippines' corporate website at **www.etiqa.com.ph/corporate-governance.aspx.**

Website

Etiqa Philippines' corporate website **www.etiqa.com.ph** provides a brief description of its history, current operations and strategy and an archive of news and historical financial information about the company.

We Are Committed

Our Management Team

Our senior management team is working diligently to ensure that our commitment to manage and deliver value to our shareholders is achieved.

Rico Bautista
President & CEO

Manuel Tordesillas
Senior Advisor

Modesta Mammuad
Senior Advisor

Manuel Alfonso
Senior Advisor

James Patrick Bonus
Executive Vice President
& Chief Financial Officer
Finance

Atty. Raul Hebron
Executive Vice President
Corporate Secretary & General Counsel

Glenn Warren Navea
Executive Vice President
Group & General Insurance

Marcelino Dailo Jr.
Senior Vice President
Retail Insurance

Rogelio Sotelo
Senior Vice President
Group Insurance

Ariel Meneses
Senior Vice President
Operations Service & Excellence

Roman Doydora Jr.
Senior Vice President
Information Technology

Hazel Francisca Don
First Vice President
Human Capital

Christian Joseph Legaspi
Vice President
Digital Transformation

Gladys Pascual
Vice President
Strategy and Transformation

Dra. Ma. Luisa Mamaril
Vice President
Medical Operations

Manuel Jose Tordesillas II
Senior Assistant Vice President
E-Channel

Snapshot of Etiqa Workforce

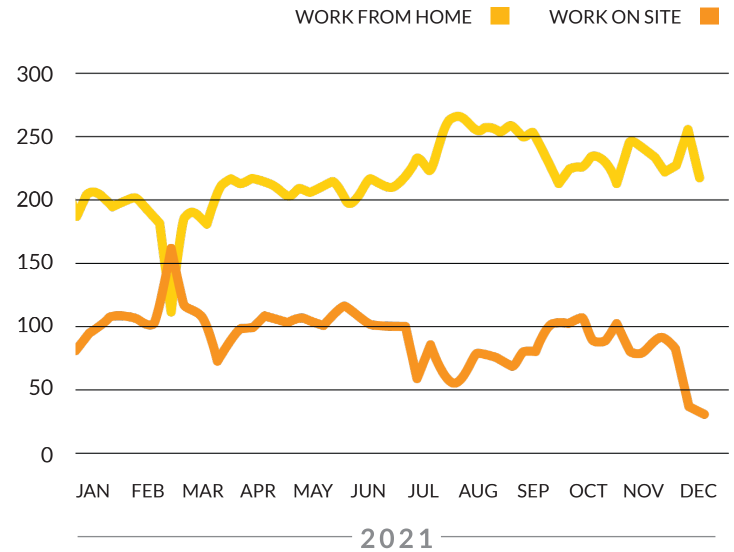
December 2021 Headcount:

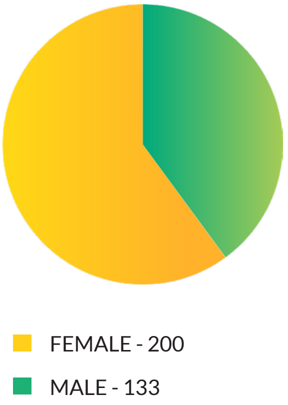
333

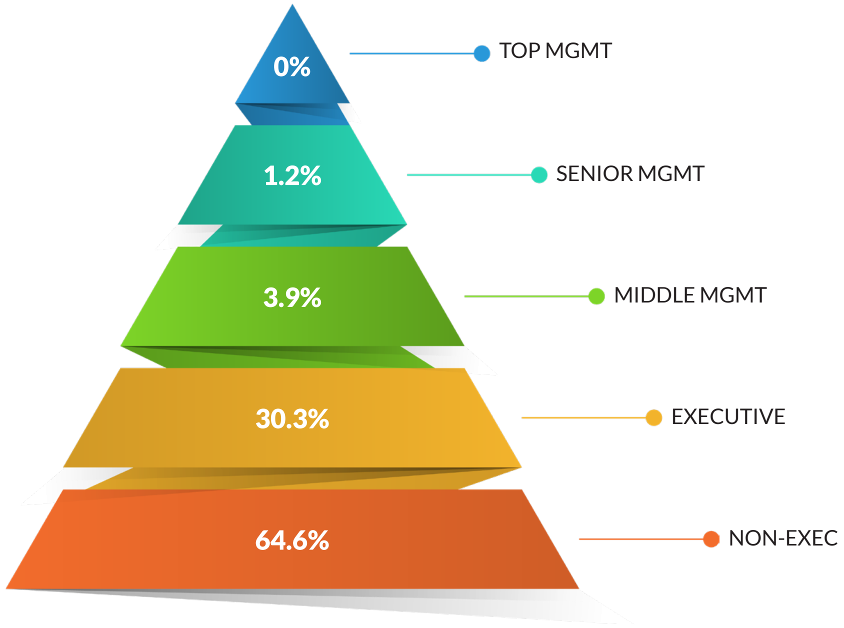
Job Type

Job type distribution within Etiqa Philippines

Front Office	Middle Office	Back Office
15%	42%	44%







Overall Etiqa Philippines

We Keep Learning

Our Training Programs

The real movers and shakers of Etiqa Philippines are its human resources. Capitalizing on our greatest asset, our people, we invested in various learning programs to ensure that everyone working behind every insurance policy is competent, proactive and performing par excellence.

We apply the 70:20:10 approach that translates into 70% experiential development, 20% network support and 10% formal learning to maximize potential from the leaders down to the employees.

Training at every level is available focusing on technical, personal, managerial and leadership competencies. Certifications and training, workshops and eLearning courses are an integral part of our employee upskilling programs.

We value learning from each other through our coaching, mentoring, senior management engagement, special projects and International Assignment programs. We offer Life Office Management Association (LOMA), Society of Actuaries (SOA), Maybank's Learning Never Stops (LNS) and Harvard Manage Mentor (HMM) and more.

Overall human resources development is actualized through the various learning tools that we offer all year-round.

We Care

Our Health, Safety and Welfare Policy

Etiqa Philippines genuinely cares for both our external and internal stakeholders. We put a premium on the safety, health and welfare of our people ensuring that everyone's well-being is taken care of.

Initiatives are in place to show our commitment to look after the wellness of our employees particularly during the COVID-19 pandemic.

- Saliva Tests are distributed every two weeks to ensure safety in the office.
- Transportation is made available for those who are reporting on site especially during the lockdown.
- Vaccination on flu and pneumonia, COVID-19 vaccine and booster shots are provided for the employees and their dependents.
- Webinars are offered on topics about mental health and other medical issues.
- Leave of absence for COVID-19 vaccine and booster shots are unrecorded.
- A Wellness Leave is given to all employees to recharge for a day.
- No Zoom Fridays have been effected for work-life balance.
- Mobile Workforce Arrangement (MWFA) or Work-From-Home is offered as an option to all employees.

We Value Our People

Our Rewards and Compensation Policy

To drive positive outcomes and deliver business targets, we aligned with Maybank Group's "Reward Right" principles for our Total Rewards framework.

- **Base Pay + Guaranteed Bonuses**

  We give guaranteed bonuses on top of their base pay.

- **Variable Bonus**

  We compensate achievements with a non-fixed monetary reward.

- **Long Term Incentive Plan**

  We honor loyalty through our Employees' Share Grant Program for people who have stayed with us long-term and contributed to the company's growth.

- **Benefits and Allowances**

  We provide our employees with financial protection, Group Life, Group Hospitalization, medical and dental reimbursement, Retirement Benefit, annual leaves, paid-time-off, long term service awards, work life balance, and more.

- **Development, Mentoring, Cross Postings, Career Opportunities and International Assignments**

  We offer opportunities for employees to grow in their careers across our different businesses and geography.

We Comply with the Law

Our Compliance Policies

Anti-Bribery and Corruption Policy

Etiqa Philippines strongly advocates international trade and investment, and the growth of local and global economies. We have in place a Compliance Department that mitigates the occurrence of reputational and financial risks that may arise from supporting our advocacies.

We are committed to comply with RA 3019 "Anti-Graft and Corrupt Practices Act" in the country and the other anti- bribery and corruption laws in countries where Etiqa is present. It establishes the principles that govern our conduct and strengthens our obligation to act honestly in all business dealings.

Our Compliance Department created a policy that reprehends the giving and receiving of gifts, money or anything of value that might directly or indirectly influence decisions and actions in favor of the giver or receiver whether they are agents, employees or in the management level.

Whistleblowing Policy

Our organization is committed to the highest standard of ethics and integrity in conducting its business and operations. We encourage our people to act honestly and fairly fostering respect and safety.

The policy we have established ensures that a secured avenue for our employees and the public is available for disclosures on any misconduct by our members or representatives. By immediately escalating breaches in conduct we are able to deliver fair and exceptional service to all our stakeholders. We assure that concerns of this nature are handled with utmost respect for privacy, confidentiality and professionalism.

Get in touch with us through the following hotlines:

Whistleblowing	Decorum and Investigation of Sexual Harassment	
Call: 0915-1634147	Email: rpbariuan@etiqa.com.ph	Call: 09153784343

Atty. Roselle Perez-Bariuan
Vice President
Compliance

We Are Fair and Transparent

Our Procurement Process Policy

Our Procurement Process is aligned with that of our parent company, Malayan Banking Berhad (MBB) and embodied in ELGAP's Procurement Manual.

The Procurement Manual is designed to streamline the procurement functions within the company.

Key objectives:

- to provide standard guidelines on good management practices expected in the procurement process and procedures, and
- to procure high quality goods and services as economically as possible and support the organization's need for a diverse and globally competitive supply base.

It governs all our procurement activities vital to our operation and is to be adhered by all business units procuring within ELGAP.

Our Procurement Process involves the following steps:

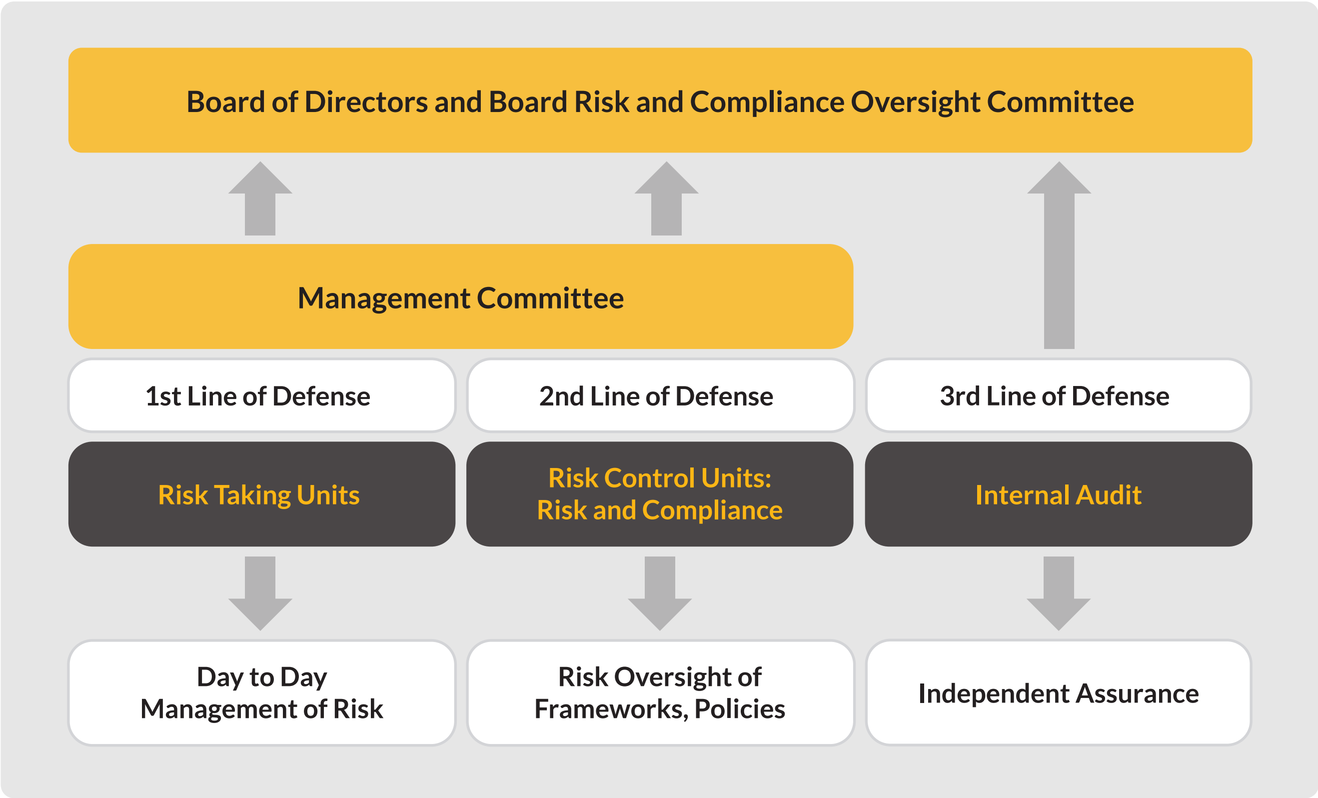
1. Selection of vendors
2. Establishing payment terms
3. Strategic vetting and selection
4. Negotiation of contracts
5. Actual purchasing
6. Delivery of goods and/or services

We Are Diligent

Our Risk Management Framework

Etiqa Philippines is guided by an Enterprise Risk Management (ERM) Framework intended to institutionalize vigilance and awareness of the management of risk within its people, processes and technology projects. It is weighed on the principles of: Risk Appetite, Capital Management, Governance and Oversight, Risk Culture, Adequate Risk Frameworks and Policies, Risk Management Practices and Processes & Sufficient Resources and System Infrastructure.

Based on the ERM Framework, our governance model places accountability and ownership on the risk taking units, risk control units and internal audit.



Our risk culture firmly fortifies our risk governance structure that forms a fundamental tenet of sound risk management that can withstand evolving economic and regulatory landscapes.

Identified Key Risks in 2021

1. Impact of COVID-19 on occupational health and safety in operations, service delivery and claims performance.
2. Mounting global threats on cyber security and data privacy.
3. Business approach adjustments due to hybrid workforce and shifts in customer preferences.
4. Technology and operational risks from digital transformation
5. Regulatory changes that may substantially impact our strategy

Our Risk Control Measures

Strengthening Governance and Oversight

Etiqa Philippines' Board of Directors (BOD) is the governing body that has overall risk oversight assisted by the Management Committee for Risk and Compliance (MCRC) that has supervisory tasks, internal control and monitoring responsibilities on our risk profile and risk appetite.

We instituted a Board Risk and Compliance Oversight Committee (BRCOC) to advise on risk topics that include limits, exposures and methodologies. Management level committees were formed to monitor the different risk categories so that preventive actions are executed in a timely manner.

Enhanced Incident Reporting, Monitoring and Resolution

An Incident Management and Data Collection Procedure (IMDC) was set up to implement a structured process to collate reports on operational risk episodes from detection to resolution. For learning purposes, the procedures and reporting tools can be accessed anytime. This process has set turnaround times for reporting and resolution that highly improves effectiveness in control mitigations to minimize future operational losses.

A Business Continuity Plan test is always conducted on schedule to guarantee that our systems are able to respond and recover from a crisis. We have webinars and monthly meetings to communicate crisis-related action plans.

Proactive Risk Profiling

The Risk Control and Self-Assessment (RCSA) and the Business Impact Analysis (BIA) is our conscious self-assessment of enterprise risks. They perform a regular assessment, monitoring and reporting of risks for our first and second line business units.

Comprehensive management of risks from third-party service providers

A comprehensive risk-based approach is established in selecting our partners or Third-party services to enable us to cater, adapt and grow with our customers. We have a policy in place that outlines the roles of each functional unit in the organization to improve the implementation of our outsourcing procedures and institutes requirements that will aid in determining a Third-party's effectiveness.

Zero tolerance to Data Breaches and Cyber Attempts

As part of our enterprise-wide cyber security testing and backend controls, our employees undergo regular training on correct cyber and digital practices. Our cyber risk management is owned by all functional units across the organization. We have successfully rolled out policies, procedures and infrastructure that further promotes zero-tolerance to data breach in 2021.

Soleil Baria
Senior Manager
Risk

We Are Responsible

Our Objective and Independent Internal Audit

The eyes and ears of the Audit Committee Board (ACB) is the ELGAP Internal Audit. It undertakes to examine and evaluate the adequacy of the operations and internal control systems.

The Head of Internal Audit (HIA) oversees the internal audit activities and reports functionally to the ACB and administratively to the President Chief Executive Officer (PCEO). It provides an independent internal audit function that is governed by adherence to the ELGAP Code of Ethics and the Institute of Internal Auditors' mandatory guidance including the following:

- The Core Principles for the Professional Practice of Internal Auditing;
- The Definition of Internal Auditing
- The Code of Ethics (COE) and;
- The International Standards for the Professional Practice of Internal Auditing (Standards).

The Internal Audit annually develops a risk-based Annual Audit Plan (AAP) that considers the company's business expansion plans, inputs from the Senior Management and the ACB. This strategy ensures that the AAP remains relevant. Changes are made timely in quick response to requests from regulators, the ACB and the Management due to rapid changes in the business environment.

Corresponding improvement and recommendations are provided on significant risks and non-compliances that have an impact on our organization's internal processes. The Management carries out the responsibility in applying prompt, adequate and effective remedial actions to control weaknesses within a committed timeline and the Internal Audit keeps track and monitors rectification of each action item.

Jelly Riza Ala
Assistant Vice President
Internal Audit

We Are Involved

Our Environment, Social and Governance Programme

To contribute to the United Nations' Sustainable Development Goals (UNSDG), Etiqa Philippines aligned with Etiqa Groups' four core dimensions that address its Environment, Social and Governance (ESG) Programme in the Insurer's aspect namely Internal & Social (VBI), Supplier, Investment and lastly Underwriting/Clients. This allows us to address key sustainability issues in managing our business related to climate, environment, community & financial resilience.

Our Digital Transformation Initiative

We encourage everyone in the organization to be mindful of our environment by lessening if not totally eliminating waste. This is our call to action on our ESG Programme on Environment resulting in expanding our practice of converting more traditional paper-based forms to digital formats and having these available for online access in our website and shared folders, as well as circulation of monthly ESG Digest Issue.

We Pay it Forward

Etiqa Cares, Our Corporate Social Responsibility Programme

It has been an integral part of Etiqa Cares to continuously give back to society and help those in need. Since 2007, our projects and initiatives are aimed at uplifting the lives of underprivileged individuals, families, and communities across the region.

We, at Etiqa Philippines have been proactively getting involved in civic, social and environmental relevant activities that will leave a significant, positive and long-term footprint to the lives of the people we touch.

Our Corporate Social Responsibility Programme (CSR) initiatives support the UN Sustainable Development Goal (UNSDG) across four pillars.

- Quality Education
- Clean Water & Sanitation
- Good Health & Well-being
- Sustainable Cities & Communities

Our COVID-19 Initiative

To show our commitment to advocate our CSR Programme on Good Health and Well-being under Etiqa Cares, we undertook the daunting task of being present in the lives of our frontliners during the COVID-19 pandemic. We recognized the heroic acts our police force and health workers face everyday to be able to serve our countrymen, and we stepped-up to meet their courageous efforts.

Etiqa Cares worked on this initiative in 2020 by delivering 5,700 complete sets of personal protective equipment (PPEs) worth P5 million to more than 14 major partner hospitals. From April 24 until May 6th, 2020, the PPE sets were received by more than 14 major hospitals such as The Medical City, St. Luke's Medical Center in both Quezon City and Taguig, Our Lady of Lourdes Hospital, Makati Medical Center, The Asian Hospital and Medical Center, Lung Center of the Philippines, Cardinal Santos Medical Center and ManilaMed.

Carrying this through for our pandemic heroes, we gave out to 28,000 men and women of the Philippine National Police National Capital Region Police Office (PNP NCRPO) free six-months medical coverage for pneumonia-related hospitalization expenses, including those caused by COVID-19. The plan covers up to P50,000 worth of room/ board and general hospital services and up to P10,000 accidental death and dismemberment benefits to the insured. This amounted to P2.8 million worth of insurance costs.

We were cited for these drives and were proudly awarded by the Insurance Asia Awards two years in a row, the CSR Initiative of the Year Award in 2020. And, the Covid Management Initiative - Philippines Award for 2021.

Our 2021 Business Highlights

- **Launched "Go Unified"**
  Communication Campaign
- **Won Insurance Asia Awards 2021**
  for Covid Management Initiative-Philippines
- **Introduced two new products**
  Prosperity Tree and MyLife+
- **Unveiled a Human-Centered Transformation**
  Program towards Agility
- **Commenced 5-Year**
  Digital Transformation Roadmap
- **Released SMILE PH version 2.0**
  with more servicing features
- **Expanded Medical Network**
  now with 30,000+ partners nationwide
- **Sustained Year Round Wellness Program**
  for Employees and Partners

We Achieve Goals

Our 2021 Financial Highlights

While the year 2021 posed many challenges across industries and economies, Etiqa Philippines' yielded a resolute and purposeful performance for our shareholders.

Our resilience, proactive planning, and agility cushioned the impact of the COVID-19 pandemic and made us exceed our full year 2021 targets and achieve top line growth compared to 2020.

Line of Business	2017	2018	2019	2020	2021
Variable Life	60.37	111.06	1,210.94	1,103.01	1,153.65
Ordinary & Group Life	219.90	323.10	339.64	353.47	443.33
Health & Accident	2,433.13	2,600.92	3,147.19	3,188.66	3,483.77
Non-Life	11.85	56.57	77.24	143.41	184.40
TOTAL PREMIUM INCOME*	**2,725.25**	**3,091.66**	**4,775.01**	**4,788.55**	**5,265.15**

**Direct, excluding reinsurance. Based on Annual Statements submitted to the Insurance Commission*

	2018	2019	2020	2021
Risk Based Capital 2 (Capital Adequacy Ratio) - Composite	636%	505%	476%	353%
LIFE	429%	353%	344%	281%
NONLIFE	1816%	1689%	886%	594%

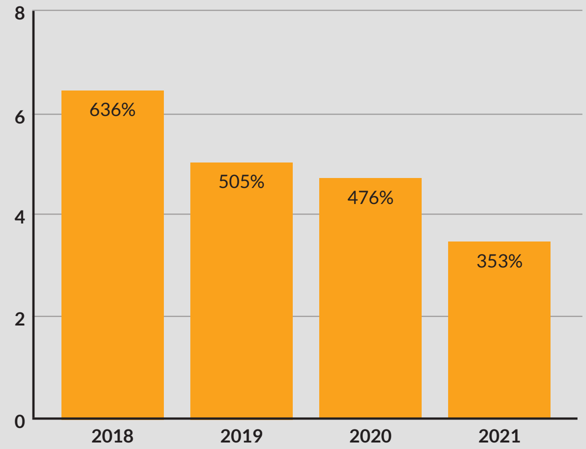
	2017	2018	2019	2020	2021
TOTAL ASSETS	**2,778.64**	**3,477.70**	**5,295.40**	**7,428.07**	**8,779.43**

	2017	2018	2019	2020	2021
TOTAL EQUITY	**1,499.61**	**1,677.78**	**1,938.22**	**2,359.87**	**2,560.32**

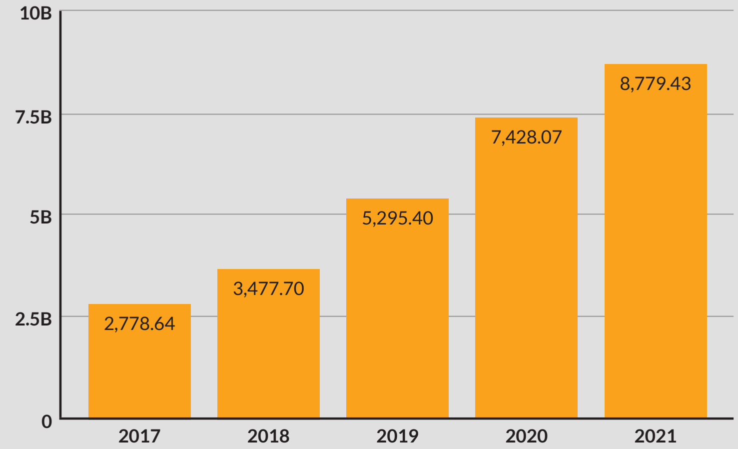
	2017	2018	2019	2020	2021
NET INCOME	**175.63**	**225.26**	**217.06**	**425.13**	**218.17**

***Based on audited financial statements*

Capital Adequacy Ratio

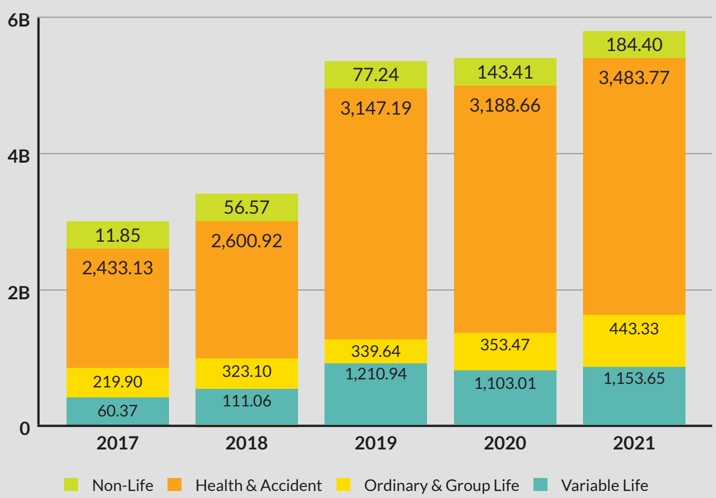


Total Assets (PhP Million)

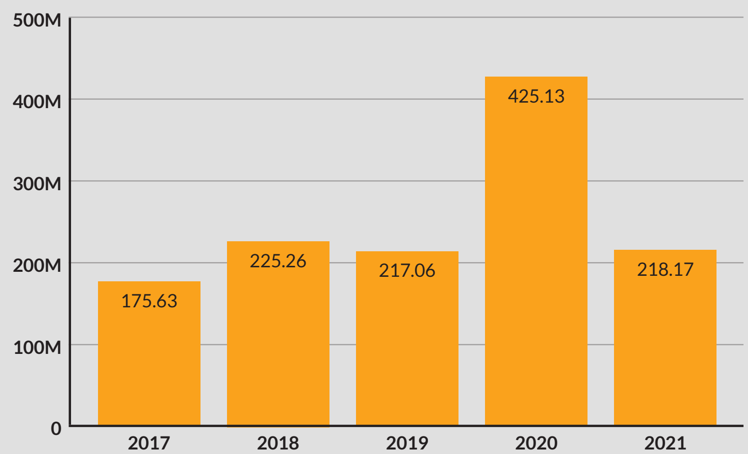


The declining Capital Adequacy Ratio is due to an increase in Risk-Based Capital (RBC) requirements, mainly driven by higher insurance Liability Risk from the growing retail insurance business of Etiqa Philippines.

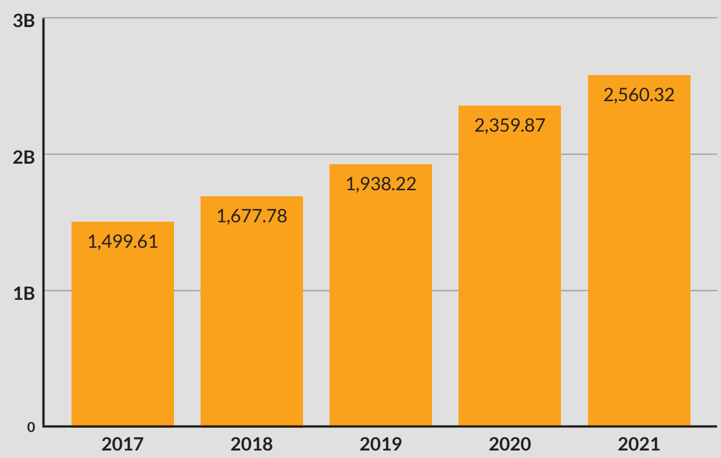
Premium Income (PhP Million)



Net Income (PhP Million)



Total Net Worth (PhP Million)



Etiqa Philippines:

Etiqa Philippines, as approved by its shareholders and management, engaged the services of SGV & Co., a member of Ernst and Young International, as its External Auditor for the audit year 2021. For the past few years and for the year 2021, the Company has not received a qualified, adverse or disclaimer of opinion in the audit of SGV & Co.Php 2 million in audit fees were paid in 2021, exclusive of out-of-pocket expenses and 12% value added tax. A total of Php 260k were paid for non-audit activities.

2021 Audited Financial Statements

Etiqa Life and General Assurance Philippines, Inc.

Financial Statements
December 31, 2021 and 2020

and

Independent Auditor's Report

Building a better
working world

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Etiqa Life and General Assurance Philippines, Inc.

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 31 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Etiqa Life and General Assurance Philippines, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos, Jr.

Miguel U. Ballelos, Jr.
Partner
CPA Certificate No. 109950
Tax Identification No. 241-031-088
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 1566-AR-1 (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-114-2022, January 20, 2022, valid until January 19, 2025
PTR No. 8853488, January 3, 2022, Makati City

February 18, 2022

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Cash and cash equivalents - net (Notes 6, 26 and 27)	**₱1,380,809,068**	₱1,791,838,486
Insurance receivables - net (Notes 7 and 27)	**872,401,840**	726,377,647
Reinsurance assets (Note 7)	**162,813,410**	74,384,843
Financial assets (Notes 8 and 27)		
At fair value through profit or loss (FVTPL)	**431,600,125**	315,865,475
At fair value through other comprehensive income (FVOCI)	**1,553,300,399**	1,778,219,841
Loans and receivables - net (Notes 8 and 27)	**620,238,119**	395,662,865
Accrued interest receivable (Notes 6, 8 and 27)	**9,734,760**	10,514,476
Due from related parties (Note 26)	**–**	32,334
Segregated fund assets (Note 13)	**2,870,307,183**	1,956,311,907
Right-of-use assets - net (Note 10)	**16,665,724**	41,401,499
Property and equipment - net (Note 9)	**31,669,134**	29,916,205
Intangible assets - net (Note 9)	**476,499,245**	10,948,448
Deferred acquisition costs (Note 11)	**160,064,591**	153,125,617
Deferred tax assets - net (Note 25)	**72,718,503**	103,757,243
Net pension asset (Note 23)	**8,242,775**	–
Other assets (Notes 12 and 27)	**112,361,197**	39,714,980
	₱8,779,426,073	₱7,428,071,866
LIABILITIES AND EQUITY		
Liabilities		
Insurance contract liabilities (Notes 13 and 27)	**₱2,223,419,851**	₱2,161,980,941
Accounts payable and other liabilities (Notes 14 and 27)	**772,698,142**	598,087,955
Insurance payables (Notes 15 and 27)	**320,632,629**	188,236,532
Lease liabilities (Notes 10 and 27)	**19,576,937**	46,519,030
Due to related parties (Note 26)	**12,473,986**	17,233,002
Segregated fund liabilities (Notes 13 and 27)	**2,870,307,183**	1,956,311,907
Income tax liability	**–**	89,188,678
Net pension liability (Note 23)	**–**	10,642,134
Total Liabilities	**6,219,108,728**	5,068,200,179
Equity		
Capital stock - Issued and outstanding (Note 16)		
Common stock	**1,161,720,830**	1,161,720,830
Preferred stock	**5,005,960**	5,005,960
Contributed surplus (Note 16)	**39,784,362**	39,784,362
Other comprehensive income (loss)		
Unrealized gains (losses) on financial assets at FVOCI (Note 8)	**(13,691,440)**	20,175,937
Actuarial losses on pension liability (Note 23)	**(5,057,934)**	(10,962,240)
Remeasurement loss on life insurance reserves (Note 13)	**(8,547,216)**	(19,087,370)
Retained earnings	**1,381,102,783**	1,163,234,208
Total Equity	**2,560,317,345**	2,359,871,687
	₱8,779,426,073	₱7,428,071,866

See accompanying Notes to Financial Statements.

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	2020
INCOME		
Gross earned premiums on insurance contracts	**₱5,411,675,223**	₱4,826,565,477
Reinsurers' share of gross earned premiums on insurance contracts	**(287,291,908)**	(183,009,476)
Net insurance premiums earned (Note 17)	**5,124,383,315**	4,643,556,001
Service and network fees (Note 18)	**157,680,614**	125,438,295
Interest income (Note 18)	**92,713,305**	83,563,948
Third party administration fees (Note 18)	**20,853,737**	13,462,486
Fair value gains (losses) on financial assets at FVTPL - net (Note 8)	**417,956**	(691,660)
Gain (loss) on sale of financial assets at FVOCI (Note 8)	**(11,666,337)**	78,235,206
Others (Note 18)	**18,080,967**	15,083,708
	278,080,242	315,091,983
	5,402,463,557	4,958,647,984
EXPENSES		
Underwriting Expenses - Net		
Net benefits and claims incurred on insurance contracts (Note 19)	**2,647,051,838**	2,093,569,708
Transfer to segregated funds (Note 13)	**1,120,003,982**	1,084,834,269
Expenses for the acquisition of insurance contracts (Note 20)	**780,265,001**	627,653,578
Net change in legal policy reserves (Note 13)	**29,916,521**	17,168,715
	4,577,237,342	3,823,226,270
Other Expenses		
General and administrative expenses (Note 21)	**458,756,998**	530,785,090
Interest expense (Notes 10 and 14)	**2,198,255**	3,759,919
	460,955,253	534,545,009
	5,038,192,595	4,357,771,279
INCOME BEFORE INCOME TAX	**364,270,962**	600,876,705
PROVISION FOR INCOME TAX (Note 25)	**146,102,029**	175,744,894
NET INCOME	**218,168,933**	425,131,811
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of debt financial assets at FVOCI during the year (Note 8)	**(33,867,377)**	13,121,666
Other comprehensive gain (loss) not to be reclassified to profit or loss in subsequent periods:		
Actuarial gain (loss) on pension liability - net of tax effect (Note 23)	**5,904,306**	(7,449,494)
Remeasurement gain (loss) on life insurance reserves (Note 13)	**10,540,154**	(8,855,277)
	(17,422,917)	(3,183,105)
TOTAL COMPREHENSIVE INCOME	**₱200,746,016**	₱421,948,706

See accompanying Notes to Financial Statements.

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock - Issued and Outstanding (Note 16)			Other Comprehensive Income (Loss)				
	Common Stock	Preferred Stock	Contributed Surplus (Note 16)	Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 8)	Actuarial Gains (Losses) on Pension Liability (Note 23)	Remeasurement loss on life insurance reserves (Note 13)	Retained Earnings (Note 16)	Total
As at January 1, 2021	**₱1,161,720,830**	**₱5,005,960**	**₱39,784,362**	**₱20,175,937**	**(₱10,962,240)**	**(₱19,087,370)**	**₱1,163,234,208**	**₱2,359,871,687**
Net income	**–**	**–**	**–**	**–**	**–**	**–**	**218,168,933**	**218,168,933**
Other comprehensive income (loss)	**–**	**–**	**–**	**(33,867,377)**	**5,904,306**	**10,540,154**	**–**	**(17,422,917)**
Total comprehensive income (loss)	**–**	**–**	**–**	**(33,867,377)**	**5,904,306**	**10,540,154**	**218,168,933**	**200,746,016**
Cumulative preferred stock dividends	**–**	**–**	**–**	**–**	**–**	**–**	**(300,358)**	**(300,358)**
As at December 31, 2021	**₱1,161,720,830**	**₱5,005,960**	**₱39,784,362**	**(₱13,691,440)**	**(₱5,057,934)**	**(₱8,547,216)**	**₱1,381,102,783**	**₱2,560,317,345**
As at January 1, 2020	₱1,161,720,830	₱5,005,960	₱39,784,362	₱7,054,271	(₱3,512,746)	(₱10,232,093)	₱738,402,755	₱1,938,223,339
Net income	–	–	–	–	–	–	425,131,811	425,131,811
Other comprehensive income (loss)	–	–	–	13,121,666	(7,449,494)	(8,855,277)	–	(3,183,105)
Total comprehensive income (loss)	–	–	–	13,121,666	(7,449,494)	(8,855,277)	425,131,811	421,948,706
Cumulative preferred stock dividends	–	–	–	–	–	–	(300,358)	(300,358)
As at December 31, 2020	₱1,161,720,830	₱5,005,960	₱39,784,362	₱20,175,937	(₱10,962,240)	(₱19,087,370)	₱1,163,234,208	₱2,359,871,687

See accompanying Notes to Financial Statements.

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱364,270,962**	₱600,876,705
Adjustments for:		
Increase (decrease) in reserves for claims IBNR (Note 13)	**(175,818,265)**	186,469,784
Depreciation and amortization (Notes 9, 10 and 24)	**71,980,766**	35,743,903
Net change in legal policy reserves (Note 13)	**29,916,521**	17,168,715
Pension expense (Notes 22 and 23)	**9,684,470**	7,591,691
Interest expense (Notes 10 and 14)	**2,198,255**	3,759,919
Fair value losses (gains) on financial assets at FVTPL (Note 8)	**(417,957)**	691,660
Provision for (recovery from) from impairment of financial assets at FVOCI (Note 8)	**(266,373)**	439,861
Gain on pre-termination of lease (Notes 10 and 18)	**(26,066)**	–
Loss (gain) on sale of financial assets at FVOCI (Note 8)	**11,666,337**	(78,235,206)
Interest income (Note 18)	**(92,713,305)**	(83,563,948)
Operating income before working capital changes	**220,475,345**	690,943,084
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	**(132,801,547)**	91,351,449
Other assets	**(72,646,217)**	21,801,359
Deferred acquisition costs	**(6,938,974)**	14,407,527
Reinsurance assets	**(146,024,193)**	(54,768,421)
Insurance receivables	**(88,428,567)**	(172,446,987)
Due from related parties	**32,335**	1,551,910
Increase (decrease) in:		
Insurance contract liabilities	**217,880,808**	444,647,364
Insurance payables	**132,396,097**	78,529,680
Accounts payable and other liabilities	**24,309,826**	142,850,451
Due to related parties	**(4,759,016)**	5,558,568
Net cash generated from operations	**143,495,897**	1,264,425,984
Interest paid	**(16)**	(63,596)
Contribution to the retirement fund (Note 23)	**(20,696,971)**	(21,258,276)
Income taxes paid	**(204,286,140)**	(163,660,454)
Net cash provided by (used in) operating activities	**(81,487,230)**	1,079,443,658
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**96,140,843**	60,738,117
Proceeds from:		
Disposal and maturities of financial assets at FVOCI (Note 8)	**7,022,097,730**	5,695,830,929
Disposal of financial assets at FVTPL (Note 8)	**149,388,540**	257,905,515
Collections of salary loans (Note 8)	**131,155,513**	131,155,512
Acquisitions of:		
Intangible assets (Note 9)	**(350,865,181)**	(713,873)
Property and equipment (Note 9)	**(13,933,521)**	(7,699,660)
Salary loans (Note 8)	**(222,929,220)**	(222,929,220)

(Forward)

	Years Ended December 31	
	2021	2020
Financial assets at FVTPL (Note 8)	**(₱264,705,233)**	(₱309,770,336)
Financial assets at FVOCI (Note 8)	**(6,847,027,378)**	(5,758,734,229)
Net cash used in investing activities	**(300,677,907)**	(154,217,245)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities (Note 10)	**(28,864,281)**	(26,115,322)
Cash used in financing activities	**(28,864,281)**	(26,115,322)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(411,029,418)**	899,111,091
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,791,838,486**	892,727,395
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱1,380,809,068**	₱1,791,838,486

See accompanying Notes to Financial Statements.

1. Corporate Information

Etiqa Life and General Assurance Philippines, Inc. (ELGAP or the "Company") was incorporated on October 4, 2010 as AsianLife and General Insurance Corporation (ALGA), the successor-in-interest of a corporate entity which also bears the same name (the "Old ALGA" - with Securities Exchange Commission No. 14341), the corporate term of which expired on August 22, 2008.

The Company's primary purpose is to carry on the business of insurance upon lives of individuals and the business of non-life insurance; to grant contract of insurance and reinsurance providing for all risks, hazards, guarantees and contingencies to which life, accidents or health insurance is applicable and to grant or effect assurance of all kinds of payment of money by way of single payment or by several payments, or by any person of immediate or referred annuities upon the death of or upon reaching a given age by any person or persons subject or not such death or age requirement or happening of any contingency or event dependent upon human life or upon a fixed or given date.

On September 25, 2013, Maybank ATR KimEng Financial Corporation (formerly ATR KimEng Financial Corporation) which owned 95.24% of the outstanding common stock and was deemed the parent company of the Company sold all its 95.24% ownership interest over ALGA shares to its affiliate, Maybank ATR KimEng Capital Partners, Inc. (MATRKECP). MATRKECP, an investment house with trust license, is a domestic corporation owned by Maybank KimEng Holdings Limited (MAKEHL) and ATR Holdings, Inc. (ATRH). ATRH is a domestic corporation, while MAKEHL is a conglomerate whose shares are listed in the Singapore Stock Exchange. The Insurance Commission (IC) approved the sale on October 17, 2013.

On December 1, 2014, ATRH sold the Company's preferred shares representing 50.30% voting interest of the latter to Etiqa International Holdings Sdn. Bhd (EIHSB or the Parent Company), a subsidiary of Maybank in Malaysia.

On the same date, MATRKECP and EIHSB executed a Joint Voting Agreement (JVA), which provided that EIHSB shall vote all of its shares in the Company on any and all matters requiring the resolution of the shareholders of the Company in such manner as MATRKECP. The JVA shall be effective unless terminated by mutual agreement by MATRKECP and EIHSB. The IC approved the transfer of shares on April 10, 2015. This JVA was terminated in 2016.

On December 20, 2016, the Board of Directors (BOD) and Stockholders of the Company approved a resolution approving the amendment of the Articles of Incorporation to increase the authorized common stock from 49,499,404 common shares with par value of ₱10 per share to 124,499,404 common shares with par value of ₱10 per share (see Note 16). This resulted to an increase in authorized capital stock from ₱500,000,000 to ₱1,250,000,000. The increase in capital stock was endorsed by IC last January 3, 2017 and was approved by the Securities and Exchange Commission (SEC) last August 31, 2017.

On June 1 and June 8, 2017, EIHSB infused additional capital amounting to ₱330,000,000 and ₱305,000,000, respectively, totaling ₱635,000,000 corresponding to 63,500,000 common shares.

On June 14, 2017, E-MARC Consultants, Inc. infused additional capital amounting to ₱31,726,790 corresponding to 3,172,679 common shares

In 2019, the Company underwent a rebranding campaign and changed its corporate name from AsianLife and General Assurance Corporation to Etiqa Life and General Assurance Philippines, Inc., in a drive to establish a more unified visual identity for the Etiqa Group in Southeast Asia and to strengthen the "Etiqa" brand and its ability to gain greater recognition regionally. The change in corporate name was approved by the BOD on June 17, 2019 and by the SEC on June 19, 2019.

The impact of the pandemic continued to be felt in 2021, as the Company maintains its blend of remote working and skeleton team arrangement. To protect its employees and clients, the Company continues to employ health, safety and security measures, such as observance of social distancing, face mask wearing and frequent, regular sanitizing of workstations. Protective personal equipment was likewise provided to relevant staff assigned to high-risk areas such as hospitals and clinics. The Company maintains its compliance to all measures, policies and guidelines issued by government agencies.

The Company's financial position and condition were not adversely affected significantly, and management believes there is no reason to question the Company's ability to continue as a going concern as at statement of position date and beyond.

As of December 31, 2021 and 2020, EIHSB owns 68.31% of the total outstanding and issued shares of ELGAP, MATRKECP owns 28.36%, and the remaining 3.33% is owned by E-MARC Consultants, Inc.

The Company's ultimate Parent Company is Malayan Banking Berhad of Malaysia.

The Company's registered office address, which is also its principal place of business, is 3rd Floor, Morning Star Center, Sen. Gil J. Puyat Avenue, Makati City.

2. Basis of Preparation

The financial statements of the Company have been prepared on a historical cost basis, except for fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) financial assets, and segregated fund assets which are carried at fair value.

The financial statements are presented in Philippine Peso (₱) which is the Company's functional currency. All values are rounded to the nearest peso, unless otherwise indicated.

Statement of Compliance

The Company's financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

- Amendment to PFRS 16*, COVID-19-related Rent Concessions beyond 30 June 2021*

  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

  The Company did not have any lease concessions in 2021.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Company shall also disclose information about:

  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The adoption of the amendments did not result to a significant impact to the Company.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
    - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
    - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
    - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

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

    - The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, re-measured every reporting period (the fulfilment cash flows).
    - A Contractual Service Margin ("CSM") that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contracts to be recognized in profit or loss over the service period (i.e., coverage period).
    - Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognized in profit or loss over the remaining contractual service period.
    - The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period.
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognized directly on the balance sheet.
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense.
- Extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.

The standard is effective for annual periods beginning on or after 1 January 2025. Early application is permitted, provided the entity also applies PFRS 9 and PFRS 15 on or before the date it first applies PFRS 17. An entity shall apply PFRS 17 retrospective approach for estimating the CSM on the transition date. However, if full retrospective application for estimating the CSM, is impracticable, an entity is required to choose one of the following two alternatives:

- Modified retrospective approach

  Based on reasonable and supportable information available without undue cost and effort to the entity, certain modifications are applied to the extent full retrospective application is not possible, but still with the objective to achieve the closest possible outcome to retrospective application.

- Fair value approach

  The CSM is determined as the positive difference between the fair value determined in accordance with PFRS 13, *Fair Value Measurement* and the fulfilment cash flows (any negative difference would be recognized in retained earnings at the transition date).

Both the modified retrospective approach and the fair value approach provide transitional reliefs for determining the grouping of contracts. If an entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, it is required to apply the fair value approach.

Assessment is currently being made across the region for all Etiqa entities, where the Etiqa group has established a project team, with assistance from the Actuarial, Finance, Risk, IT and various Business sectors to study the implication and to evaluate the potential impact of adopting this standard on the required effective date.

To date, the Company has started assessing the impact of the new standard and is beginning to craft technical papers to address the requirements of PFRS 17.

Deferred effectivity

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

4. **Summary of Significant Accounting Policies**

Revenue Recognition
The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has assessed its revenue arrangements against these criteria and concluded that it is acting as a principal in all direct business arrangements and as an agent in all its ceded-out businesses. The following specific recognition criteria must also be met before revenue is recognized:

Premiums Revenue - Life
Premiums arising from life insurance contracts are generally recognized as income when received and on the issue date which coincides with the effective date of the insurance policies for the first-year premiums. Premiums from short-duration insurance contracts, such as from group health and group life are recognized as revenue over the period of the contracts using the 365th method.

For the renewal business, premiums are recognized as income when still in-force and in the process of collection. Renewal premiums from life insurance contracts are recognized as revenue by the Company and payable by the policyholder. Receivables are recorded at the date when payments are due. Premiums are shown before deduction of commissions and reinsurers' share on gross premiums.

The Company cedes insurance risk in the normal course of business as part of its risk management policy. Ceded premiums are presented in "Reinsurers' share of gross earned premiums on insurance contracts" portion of the statement of comprehensive income.

Premiums Revenue - Nonlife
Gross insurance written premiums from non-life insurance comprise the total premiums receivable for the whole covered period provided by contracts entered into during the accounting period and are recognized on the date which the policy incepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods.

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 365th method.

The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting period is accounted for as Provision for unearned premiums as part of "Insurance Contract Liabilities" in the statement of financial position. The net changes in these accounts between each end of reporting periods are recognized in profit or loss.

The Company assumes and cedes insurance risk in the normal course of business. Premiums on reinsurance assumed are recognized as revenue in the same manner as they would be if the reinsurance were considered as direct business, taking into account the product classification of the reinsured business. Ceded premiums are presented in "Reinsurers' share of gross earned premiums on insurance contracts" portion of the statement of comprehensive income.

Service and network fees
Service and network fees are recognized when earned normally upon performance of the service and fulfillment of the Company's obligation for the issuance of health cards to give network access to the policyholders.

Fees from variable insurance
Fees from variable insurance are recognized when earned normally upon performance of the service and fulfillment of the Company's obligation of issuance of the policy (policy fees), and administration of the policyholder's fund (administrative fees). Surrender fees are also charged to policyholders who wish to terminate their policy earlier than the holding period.

Third party administration fee
Revenue is recognized when earned, which is upon the performance of the obligation for administration (based on the terms of the contract) of policyholder's medical and health expenses. This is satisfied upon actual processing of the client's utilization.

Interest income
For all interest-bearing financial assets measured at amortized cost, interest income is recognized using the effective interest method. The effective interest rate (EIR) exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset. The change in carrying amount is recorded as interest income for the period.

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

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

<u>Benefits, Claims and Expenses Recognition</u>
Benefits and claims - Life
Benefits and claims consist of benefits and claims paid to policyholders as well as changes in the valuation of insurance contract liabilities and reserve for policyholders' dividends. These are recorded when notices of claims have been received and dividends have been incurred or when policies reach maturity. For unpaid benefits, a liability is recognized for the estimated cost of all claims made but not settled as of reporting date less reinsurance recoveries. Provision is also made for the cost of claims incurred as of reporting date but not reported (IBNR) until after the reporting date based on the Company's experience and historical data. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in profit or loss in the statement of comprehensive income of subsequent years. Unpaid benefits to life policies form part of policy and contract claims payable included in "Insurance Contract Liabilities" in the statement of financial position.

Benefits and claims - Non-life
Benefits and claims for non-life include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Direct costs and expenses - Life and Non-life
Commissions and other expenses for the acquisition of insurance contracts are expensed as incurred. The portion of acquisition costs for group life, group health and non-life businesses incurred during the financial period but relate to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins.

Deferred Acquisition Costs (DAC)
Commissions and other acquisition costs incurred during the financial period, pertaining to the group health and life, as well as for non-life businesses, that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. All other acquisition costs are recognized as expense when incurred.

Subsequent to initial recognition, these costs are amortized on a straight-line basis using the 365th method over the life of the contract. Amortization is charged against profit or loss. The unamortized acquisition costs are shown as 'Deferred acquisition costs' in the statement of financial position.

An impairment review is performed at each end of the reporting period or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount. The impairment loss is charged to profit or loss. Deferred acquisition costs are also considered in the liability adequacy test for each end of the reporting period.

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

Interest expense
Interest expense on accumulated policyholders' dividends and premium deposit fund is recognized in profit or loss in the statement of comprehensive income as it accrues and is calculated using the effective interest method. Accrued interest is credited to the liability account every policy anniversary date.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less and that are subject to an insignificant risk of change in value.

Insurance Receivables
Insurance receivables are recognized when due and measured on initial recognition at the fair value of the consideration to be received. The carrying value of premiums due and uncollected is reviewed for impairment whenever events or circumstances indicate the carrying amount may not be recoverable, with the impairment loss recorded in profit or loss in the statements of comprehensive income.

Insurance receivables are derecognized following the derecognition criteria for financial instruments.

Classification and Measurement of Financial Instruments
Financial assets
Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Company's business model for managing financial assets. The Company classifies its financial assets into the following categories: financial assets at FVTPL, financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments), financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and financial assets measured at amortized cost. Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

Classification and measurement
Under PFRS 9, the classification and measurement of financial assets is driven by the entity's contractual cash flow characteristics of the financial assets and business model for managing the financial assets.

As part of its classification process, the Company assesses the contractual terms of financial assets to identify whether they meet the 'solely payments of principal and interest' (SPPI) test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g. if there are repayments of principal or amortization of the premium or discount).

Business model assessment
The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Company's measurement categories are described below:

Financial assets at fair value through OCI
The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets included within the FVOCI category are initially recognized and subsequently measured at fair value. Movements in the carrying amount should be recorded through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit and loss. Where the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss.

The Company's debt instruments at fair value through OCI are composed of investments in government and corporate debt securities. It includes both those directly held by the Company and those under investment management agreement (IMA) with ATRAM Trust Corporation.

Financial assets at amortized cost
The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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 (SPPI) on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes Salary loans, Mortgage loans, Accounts receivable, Policy loans, Due from policyholders, Receivable from third party administration, Receivable from unit-linked funds, and Other receivables.

Financial assets at fair value through profit or loss
Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes government and corporate debt securities, listed equity securities and proprietary shares, as well as investments in Mutual Funds and Unit Investment Trust Funds (UITFs) both held by the Company and those under its 02-IM-01 account (IMA account) managed by ATRAM Trust Corporation.

Other Financial Liabilities
Issued financial instruments or their components, which are not classified as FVTPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial instrument to the holder or lender, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments.

After initial measurement, 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 EIR. The amortization is included as part of interest expense for the period. This category includes the Company's accounts payable and other liabilities (except government and statutory liabilities), due to related parties, life insurance deposit, premium deposit fund, and "claims payable and policyholders' dividends" (included under "Insurance Contract Liabilities" account in the statements of financial position).

Reclassifications
The Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Company and any previously recognized gains, losses or interest shall not be restated. The Company does not reclassify its financial liabilities.

The Company is required to reclassify the following financial assets:

- from amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met;
- from FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria; and
- from FVOCI to amortized cost if the objective of the business model changes so that the fair value criteria are no longer met but the amortized cost criteria is still met and the instrument's contractual cash flows meet the amortized cost criteria

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

Impairment of Financial Instruments
Expected Credit Loss ("ECL") represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

The Company records ECL for all loans and receivables and other debt financial assets not classified as FVTPL, together with loan commitments and financial guarantee contracts.

The Company's cash and cash equivalents and government securities are rated as investment grade by the global rating agency. Accordingly, these investments are considered to be low credit risk investments. The ECL calculation is based on historical loss experience adjusted for current conditions and forecasts of future economic conditions using reasonable and supportable information available as of the reporting date. The Company applied simplified approach in calculating ECLs on these investments and does not track changes in credit risk but instead recognizes an allowance based on lifetime ECL at each reporting period.

Staging Assessment

The Company applies a three-stage approach based on the change in credit quality since initial recognition:

Stage 1 – includes financial instruments that have not had a significant increase in credit risk ("SICR") since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month ECL are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL is the ECL that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.

Stage 2 – includes financial instruments that have had a SICR since initial recognition but do not have objective evidence of impairment. For these assets, lifetime ECL is recognized, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument.

Stage 3 – includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL is recognized and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

Definition of "default"
The Company defines a financial instrument as in default when it is credit impaired or becomes past due on its contractual payments for more than 90 days. As part of a qualitative assessment of whether a customer is in default, the Company considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted.

Significant increase in credit risk
The credit risk of a particular exposure is deemed to have increased significantly since initial recognition, if based on the Company's aging information, the customer becomes past due over 90 days. In subsequent periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the Company shall revert to recognizing a 12-month ECL.

ECL parameters and methodologies
ECL is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD is an estimate of the likelihood of default over a 12-month horizon for Stage I or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Company segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Forward-looking information
The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as gross domestic product (GDP) growth, consumer price index, interest rate, lending rate and other economic indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Write-off
The Company writes-off its financial assets when it has been established that all efforts to collect and/or recover the loss has been exhausted. This may include the other party being insolvent, deceased or the obligation being unenforceable.

Impairment on DepEd Salary loans
The Company adopts flow rate matrix approach in calculating ECL on DepEd salary loans. The Company considers historical aging data of its loan portfolio to determine the loss rates per aging bucket that will be used in calculating for ECL.

However, driven by the challenges and in the light of uncertainty resulting from the COVID-19 pandemic, the Company has adopted additional assumptions and overlay using the best available information for the computation of ECL in 2020. One of the factors considered is the “Bayanihan I and II”, a government measure which provides relief on loan amortizations for four (4) months and effectively extends the collection due dates for loans. The Company has also provided additional impairment allowance for loans with a significant number of missed payments, as it remains to be seen when the environment will revert to normal. There were no overlays made in 2021.

<u>Derecognition of Financial Assets and Liabilities</u>
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The right to receive cash flows from the asset has expired;
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Company has transferred its right to receive cash flows from the asset and either has: (a) 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.

Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

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

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the 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 markets for identical assets or liabilities;
Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

Reinsurance
Contracts entered into by the Company with reinsurers which compensate the Company for losses on one or more contracts insured by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the Company under which the contract holder is another insurer (inward reinsurance) are classified as insurance contracts. Income from reinsurance contracts are classified within "Gross premiums on insurance contracts" in the statements of comprehensive income. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits recoverable by the Company under its reinsurance contracts are recognized as reinsurance assets. These assets consist of amounts due from reinsurers classified as "Financial assets at amortized cost". Due to reinsurers for reinsurance contracts are recognized as an expense upon recognition of premiums on the related insurance contract, classified as "Insurance payables". Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with terms of each reinsurance contract.

The Company assesses its reinsurance assets for impairment at least annually. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance assets to its recoverable amount and recognizes that impairment loss in profit or loss in the statement of comprehensive income. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process for financial assets held at amortized cost. The impairment loss is also calculated following the same method used for financial assets.

Related Party Transactions
Related party relationships exist when one party has the ability to control or influence the other party, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise 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 legal form.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation, amortization and any impairment loss. The initial cost of property and equipment comprises its purchase price and other costs directly attributable to bringing the asset to its working condition and location for its intended use.

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

	Years
Office furniture, fixtures and equipment	3 - 5
Leasehold improvements	5
Transportation equipment	5

Subsequent costs are included in the asset's carrying amount or are recognized as asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance are charged to current operations when incurred.

The asset's residual values, useful lives, and depreciation and amortization method are reviewed at each reporting date and adjusted, if appropriate, to ensure that these factors and assumptions are consistent with the expected pattern of consumption of future economic benefits embodied in the asset.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of comprehensive income in the period when the asset is derecognized.

Intangible Assets

Intangible assets are stated at cost less accumulated amortization and any impairment loss. The initial cost of intangible assets comprises its purchase price and other costs directly attributable to bringing the asset to its working condition and location for its intended use.

Amortization is computed using the straight-line method over the estimated useful life (EUL) of the assets. The EUL of the different categories of intangible assets are as follows:

	Years
Software	10
Exclusive access fee	15

Subsequent costs are included in the asset's carrying amount or are recognized as asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the item can be measured reliably.

The asset's residual values, useful lives, and amortization method are reviewed at each reporting date and adjusted, if appropriate, to ensure that these factors and assumptions are consistent with the expected pattern of consumption of future economic benefits embodied in the asset. An item of intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Leases

Right-of-use assets (ROU)

At inception of a contract, the Company assesses whether a contract is, or contains, a lease arrangement based on whether the contract that conveys to the user ("the lessee") the right to control the use of an identified asset for a period of time in exchange for consideration. If a contract contains more than one lease component, or a combination of leasing and services transactions, the consideration is allocated to each of these lease and non-lease components on conclusion and on each subsequent re-measurement of the contract on the basis of their relative stand-alone selling prices. The Company combines lease and non-lease components, in cases where splitting the non-lease component is not possible.

The Company recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option.

The recognized ROU assets are depreciated on a straight-line basis over the lease term of the related contract.

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

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱0.3 million). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Impairment of Non-financial Assets
The Company assesses whether there is any indication that its nonfinancial assets such as its ROU asset, property and equipment and intangible assets may be impaired. When an indicator of impairment exists (or when an annual impairment testing for an asset is required), the Company estimates the recoverable amount of the impaired asset. The recoverable amount is the higher of fair value less costs to sell and value in use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An impairment loss is charged to profit or loss in the period when it arises, consistent within the function of impaired assets.

For non-financial assets, an assessment is made at every 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. The reversal can be made only to the extent that the resulting carrying value does not exceed the carrying value that would have been determined, net of depreciation and amortization, had no impairment loss been recognized. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization are adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Insurance Contract Liabilities - Life
Legal policy reserves represent the accumulated total liability for policies in-force at the reporting date. Such reserves are established at amounts adequate to meet the estimated future obligations of all insurance policies in-force as of reporting date.

For life insurance, the reserves are calculated using actuarial methods and assumptions as approved by the IC. As of December 31, 2021, the insurance contract liabilities for traditional life policies are measured using GPV method, and variable life policies are measured using unearned cost of insurance and present value of loyalty bonus methods.

For group life and group health insurance, unearned premium reserves are calculated using the 365th method.

A number of life insurance contracts issued by the Company include discretionary participation feature. This feature entitles policyholders to policy dividends whose amounts and timing of payments are under the discretion of the Company. The Company's policy dividends are computed using actuarial methods and assumptions, and are included under "Net benefits and claims incurred on insurance contracts" account in the statements of comprehensive income with the corresponding liability recognized under the "Insurance contract liabilities" account in the statements of financial position.

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

Insurance Contract Liabilities - Non-Life
Insurance contract liabilities are recognized when contracts are entered into and premiums are charged.

Provisions for claims reported, provision for claims Incurred But Not Reported (IBNR) losses, claims handling expense (CHE) and Margin for Adverse Deviation (MfAD)
Provisions for claims reported are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the end of each reporting date. The liability is not discounted for the time value of money.

Provision for claims IBNR pertains to amount provided for claim events that have occurred but have not been reported to the Company as of the reporting date. The provision for claims IBNR at each reporting date is calculated by using standard actuarial projection techniques (or combination of such techniques), including but not limited to the chain ladder method, the expected loss ratio approach, and the Bornhuetter-Fergusion method. The method used is determined by its appropriateness by considering the characteristics of the Company's claims data and other factors such as maturity of the business, large losses arising from significant past events, operational changes in claims and underwriting processes and external conditions.

The Company shall include an MfAD to allow for inherent uncertainty of the best estimate of the policy reserves which shall be determined at least on an annual basis based on standard projection techniques or combination of such techniques such as, but not limited to, the Mack Method, Bootstrapping Method, Stochastic Chain Ladder Method to bring the actuarial estimate of the policy liabilities at the 75% level of sufficiency.

Provision for claims handling expense (CHE) is also calculated to cover estimated expenses of settling all claims, both reported and unreported, outstanding as of the reporting date.

Quarterly, an actuarial valuation is performed on the gross and net claims and premium liabilities to ensure that the reserves are in compliance with the Valuation Standards for Non-Life Insurance Policy Reserves as required by the IC guided by Sections 219 and 220 of the Amended Insurance Code (Republic Act (RA) No. 10607) along with Circular Letters No. 2018-18 and No. 2018-19. Additional reserves are set up if the result of the actuarial investigation shows that the existing balances are not in accordance with the mandate of IC.

Premium liabilities
Premium liabilities is equal to the provision for unearned premiums plus the difference between the provision for unexpired risk and the provision for unearned premiums, net of deferred acquisition costs, if the provision for unexpired risk is greater than the provision for unearned premiums net of deferred acquisition costs. Otherwise, it is equal to the provision for unearned premiums.

Provision for unearned premiums
The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums. Premiums from policy contracts with a term of exactly one year are recognized as revenue over the period of the contracts using the 365th method. The portion of the premiums written that relate to the unexpired periods of the policies at the reporting date are accounted for as provision for unearned premiums and presented as part of "Insurance contract liabilities" in statement of financial position. The change in the provision for unearned premiums is taken to profit or loss in the order that revenue is recognized over the period of risk. Further, provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Provision for unexpired risk
Provision for unexpired risk (URR) is the best estimate that relates to expected future claim payments and related expenses to be incurred after the valuation date, arising from future events. This shall be calculated as the best estimate of future claims and expenses for all classes of business, with MfAD.

<u>Unit Linked Insurance Contracts</u>
The Company issues unit-linked insurance contracts. In addition to providing life insurance coverage, unit-linked contracts link payments to insurance investment funds set-up by the Company with the consideration received from the policyholders. As allowed by PFRS 4, *Insurance Contracts*, the Company chose not to unbundle the investment portion of its unit-linked products. Premiums received from the issuance of unit-linked insurance contracts pertaining to the insurance portion are recognized as premium revenue.

The Company withdraws from the consideration received from the policyholders administrative and cost of insurance charges in accordance with the provisions of the unit-linked insurance contracts.

After deduction of these charges, the remaining amounts in fund assets are equal to the surrender value of the unit-linked policies and can be withdrawn anytime.

The investment returns on the insurance investment funds belong to policyholders and the Company does not bear the risk associated with these assets (outside of guarantees offered). Accordingly, investment income earned and expenses incurred by these funds and payments to policyholders are reflected directly in the "Segregated fund assets and Segregated fund liabilities" accounts in the statements of financial position. Such changes have no effect on the Company's results of operations.

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

Product Classification
The Company issues contracts that transfer insurance or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such risk includes having to pay benefits on the occurrence of an insured event such as death, accident or disability. The Company may also transfer insurance risk on insurance contracts through its reinsurance arrangements to hedge a greater possibility of claims occurring than expected. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that is at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

Insurance contracts may contain a premium and capital fund rider that entitles the policyholder to receive additional benefits based on the Company's investment performance. These contracts are recorded as financial liabilities under "Premium deposit fund" account in the statements of financial position. Local statutory regulation sets out a limitation on the accumulation of fund deposits and contributions.

Pension Cost
Defined benefit plan
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit (PUC) method.

Defined benefit costs comprise the following:

(a) Service cost;
(b) Net interest on the net defined benefit liability or asset; and
(c) Remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

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

Bonus plans
The Company recognizes a liability and an expense for 13^{th} month and mid-year bonus based on a formula that takes into consideration the employee's current monthly salary. The Company recognizes a provision when contractually obligated.

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

Deferred tax
Deferred tax is provided, using the balance sheet method, 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 assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

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

Equity

Capital stock consists of common and preferred shares classified as equity. When the Company issues shares in excess of par, the excess is recognized as contributed surplus. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

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

Retained earnings represent accumulated earnings of the Company less dividends declared.

Foreign Currency Transactions and Translation

The functional and presentation currency of the Company is the Philippine Peso. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the Company's profit or loss.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risk specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized only when the reimbursement is virtually certain. The expense relating to any provision is presented in statement of comprehensive income net of any reimbursement.

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

Events after the Reporting Period
Post year-end events that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The Company makes judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses, and disclosures of contingent assets and liabilities, if any, within the next financial year. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

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

Judgments
Product classification
The Company has determined that the policies it issues have significant insurance risk and therefore meets the definition of an insurance contract and are accounted for as such.

Classification of financial instruments
The Company exercises judgment in classifying a financial instrument, or its component parts, on the initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of the financial instrument, rather than its legal form, governs its classification in the statements of financial position.

In addition, the Company classifies financial assets by evaluating, among other, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination of whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Leases
Determination of lease term of contracts with renewal and termination options - Company as a lessee
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an enforceable option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an enforceable option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms of three years. The Company applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Company has applied the following practical expedients permitted by the standard to leases:

- Leases with a lease term of 12 months or shorter;

  The Company applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not have renewable clause or purchase option.

- Leases for low-value assets

  The Company also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value and are recognized as expense in profit and loss on a straight-line basis over the lease term.

Leases - Estimating the incremental borrowing rate
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). The Company's lease liabilities amounted to ₱19.6 million and ₱46.5 million as of December 31, 2021 and 2020, respectively (see Note 10).

<u>Estimates and Assumptions</u>
Life
Estimate of the ultimate liability arising from claims made under insurance contracts
Estimate of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for such claims. The primary sources of uncertainties are the frequency of claims due to contingencies covered and the timing of benefit payments.

Estimation of claims takes into account several factors such as industry average mortality experience, with adjustments to reflect Company's historical experience.

Estimate of future benefit payments and premiums arising from long-term insurance contracts
Estimates of future benefit payments depend on the expectations of future benefit payments for contingencies covered, the major ones being death and endowment benefits. The Company based these estimates on mortality and other contingency tables approved by the Insurance Commission as well as future investment earnings rate of the assets backing up these liabilities, subject to the maximum rate provided under the Insurance Code of the Philippines (Insurance Code).

Source of uncertainty in the estimation of future claim payments
Although the Company has taken necessary steps to mitigate the uncertainty in the estimation of future benefit payments and premium receipts, it is still subject to the unpredictability of changes in mortality levels. The Company adopts the standard mortality table in assessing future benefit payments and premium receipts as approved by the Insurance Commission.

The liability under the insurance contracts includes provisions for IBNR claims and provisions for claims in course of settlement as of reporting date. The IBNR provision is based on historical experience and is subject to a high degree of uncertainty. In 2021, the Company used the development method using completion factors for the Medical – Direct IBNR portfolio, and used the expected loss ratio method for the most recent two (2) incurred months.

Reinsurance - assumptions and methods
The Company limits its exposure to loss within insurance operations through participation in reinsurance arrangements. Amounts receivable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented under loans and receivables.

Even though the Company may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and, thus, a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent on any reinsurance contract.

Non-life
Estimate of the ultimate liability arising from claims made under insurance contracts
For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of the IBNR claims at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position claims provision.

The method of determining such estimates and establishing reserve are continually reviewed and updated. Changes in estimates of claims cost resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense in the period the estimates are made.

The principal assumption underlying the estimates is the Company's past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year. Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future, for example, one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Legal policy reserves
The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 365th method. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting period are accounted for as Provision for unearned premiums as part of Insurance contract liabilities and presented in the liabilities section of the statement of financial position. The change in the provision for unearned premiums is taken to profit or loss in order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Claims Provision and Incurred But Not Reported (IBNR) Losses
These liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the end of the reporting period. In estimating the ultimate cost of the claims incurred, we used the following methods: claims development method; Bornhuetter-Ferguson method; and expected claims method. The liability is not discounted for the time value of money and includes a provision for margin for adverse deviation. The liability is derecognized when the contract is discharged, cancelled or has expired.

Impairment of financial assets
(i) *Debt instruments measured at fair value through OCI*
Impairment for financial assets at FVOCI follows the general model (considering PD, LGD, and EAD) in computing for the required allowance based on the increase in credit risk which in turn is dependent on the “staging” of the debt instrument.

In accordance to the "three stage" approach, all newly purchased financial assets shall be classified in Stage 1, except for credit impaired financial assets. It will move from Stage 1 to Stage 2 when there is significant increase in credit risk ("SICR"), and Stage 2 to Stage 3 when there is an objective evidence of impairment. The Company also considered the impact of COVID-19 pandemic on the staging assessment and recognition of impairment for debt instruments.

The carrying values of financial assets at FVOCI amounted to ₱1,553.3 million and ₱1,778.2 million as of December 31, 2021 and 2020, respectively (see Note 8). The allowance for impairment on financial assets at FVOCI amounted to ₱1.5 million and ₱1.7 million as of December 31, 2021 and 2020, respectively (see Note 8).

(ii) *Financial assets at amortized cost*
For financial assets at amortized cost, specifically for loans to DepEd employees, a simplified approach is used, through a provision matrix. Historical aging data is considered to estimate the loss rates to be used in calculating for ECL.

However, for 2020, driven by the challenges and in the light of uncertainty resulting from the COVID-19 pandemic, the Company has adopted additional assumptions and overlay using the best available information for the computation of ECL. One of the factors considered is the “Bayanihan I and II”, a government measure which provides relief on loan amortizations for four (4) months and effectively extends the collection due dates for loans. The Company has also determined it prudent to provide additional impairment allowance for loans with more than

4 missed amortizations, as it remains to be seen when the environment will revert to normal. There were no such measures employed for 2021.

Financial assets at amortized cost, net of allowance for impairment losses, amounted to ₱620.2 million and ₱395.7 million as of December 31, 2021 and 2020, respectively (see Note 8). The allowance for impairment amounted to ₱50.7 million and ₱50.6 million as of December 31, 2021 and 2020, respectively (see Note 8).

(iii) *Premiums due and uncollected*
No impairment allowance is provided for premiums due and uncollected for group life and group health insurance as the Company has a policy to suspend and lapse the accounts which remain unpaid over 90 days. The lapsed account can still be reinstated provided that unpaid premiums are settled. For non-life premiums uncollected, aging of the receivables is considered in determining the impairment allowance.

(iv) *Cash equivalents*
The calculation of impairment allowance amounting to ₱1.4 million and ₱1.3 million as of December 31, 2021 and 2020 is a product of PD, LGD and EAD (see Note 6).

EUL of property and equipment, intangible assets and right-of-use assets
The Company reviews annually the EUL of property and equipment and intangible assets based on the period over which the assets are expected to be available for use. It is possible that future results of operations could be materially affected by the changes in these estimates. A reduction in the EUL of property and equipment would increase recorded depreciation and amortization expense and decrease the related asset accounts.

The related balances follow (Notes 9 and 10):

	2021	2020
Property and equipment - cost	**₱124,111,297**	₱113,355,006
Accumulated depreciation	**92,442,163**	83,438,801
Depreciation	**12,180,593**	10,344,288

	2021	2020
Intangible assets - cost	**₱528,940,624**	₱28,075,443
Accumulated amortization	**52,441,379**	17,126,995
Amortization	**35,314,384**	1,874,887

	2021	2020
Right-of-use assets - cost	**₱81,001,397**	₱82,190,061
Accumulated depreciation	**64,335,673**	40,788,562
Depreciation	**24,485,790**	23,524,728

Impairment of nonfinancial asset
The Company assesses impairment on non-financial assets which pertain to property and equipment, intangible, right-of-use and other assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

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

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

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. The recoverable amount is estimated for individual assets or, if it is not possible, for the cash generating unit to which the asset belongs.

As of December 31, 2021 and 2020, the carrying value of non-financial assets amounted to ₱524.83 million and ₱82.27 million, respectively (see Notes 9 and 10).

Recognition of deferred tax assets
The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available against which all or part of the tax benefits can be utilized. However, there is no absolute assurance that sufficient taxable income will be generated in the near foreseeable future to allow all or part of the recognized deferred tax assets to be utilized.

As of December 31, 2021 and 2020, deferred tax assets amounted to ₱72.7 million and ₱103.8 million, respectively (see Note 25).

Pension and other retirement benefits
The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

As of December 31, 2021 and 2020, net pension asset (liability) amounted to ₱8.2 million and (₱10.6 million), respectively (see Note 23).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases are based on expected future inflation rates for the Philippines.

Further details about the assumptions used are provided in Note 23.

Contingencies
The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with external and internal legal counsels and based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on the Company's financial position as of reporting date.

6. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand	**₱133,800**	₱136,800
Cash in banks	**437,269,430**	849,099,211
Cash equivalents	**944,793,167**	943,918,311
	1,382,196,397	1,793,154,322
Less allowance for impairment	**1,387,329**	1,315,836
	₱1,380,809,068	₱1,791,838,486

Cash in banks and cash equivalents earn annual interest ranging from 0.1% to 0.5% in 2021 and from 0.1% to 3.1% in 2020. Cash equivalents are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Company and earn interest at the prevailing short-term deposit rates.

Interest income from cash in banks and cash equivalents amounted to ₱5.5 million and ₱12.3 million in 2021 and 2020, respectively (see Note 18). Accrued interest income amounted to ₱0.2 million and ₱0.2 million as of December 31, 2021 and 2020, respectively.

Based on management's assessment, an allowance for impairment has been recognized for the Company's cash equivalents. The rollforward analysis of the impairment allowance follows:

	2021	2020
At January 1	**₱1,315,836**	₱749,577
Provision for impairment losses (Note 21)	**71,493**	566,259
At December 31	**₱1,387,329**	₱1,315,836

7. Insurance Receivables and Reinsurance Assets

<u>Insurance Receivables</u>
This account consists of:

	2021	2020
Premiums due and uncollected	**₱ 664,298,826**	₱672,618,410
Reinsurance recoverable on paid losses	**215,990,061**	89,432,317
	880,288,887	762,050,727
Less: Allowance for impairment	**7,887,047**	35,673,080
	₱872,401,840	₱726,377,647

Premiums due and uncollected consist of premiums already billed by the Company to its clients but remain unpaid at the end of the reporting period.

Reinsurance recoverable on paid losses pertains to the amount of claims paid in excess of the retention limit of the Company and is recoverable from the reinsurers.

As of December 31, 2021 and 2020, the management assessed that no allowance for impairment is required for premiums due and uncollected for the life insurance business, since the Company has a policy to suspend and lapse the policies with premiums receivable which remain unpaid for over 90 days. For non-life, an impairment was recognized in 2020, which considered the aging of the receivables in determining for the loss rates.

The rollforward analysis of the impairment allowance follows:

	2021	2020
At January 1	**₱35,673,080**	₱17,434,125
Provision for (recovery from) impairment losses - (Note 21)	**(27,786,033)**	18,238,955
At December 31	**₱7,887,047**	₱35,673,080

Reinsurance Assets
This account consists of:

	2021	2020
Reinsurance recoverable for unpaid losses	**₱126,003,181**	₱62,310,135
Deferred reinsurance premiums	**36,810,229**	12,074,708
	₱162,813,410	₱74,384,843

Reinsurance recoverable on unpaid losses pertains to the amount of claims incurred in excess of the retention limit of the Company and is recoverable from the reinsurer.

Deferred reinsurance premiums pertain to deposit premiums for the excess of loss treaty for the Company's non-life business.

8. Financial Assets

The Company's financial assets are summarized as follows:

	2021	2020
Financial assets at FVTPL	**₱431,600,125**	₱315,865,475
Financial assets at FVOCI	**1,553,300,399**	1,778,219,841
Loans and receivables	**620,238,119**	395,662,865
	₱2,605,138,643	₱2,489,748,181

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

(a) Financial assets at FVTPL

	2021	2020
Unit investment trust fund	**₱239,206,605**	₱128,994,523
Mutual funds	**169,188,016**	170,423,975
Seed capital on unit-linked investment funds (Note 13)	**12,000,000**	12,000,000
Listed equity securities	**6,835,224**	76,697
Proprietary shares	**4,370,280**	4,370,280
	₱431,600,125	₱315,865,475

A portion of the investments in unit investment trust fund, mutual funds and the Company's seed capital on its unit-linked investment funds are managed by ATRAM Trust Corporation under an investment management agreement (IMA), with no guaranteed rate of return. These investments under IMA amounted to ₱383.2 million and ₱273.7 million as of December 31, 2021 and 2020, respectively.

The movements in financial assets at FVTPL follows:

	2021	2020
At January 1	**₱315,865,475**	₱264,692,314
Additions	**264,705,233**	309,770,336
Disposals	**(149,388,539)**	(257,905,515)
Fair value gains (losses) on financial assets at FVTPL	**417,956**	(691,660)
At December 31	**₱431,600,125**	₱315,865,475

(b) Financial assets at fair value through OCI

	2021	2020
Government debt securities	**₱1,292,598,573**	₱1,636,322,919
Corporate debt securities	**262,167,342**	143,628,811
	1,554,765,915	1,779,951,730
Less allowance for impairment	**1,465,516**	1,731,889
	₱1,553,300,399	₱1,778,219,841

Significant portion of the investments in government and corporate debt securities are managed by ATRAM Trust Corporation under an IMA, with no guaranteed rate of return. These investments under IMA amounted to ₱1.2 billion and ₱1.4 billion as of December 31, 2021 and 2020, respectively.

An analysis of the cost and market value of financial assets at FVOCI follow:

	2021	2020
Market value, net of impairment	**₱1,553,300,399**	₱1,778,219,841
Amortized cost	**1,565,978,601**	1,755,096,737
Unrealized gains (losses) on financial assets at FVOCI	**(12,678,202)**	23,123,104
Deferred income tax	**(1,013,238)**	(2,947,167)
Unrealized gains (losses) on financial assets at FVOCI recognized in equity	**(₱13,691,440)**	₱20,175,937

The "Unrealized gains (losses) on financial assets at FVOCI" is recognized in the equity section of the statements of financial position while the movements thereof are shown as part of "Other comprehensive income" in the statements of comprehensive income.

The roll forward analysis of unrealized gains on financial assets at FVOCI follow:

	2021	2020
At January 1	**₱20,175,937**	₱7,054,271
Fair value gains (losses) recognized in OCI	**(24,134,968)**	93,297,219
Transferred to profit or loss	**(11,666,337)**	(78,235,206)
Deferred tax	**1,933,928**	(1,940,347)
At December 31	**(₱13,691,440)**	₱20,175,937

Interest income earned from financial assets at FVOCI including the amortization of discount amounted to ₱57.4 million and ₱56.2 million in 2021 and 2020, respectively (see Note 18).

Accrued interest income amounted to ₱9.6 million and ₱10.4 million as of December 31, 2021 and 2020, respectively.

An allowance for impairment has been recognized for financial assets at FVOCI. The rollforward analysis follows:

	2021	2010
At January 1	**₱1,731,889**	₱1,292,028
Provision for (reversal from) impairment losses	**(266,373)**	439,861
At December 31	**₱1,465,516**	₱1,731,889

As of December 31, government and corporate debt securities amounting to ₱319.6 million in 2021 and ₱331.2 million in 2020 were designated as restricted investments and maintained with the Bureau of Treasury in accordance with the provisions of the Insurance Commission as security for the benefit of the Company's policyholders and creditors. Security fund is maintained in accordance with Chapter V Sections 378 to 385 of the Insurance Code. The amount of such fund is determined by and deposited with the Insurance Commission and its purpose is to pay valid claims against insolvent insurance companies.

(c) Loans and receivables

This account consists of:

	2021	2020
Salary loans	**₱293,215,995**	₱307,390,567
Receivable from unit-linked funds	**166,284,542**	76,626,943
Receivable from third party administration arrangements	**108,629,297**	3,282,629
Due from policyholders	**40,758,281**	11,334,204
Accounts receivable	**21,466,364**	8,703,486
Policy loans	**14,677,031**	13,276,401
Mortgage loans	**11,971,228**	16,683,807
Other receivables	**13,947,971**	9,013,189
	670,950,709	446,311,226
Less allowance for impairment losses	**50,712,590**	50,648,361
	₱620,238,119	₱395,662,865

Salary loans represent loans to Company's employees, DepEd teachers and private institution employees with annual interest rates ranging from 5.7% to 6.0% in 2021 and 2020, respectively. These loans have terms ranging from six (6) to thirty-six (36) months and are collected through salary deductions. The noncurrent portion of the salary loans amounted to ₱194.2 million and ₱282.8 million as of December 31, 2021 and 2020, respectively. Interest income earned from salary loans amounted to ₱29.0 million and ₱13.6 million in 2021 and 2020, respectively (see Note 18).

The Company has an existing Memorandum of Agreement (MOA) on Automatic Payroll Deduction System with the Department of Education (DepEd) that allows it to engage in lending operations with DepEd teachers and personnel as borrowers. The Company's DepEd Teacher's Salary Loan accreditation for lending has been approved on June 26, 2012 which shall be effective for a period of five (5) years. The MOA with DepEd expired last June 2017 and was renewed monthly until October 2017 only. The new Terms and Conditions of the Automatic Payroll Deduction System (APDS) Accreditation (TCAA) with DepEd was signed and approved in June 2018 with effectivity up to December 31, 2020, renewable every 3 years. On August 26, 2021, the Company renewed the TCAA with DepEd, effective until December 31, 2025. The DepEd, however, may anytime revoke this TCAA for cause.

The rollforward analysis of salary loans follow:

	2021	2020
At January 1	**₱307,390,567**	₱215,616,859
Loan releases	**242,816,564**	222,929,220
Collections	**(256,991,136)**	(131,155,512)
At December 31	**₱293,215,995**	₱307,390,567

Receivable from unit-linked funds pertains to amounts payable by fund manager (ATRAM) to the Company coming from the redemption of units of the Company's VUL products.

Mortgage loans consist of:

	2021	2020
Chattel mortgage (car loans) (Note 26)	**₱11,317,262**	₱16,029,841
Real estate mortgage (housing loans)	**653,966**	653,966
	₱11,971,228	₱16,683,807

Housing and car loans to officers and employees are collectible over a period of five (5) to fifteen (15) years through salary deduction. These loans bear annual interest ranging from 0% to 8.4% depending on the position of the employee. Interest income earned amounted to ₱0.1 million in 2021 and 2020, respectively (see Note 18). The noncurrent portion of the mortgage loans amounted to ₱7.5 million and ₱9.4 million as of December 31, 2021 and 2020, respectively.

Policy loans pertain to loans issued to insurance policyholders. These loans are collateralized with the cash surrender value of the policyholders' insurance policy. The annual interest rate on policy loans in 2021 and 2020 is fixed at 10.0%. Interest income earned amounted to ₱0.7 million and ₱1.4 million in 2021 and 2020, respectively (see Note 18). The policyholders may repay the policy loans any time during the effectivity of the policy and if unpaid upon surrender or maturity, the policy loan will be deducted from the surrender or maturity benefits.

Due from policyholders pertains to the excess of the amount paid by the Company over the benefits of the claimant. The Company pays the entire amount incurred by the claimant during hospitalization and bills the claimant for the excess.

Accounts receivable consist mostly of receivables from employees, brokers, and SSS.

Receivable from third party administration clients represent amounts initially paid by the Company for billings made by medical providers for availments of covered employees under TPA arrangement. This is normally due within fifteen (15) days from date billed to TPA clients.

Other receivables consist of advances to officers, employees and agents.

The changes in allowance for impairment losses on loans and receivables are as follows:

	2021			
	Salary loans	**Accounts Receivable**	**Mortgage Loans**	**Total**
At January 1	**₱42,502,734**	**₱7,491,661**	**₱653,966**	**₱50,648,361**
Impairment (Note 21)	**–**	**19,504,563**	**–**	**19,504,563**
Recovery (Note 21)	**(19,029,195)**	**–**	**–**	**(19,029,195)**
Write-off	**(411,139)**	**–**	**–**	**(411,139)**
At December 31	**₱23,062,400**	**₱26,996,224**	**₱653,966**	**₱50,712,590**

	2020			
	Salary loans	Accounts Receivable	Mortgage Loans	Total
At January 1	₱7,504,333	₱982,916	₱–	₱8,487,249
Impairment (Note 21)	34,998,401	7,417,643	653,966	43,070,010
Recovery (Note 21)	–	(109,467)	–	(109,467)
Write-off	–	(799,431)	–	(799,431)
At December 31	₱42,502,734	₱7,491,661	₱653,966	₱50,648,361

9. Property and Equipment and Intangible Assets

The rollforward analyses of property and equipment follow:

	2021			
	Office Furniture, Fixtures and Equipment	**Leasehold Improvements**	**Transportation Equipment**	**Total**
Cost				
At January 1	**₱73,123,434**	**₱32,668,875**	**₱7,562,697**	**₱113,355,006**
Additions	**13,869,522**	**64,000**	**–**	**13,933,522**
Retirement	**(3,177,231)**	**–**	**–**	**(3,177,231)**
At December 31	**83,815,725**	**32,732,875**	**7,562,697**	**124,111,297**
Accumulated Depreciation				
At January 1	**58,874,490**	**17,001,614**	**7,562,697**	**83,438,801**
Depreciation/amortization (Note 24)	**7,807,287**	**4,373,306**	**–**	**12,180,593**
Retirement	**(3,177,231)**	**–**	**–**	**(3,177,231)**
At December 31	**63,504,546**	**21,374,920**	**7,562,697**	**92,442,163**
Net Book Value	**₱20,311,179**	**₱11,357,955**	**₱–**	**₱31,669,134**

	2020			
	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost				
At January 1	₱84,345,027	₱33,291,347	₱7,617,197	₱125,253,571
Additions	7,699,660	–	–	7,699,660
Retirement	(18,921,253)	(622,472)	(54,500)	(19,598,225)
At December 31	73,123,434	32,668,875	7,562,697	113,355,006
Accumulated Depreciation				
At January 1	71,814,518	13,261,023	7,617,197	92,692,738
Depreciation/amortization (Note 24)	5,981,225	4,363,063	–	10,344,288
Retirement	(18,921,253)	(622,472)	(54,500)	(19,598,225)
At December 31	58,874,490	17,001,614	7,562,697	83,438,801
Net Book Value	₱14,248,944	₱15,667,261	₱–	₱29,916,205

The rollforward analysis of intangible assets follows:

	2021	2020
Cost		
At January 1	**₱28,075,443**	₱34,287,958
Additions	**500,865,181**	713,873
Retirement	**–**	(6,926,388)
At December 31	**528,940,624**	28,075,443
Accumulated Amortization		
At January 1	**17,126,995**	22,178,496
Amortization (Note 24)	**35,314,384**	1,874,887
Retirement	**–**	(6,926,388)
At December 31	**52,441,379**	17,126,995
Net Book Value	**₱476,499,245**	₱10,948,448

Intangible assets consist of exclusive access fee and computer software used in the Company's operations. The exclusive access fee amounting to ₱500.0 million is relative to the Bancassurance agreement signed by the Company and a related party (see Note 26). The agreement took effect on January 1, 2021 for 15 years and shall automatically extinguish upon achievement of New Business Annualized Premium Equivalent even before the expiration of the term.

Fully depreciated assets still in use amounted to ₱21.5 million and ₱20.9 million as of December 31, 2021 and 2020, respectively. There are no temporary idle property and equipment items.

Non-cash additions to intangible assets
The additions to intangible assets amounting ₱500.0 million has unpaid balance amounting to ₱150.0 million which is treated as a non-cash item in the statements of cash flow (see Note 14).

10. **Right-of-Use Assets and Lease Liabilities**

The rollforward analysis of right-of-use assets follow:

	2021	2020
Cost		
At January 1	**₱82,190,061**	₱61,112,577
Additions	**–**	21,395,398
Retirement	**(1,188,664)**	(317,914)
At December 31	**81,001,397**	82,190,061
Accumulated Depreciation		
At January 1	**40,788,562**	17,581,748
Depreciation charge (Note 24)	**24,485,790**	23,524,728
Retirement	**(938,679)**	(317,914)
At December 31	**64,335,673**	40,788,562
Net Book Value	**₱16,665,724**	₱41,401,499

Right-of-use assets pertain to leasing agreements that the Company entered into for its head office and servicing branches.

- The lease contract with Vita Realty Corporation for the Company's head office was renewed on July 1, 2019 for another 3 years ending on June 30, 2022. This covers the 2nd and 3rd floors of Morning Star Center (MSC). The rental rate and maintenance charges are subject to an annual escalation of 7.5%.

- In June 2019, the Company entered into a lease contract with Golden Stonehills Properties and Development, Inc. for its new branch office located in Pampanga. The lease is for a period of three (3) years from July 1, 2019 to June 30, 2022. The lease was pre-terminated in July 2021, as the company rationalized its branches, especially those primarily servicing its DepEd Loan business.

- In May 2019, the Company renewed the lease contract for its branch office located in Mindoro which expired in February 2019 for two (2) years until 2021. The lease was pre-terminated in July 2020, as the company rationalized its branches, especially those primarily servicing its DepEd Loan business.

- In February 2019, the Company renewed the non-cancellable lease contract for its branch office located in Cebu for another three (3) years until January 2022. In February 2022, the Company renewed the contract for another three (3) years until January 2025.

- On August 24, 2020, the Company renewed the lease with Welding Industries of the Philippines, Inc. for its office space at Oppen building (unit 203B) for another three (3) years until December 2023.

- On August 24, 2020, the Company renewed the lease with Welding Industries of the Philippines, Inc. for its office space at Oppen building (unit 204) for another three (3) years until May 2023.

- On April 25, 2019, the Company entered in a lease agreement with Sixtytwo, Inc. for its Cainta, Rizal branch office for two (2) years until May 2021. The lease was not renewed, as the company rationalized its branches, especially those primarily servicing its DepEd Loan business.

Rental deposits amounting to ₱7.0 million and ₱7.1 million as of December 31, 2021 and 2020, respectively are included under the "Other assets" account in the statements of financial position (see Note 12). Gain on termination of ROU assets amounted to ₱0.02 million and nil in 2021 and 2020, respectively (see Note 18).

The rollforward analysis of lease liabilities follow:

	2021	2020
At January 1	**₱46,519,030**	₱47,542,631
Additions	–	21,395,398
Accretion of interest	**2,198,239**	3,696,323
Termination	**(276,051)**	–
Payments	**(28,864,281)**	(26,115,322)
At December 31	**₱19,576,937**	₱46,519,030

Interest expense incurred for the lease liabilities amounted to ₱2.2 million and ₱3.7 million in 2021 and 2020, respectively.

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2021, and 2020.

	2021	2020
Within one year	**₱18,714,861**	₱28,988,215
More than one year to two years	**1,496,064**	18,714,861
More than two years to three years	–	1,496,064
Total	**₱20,210,925**	₱49,199,140

Non-cash additions to ROU assets

The Company has additions to ROU assets amounting to nil and ₱15.0 million in 2021 and 2020, respectively. This represents additions to lease liabilities during the year which are treated as non-cash in the statements of cash flow.

11. Deferred Acquisition Costs

This account consists of:

	2021	2020
Group life and group health insurance	**₱132,741,845**	₱134,440,372
Non-life - motor policies	**16,448,868**	12,487,348
Group credit life insurance	**3,830,604**	3,197,962
Non-life - fire policies	**6,890,127**	2,992,363
Non-life - personal accident policies	**75,635**	7,572
Individual medical policies	**77,512**	–
Total	**₱160,064,591**	₱153,125,617

Deferred acquisition costs pertain to commissions and other direct acquisition costs incurred within the year relative to the Company's group life and non-life insurance business and deferred based on the inception and expiry of the related insurance contracts.

The rollforward analysis of deferred acquisition costs follow:

	2021	2020
At January 1	**₱153,125,617**	₱167,533,144
Costs deferred during the year	**539,734,660**	433,557,838
Amortization during the year	**(532,795,686)**	(447,965,365)
At December 31	**₱160,064,591**	₱153,125,617

12. **Other Assets**

This account consists of:

	2021	2020
Creditable withholding taxes	**₱73,318,900**	₱–
Prepayments	**22,736,203**	21,124,511
Performance bond	**8,696,276**	8,953,137
Rental deposits (Notes 10 and 24)	**7,037,819**	7,056,904
Reserve fund	**572,311**	572,311
Security fund	**221,082**	221,082
Miscellaneous	**1,690,543**	3,698,972
	114,273,134	41,626,917
Less allowance for impairment	**1,911,937**	1,911,937
	₱112,361,197	₱39,714,980

Creditable withholding taxes consists of the amount withheld arising from premium collections to be claimed as a deduction from income tax liability. These are available for offset against income tax due.

Prepayments include advance payments made by the Company relative to documentary stamps as well as for computer maintenance contracts.

Performance bond consists of amounts paid by the Company to hospital network providers in compliance with certain group insurance policy contracts. These bonds will be recovered upon termination of the policy contracts and after all claims and benefits accruing to the contracts have been settled.

Rental deposits pertain to refundable deposits relating to the Company's various lease contracts for its home office and branches. The deposits are refundable at the end of the lease term.

Reserve fund consists of contingency funds which are maintained to defray claims of the insurance pools business of the Company.

Security fund is maintained in accordance with Chapter V Sections 378 to 385 of the Insurance Code. The amount of such fund is determined by and deposited with the Insurance Commission and its purpose is to pay valid claims against insolvent insurance companies.

Miscellaneous assets mainly include advance payments to suppliers for ongoing projects.

The changes in allowance for impairment on other assets in 2020 follow:

	2021	2020
At January 1	**₱1,911,937**	₱–
Provision for impairment losses (Note 21)	**–**	1,911,937
At December 31	**₱1,911,937**	₱1,911,937

13. **Insurance Contract Liabilities**

The breakdown of this account follows:

	2021	2020
Life insurance contracts	**₱1,948,761,472**	₱1,970,297,417
Non-life insurance contracts	**274,658,379**	191,683,524
	₱2,223,419,851	₱2,161,980,941

Life Insurance Liabilities
Life insurance contract liabilities may be analyzed as follows:

	2021	2020
Group insurance premium reserves	**₱994,258,509**	₱991,974,992
Claims and benefits payable	**802,868,080**	835,395,489
Legal policy reserves	**147,494,492**	128,035,701
Policyholders' dividends	**3,697,461**	14,891,235
Individual medical premium reserves	**442,930**	–
	₱1,948,761,472	₱1,970,297,417

The movements in group insurance premium reserves may be analyzed as follows:

	2021	2020
At January 1	**₱991,974,992**	₱1,036,028,581
New policies issued during the year	**4,061,608,762**	3,496,091,077
Premiums earned during the year (Note 17)	**(4,059,325,245)**	(3,540,144,666)
At December 31	**₱994,258,509**	₱991,974,992

The movements in legal policy reserves for ordinary life policies during the year follow:

	2021	2020
At January 1	**₱128,035,701**	₱102,011,709
Net change in legal policy reserves:		
New business, reinstatement and change in policy year	**32,577,524**	23,264,396
Released by death and other terminations and supplementary contracts	**(2,578,579)**	(6,095,681)
Due to change in discount rates	**(10,540,154)**	8,855,277
	19,458,791	26,023,992
At December 31	**₱147,494,492**	₱128,035,701

The movements in claims and benefits payable follow:

	2021	2020
At January 1	**₱835,395,489**	₱256,417,565
Arising during the year (Note 19)	**2,677,365,881**	1,770,204,149
Increase (decrease) in IBNR (Note 19)	**(213,545,249)**	171,906,882
Paid during the year	**(2,496,348,041)**	(1,363,133,107)
At December 31	**₱802,868,080**	₱835,395,489

Policyholders' dividends may be broken down as follows:

	2021	2020
Dividends payable on participating policies	**₱3,697,461**	₱3,121,028
Dividends payable on variable unit-linked policies	**–**	11,770,207
	₱3,697,461	₱14,891,235

Dividends payable on variable unit-linked policies are the amounts received by the Company from the fund manager and were released subsequently to VUL policyholders.

The movements in policyholders' dividends for participating policies follow:

	2021	2020
At January 1	**₱3,121,028**	₱2,820,217
Policyholder's dividends (Note 19)	**885,525**	7,061,957
Payments during the year	**(309,092)**	(6,761,146)
At December 31	**₱3,697,461**	₱3,121,028

Interest expense on policyholders' dividends for participating policies amounted to nil in 2021 and 2020, respectively.

Non-Life Insurance Liabilities
Non-life insurance liabilities may be analyzed as follows:

	2021	2020
Provision for claims reported and loss adjustment expenses	**₱95,044,097**	₱73,683,703
Provision for IBNR	**57,336,844**	19,609,860
Total claims reported and IBNR	**152,380,941**	93,293,563
Reserve for unearned premiums	**122,277,438**	98,389,961
Total Insurance Contract Liabilities	**₱274,658,379**	₱191,683,524

Provisions for claims reported by policyholders and IBNR may be analyzed as follows:

	2021	2020
At January 1	**₱93,293,563**	₱43,245,621
Claims incurred (Note 19)	**103,217,512**	70,478,742
Increase in IBNR (Note 19)	**37,726,984**	14,562,902
Claims paid	**(81,857,118)**	(34,993,702)
At December 31	**₱152,380,941**	₱93,293,563

Reserve for unearned premiums may be analyzed as follows:

	2021	2020
At January 1	**₱98,389,961**	₱62,570,691
New policies written during the year (Note 17)	**198,970,770**	203,941,501
Premiums earned during the year (Note 17)	**(175,083,293)**	(168,122,231)
At December 31	**₱122,277,438**	₱98,389,961

Segregated Fund Assets / Segregated Fund Liabilities
In 2016, the Company started commercial issuance of unit-linked insurance contracts where the payments to policyholders are linked to investment funds set up by the Company. As of December 31, 2021 and 2020, the Company has eight (8) PHP and four (4) USD insurance investment funds (IIFs), namely: Philippine Balanced Fund (PHP), Equity Opportunity Fund (PHP), Fixed Income Fund (PHP), Global Technology Feeder Fund (PHP), Asia Equity Opportunity Feeder Fund (PHP), Global Total Return Bond Feeder Fund – Peso Denominated (PHP), GI Consumer Trends Feeder Fund (PHP), Peso Multi-Asset Dividend Paying Fund A (PHP), Global Equity Opportunity Feeder Fund (USD), Global Allocation Feeder Fund (USD), Global Total Return Bond Feeder Fund (USD) and Dollar Multi-Asset Dividend |Paying Fund A (USD).

The details of this account are as follows:

	2021	2020
Peso Funds		
Global total return bond feeder fund - PHP	**₱604,241,144**	₱334,357,931
Asia equity opportunity feeder fund	**456,083,213**	337,871,602
Equity opportunity fund	**161,963,895**	101,936,383
Philippine balanced fund	**45,277,865**	46,492,579
Global technology feeder fund	**30,330,162**	8,639,799
Gl consumer trends feeder fund	**6,253,090**	1,517,590
Fixed income fund	**5,235,265**	5,733,997
Peso multi-asset dividend paying fund A	**162,339,032**	–
	₱1,471,723,666	₱836,549,881
Dollar Funds		
Global total return bond feeder fund - USD	**1,125,852,318**	1,102,007,625
Global equity opportunity feeder fund	**10,758,741**	8,814,350
Global allocation feeder fund	**12,200,689**	8,940,051
Dollar multi-asset dividend paying fund A	**249,771,769**	–
	1,398,583,517	1,119,762,026
	₱2,870,307,183	₱1,956,311,907

The breakdown of net assets in segregated funds as of December 31, 2021 follow:

	Peso Funds				
	Global Total Return Bond Feeder Fund (PHP)	Asia Equity Opportunity Feeder Fund	Equity Opportunity Fund	Philippine Balanced Fund	Total
Cash and cash equivalents	**₱3,268,313**	**₱2,360,602**	**₱1,399,144**	**₱1,019,762**	**₱8,047,821**
Mutual funds	**–**	**–**	**194,626,150**	**54,659,852**	**249,286,002**
Accum. market losses – mutual Funds	**–**	**–**	**(11,470,595)**	**(2,113,605)**	**(13,584,200)**
Unit investment trust fund (UITF)	**634,639,851**	**402,771,519**	**–**	**–**	**1,037,411,370**
Accum. market gains/(losses) – UITF	**(6,262,871)**	**75,197,509**	**–**	**–**	**68,934,638**

(Forward)

	Peso Funds				
	Global Total Return Bond Feeder Fund (PHP)	**Asia Equity Opportunity Feeder Fund**	**Equity Opportunity Fund**	**Philippine Balanced Fund**	**Total**
Accounts receivable	**₱37,529**	**₱–**	**₱8**	**₱8**	**₱37,545**
Accrued trust fee payable	**(2,358,415)**	**(756,527)**	**(590,143)**	**(88,980)**	**(3,794,065)**
Accounts payable	**(1,041,577)**	**(1,339,375)**	**(500)**	**(9,375)**	**(2,390,827)**
Net assets	**628,282,830**	**478,233,728**	**183,964,064**	**53,467,662**	**1,343,948,284**
Less: Seed capital (Note 8)	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**	**4,000,000**
Amounts payable on redemption of units (Note 8)	**23,041,686**	**21,150,515**	**21,000,169**	**7,189,797**	**72,382,167**
Segregated fund liabilities	**₱604,241,144**	**₱456,083,213**	**₱161,963,895**	**₱45,277,865**	**₱1,267,566,117**

	Peso Funds (cont'd)				
	Fixed Income Fund	**Global Technology Feeder Fund**	**Gl Consumer Trends Feeder Fund**	**Peso Multi-Asset Dividend Paying Fund A**	**Total**
Cash and cash equivalents	**₱1,067,525**	**₱1,747,633**	**₱1,032,388**	**₱1,000,958**	**₱4,848,504**
Unit investment trust fund (UITF)	**4,805,920**	**25,800,066**	**6,494,750**	**158,716,534**	**195,817,270**
Accum. market gains – UITF	**989,596**	**5,219,900**	**(19,068)**	**5,602,214**	**11,792,642**
Accounts receivable	**9**	**9**	**–**	**–**	**18**
Accrued trust fee payable	**(11,521)**	**(42,250)**	**(11,018)**	**(226,098)**	**(290,887)**
Accounts payable	**–**	**(96,250)**	**(31,250)**	**–**	**(127,500)**
Net assets	**6,851,529**	**32,629,108**	**7,465,802**	**165,093,608**	**212,040,047**
Less: Seed capital (Note 8)	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**	**4,000,000**
Amounts payable on redemption of units (Note 8)	**616,264**	**1,298,946**	**212,712**	**1,754,576**	**3,882,498**
Segregated fund liabilities	**₱5,235,265**	**₱30,330,162**	**₱6,253,090**	**₱162,339,032**	**₱204,157,549**

	Dollar Funds				
	Global Total Return Bond Feeder Fund - USD	**Global Equity Opportunity Feeder Fund**	**Global Allocation Feeder Fund**	**Peso Multi-Asset Dividend Paying Fund A**	**Total**
Cash and cash equivalents					
Unit investment trust fund (UITF)	**₱39,384,964**	**₱1,091,009**	**₱1,091,009**	**₱2,538,500**	**₱44,105,482**
Accum. market gains/(losses) – UITF	**1,263,857,673**	**8,536,996**	**10,390,867**	**240,867,184**	**1,523,652,720**
Accum. FX gains (losses) – UITF	**(88,461,144)**	**3,118,046**	**2,587,074**	**10,706,547**	**(72,049,477)**
Accounts receivable	**9**	**9**	**9**	**(283,141)**	**(283,114)**
Accrued trust fee payable	**(2,099,281)**	**(21,059)**	**(23,377)**	**(678,500)**	**(2,822,217)**
Net assets	**1,212,682,221**	**12,725,001**	**14,045,582**	**253,150,590**	**1,492,603,394**
Less: Seed capital (Note 8)	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**	**4,000,000**
Amounts payable on redemption of units (Note 8)	**85,829,903**	**966,260**	**844,893**	**2,378,821**	**90,019,877**
Segregated fund liabilities	**₱1,125,852,318**	**₱10,758,741**	**₱12,200,689**	**₱249,771,769**	**₱1,398,583,517**

The breakdown of net assets in segregated funds as of December 31, 2020 follow:

	Peso Funds				
	Asia Equity Opportunity Feeder Fund	Global Total Return Bond Feeder Fund (PHP)	Equity Opportunity Fund	Philippine Balanced Fund	Total
Cash and cash equivalents	₱3,536,932	₱5,510,059	₱1,780,855	₱1,009,206	₱11,837,052
Mutual funds	–	–	129,830,120	53,169,080	182,999,200
Accum. market losses – mutual Funds	–	–	(15,804,783)	(1,251,056)	(17,055,839)
Unit investment trust fund (UITF)	331,020,856	359,161,680	–	–	690,182,536
Accum. market gains/(losses) – UITF	16,832,325	(19,905,287)	–	–	(3,072,962)
Accounts receivable	–	2,550,155	745	707	2,551,607
Accrued trust fee payable	(237,826)	(261,718)	(88,584)	(42,618)	(630,746)
Accounts payable	(2,517,500)	(5,479,074)	(729,625)	–	(8,726,199)
Net assets	348,634,787	341,575,815	114,988,728	52,885,319	858,084,649
Less: Seed capital (Note 8)	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
Amounts payable on redemption of units (Note 8)	9,763,185	6,217,884	12,052,345	5,392,740	33,426,154
Segregated fund liabilities	₱337,871,602	₱334,357,931	₱101,936,383	₱46,492,579	₱820,658,495

	Peso Funds (cont'd)				
	Fixed Income Fund	Global Technology Feeder Fund	Gl Consumer Trends Feeder Fund	Peso Multi-Asset Dividend Paying Fund A	Total
Cash and cash equivalents	₱1,065,323	₱1,053,922	₱1,001,228	₱1,000,000	₱4,120,473
Unit investment trust fund (UITF)	5,041,207	6,508,002	1,233,000	–	12,782,209
Accum. market gains – UITF	1,106,873	2,365,567	310,048	–	3,782,488
Accounts receivable	753	567	–	–	1,320
Accrued trust fee payable	(5,960)	(7,673)	(1,745)	–	(15,378)
Net assets	7,208,196	9,920,385	2,542,531	1,000,000	20,671,112
Less: Seed capital (Note 8)	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
Amounts payable on redemption of units (Note 8)	474,199	280,586	24,941	–	779,726
Segregated fund liabilities	₱5,733,997	₱8,639,799	₱1,517,590	₱–	₱15,891,386

	Dollar Funds				
	Global Total Return Bond Feeder Fund - USD	Global Equity Opportunity Feeder Fund	Global Allocation Feeder Fund	Peso Multi-Asset Dividend Paying Fund A	Total
Cash and cash equivalents	₱7,186,416	₱1,087,365	₱1,087,365	₱1,000,000	₱10,361,146
Unit investment trust fund (UITF)	1,274,623,307	8,629,030	8,023,309	–	1,291,275,646
Accum. market gains/(losses) – UITF	(63,024,285)	1,578,094	2,092,275	–	(59,353,916)
Accum. FX losses – UITF	(67,608,385)	(762,062)	(694,227)	–	(69,064,674)
Accounts receivable	2,007	2,007	2,007	–	6,021
Accrued trust fee payable	(925,330)	(8,421)	(8,462)	–	(942,213)
Accounts payable	(6,098,921)	–	–	–	(6,098,921)
Net assets	1,144,154,809	10,526,013	10,502,267	1,000,000	1,166,183,089
Less: Seed capital (Note 8)	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
Amounts payable on redemption of units (Note 8)	41,147,184	711,663	562,216	–	42,421,063
Segregated fund liabilities	₱1,102,007,625	₱8,814,350	₱8,940,051	₱–	₱1,119,762,026

Amounts payable by fund manager (ATRAM) to the Company on redemption of units are presented as "Receivable from unit-linked funds" as part of loans and receivables - net (Note 8). The seed capital is presented as part of financial assets at FVTPL (Note 8).

The rollforward analyses of net assets in segregated funds follow:

	2021					
	At January 1	**Subscriptions**	**Redemptions/ Surrenders/ Withdrawals**	**Change in fair value**	**Charges and Fees**	**At December 31**
Peso Funds						
Global total return bond feeder fund - PHP	**₱334,357,931**	**₱326,769,567**	**(₱53,704,968)**	**₱13,642,416**	**(₱16,823,802)**	**₱604,241,144**
Asia equity opportunity feeder fund	**337,871,602**	**98,580,338**	**(27,346,581)**	**58,365,184**	**(11,387,330)**	**456,083,213**
Equity opportunity fund	**101,936,383**	**67,197,169**	**(2,556,020)**	**4,334,188**	**(8,947,825)**	**161,963,895**
Philippine balanced fund	**46,492,579**	**2,336,813**	**(891,921)**	**(862,548)**	**(1,797,058)**	**45,277,865**
Global technology feeder fund	**5,733,997**	**26,221,169**	**(4,337,272)**	**2,854,333**	**(142,065)**	**30,330,162**
Gl Consumer Trends Feeder Fund	**1,517,590**	**5,479,387**	**(227,001)**	**(329,115)**	**(187,771)**	**6,253,090**
Fixed income fund	**8,639,799**	**372,719**	**(2,641,616)**	**(117,276)**	**(1,018,361)**	**5,235,265**
Peso multi-asset dividend paying fund A	**–**	**160,058,441**	**(1,567,047)**	**5,602,214**	**(1,754,576)**	**162,339,032**
	836,549,881	**687,015,603**	**(93,272,426)**	**83,489,396**	**(42,058,788)**	**1,471,723,666**
Dollar Funds						
Global total return bond feeder fund (USD)	**1,102,007,625**	**186,109,320**	**(159,753,434)**	**42,171,525**	**(44,682,718)**	**1,125,852,318**
Global allocation feeder fund	**8,940,051**	**1,939,083**	**(1,026,742)**	**1,189,026**	**(282,677)**	**10,758,741**
Global equity opportunity feeder fund	**8,814,350**	**1,430,956**	**(92,033)**	**2,302,014**	**(254,598)**	**12,200,689**
Dollar multi-asset dividend paying fund A	**–**	**243,509,020**	**(2,064,978)**	**10,706,547**	**(2,378,820)**	**249,771,769**
	1,119,762,026	**432,988,379**	**(162,937,187)**	**56,369,112**	**(47,598,813)**	**1,398,583,517**
	₱1,956,311,907	**₱1,120,003,982**	**(₱256,209,613)**	**₱139,858,508**	**(₱89,657,601)**	**₱2,870,307,183**

	2020					
	At January 1	Subscriptions	Redemptions/ Surrenders/ Withdrawals	Change in fair value	Charges and Fees	At December 31
Peso Funds						
Asia equity opportunity feeder fund	₱236,795,000	₱163,949,063	(₱72,060,561)	₱15,192,834	(₱6,004,734)	₱337,871,602
Global total return bond feeder fund (PHP)	68,451,060	316,975,043	(24,528,978)	(20,503,495)	(6,035,699)	334,357,931
Equity opportunity fund	71,210,628	44,714,913	(915,016)	(7,132,387)	(5,941,755)	101,936,383
Philippine balanced fund	60,293,150	1,433,675	(16,554,008)	2,998,055	(1,678,293)	46,492,579
Global technology feeder fund	3,534,169	3,494,503	–	1,812,586	(201,459)	8,639,799
Fixed income fund	5,036,444	323,383	(15,259)	531,287	(141,858)	5,733,997
Gl Consumer Trends Feeder Fund	–	1,232,483	–	310,048	(24,941)	1,517,590
	445,320,451	532,123,063	(114,073,822)	(6,791,072)	(20,028,739)	836,549,881
Dollar Funds						
Global total return bond feeder fund (USD)	753,554,831	551,829,804	(69,744,123)	(98,468,149)	(35,164,738)	1,102,007,625
Global allocation feeder fund	7,211,142	853,241	–	1,134,678	(259,010)	8,940,051
Global equity opportunity feeder fund	8,722,185	28,161	–	365,525	(301,521)	8,814,350
	769,488,158	552,711,206	(69,744,123)	(96,967,946)	(35,725,269)	1,119,762,026
	₱1,214,808,609	₱1,084,834,269	(₱183,817,945)	(₱103,759,018)	(₱55,754,008)	₱1,956,311,907

Peso funds

Asia equity opportunity feeder fund

The fund seeks to achieve long-term capital appreciation by investing all or substantially all of its assets in a collective investment scheme that invests principally in equity securities of companies in the Asia Pacific region (excluding Japan).

Global total return bond feed fund - PHP

The fund aims to maximize total investment return consisting of a combination of interest income, capital appreciation, and currency gains by investing all or substantially all of its assets in a fixed income collective investment scheme that invests principally in a portfolio of fixed and/or floating rate debt securities and debt obligations issued by government and government-related issuers or corporate entities nationwide.

Equity opportunity fund

The fund is designed to seek total return through current income and long-term capital growth through investment in listed and non-listed fixed income and equity securities of Philippine companies and debt obligations of the Government of the Republic of the Philippines and its instrumentalities. It is an equity fund invested primarily in Philippine equity securities. Investments in securities issued abroad shall be limited to 100% of the fund's net asset value.

Philippine balanced fund

The fund is designed to seek total return through current income and long-term capital growth through investment in listed and non-listed fixed income and equity securities of Philippine companies and debt obligations of the Government of the Republic of the Philippines and its instrumentalities. It is a balanced fund invested in Philippine fixed income and equity securities.

Global technology feeder fund

The fund seeks to achieve long-term capital appreciation by investing all or substantially all of its assets in a collective investment scheme that invests principally in equity securities of companies throughout the world that derive or benefit significantly from technological advances and improvements. It is structured as a feeder fund which invests at least 90% of its assets in a single collective investment scheme called the "Target Fund". Target Fund invests in small or mid cap companies and aims to capture the best stock ideas that are long-term structural winners, opportunistic, and, in special situations, discounted or mispriced.

Fixed income fund
The fund is designed to seek total return through current income and long-term capital growth through investment in listed and non-listed fixed income and equity securities of Philippine companies and debt obligations of the Government of the Republic of the Philippines and its instrumentalities. The objective of the fund is to maximize total return of a fixed income portfolio, that is, to achieve capital gains while maintaining a level of current income consistent with the maintenance of principal and meeting of liquidity requirements. It is invested in a portfolio of liquid Philippine fixed income securities.

GI consumer trends feeder fund
The fund seeks to achieve long-term capital appreciation by investing all or substantially all of its assets in a collective investment scheme that invests principally in equity securities of companies throughout the world that derive or benefit significantly from technological advances and improvements.

Peso multi-asset dividend paying fund A
The fund seeks to achieve income and long-term capital growth by investing all or substantially all of its assets in a collective investment scheme that invests primarily in global debt securities and equities. It is structured as a feeder fund which invests at least 90% of its assets in the Target Multi-Asset Fund, which is currently the JPMorgan Multi Income Fund.

<u>Dollar funds</u>
Global total return bond feed fund - USD
The fund aims to maximize total investment return consisting of a combination of interest income, capital appreciation, and currency gains by investing all or substantially all of its assets in a fixed income collective investment scheme that invests principally in a portfolio of fixed and/or floating rate debt securities and debt obligations issued by government and government-related issuers or corporate entities worldwide.

Global allocation feeder fund
The fund is designed to seek total return through current income and long-term capital growth through investment in listed and non-listed fixed income and equity securities of Philippine companies and debt obligations of the Government of the Republic of the Philippines and its instrumentalities. The fund seeks to maximize total return by investing all or substantially all of its assets in a balanced collective investment scheme that invests globally in equity, debt and short-term securities, of both corporate and government issuers.

Global equity opportunity fund
The fund is designed to seek total return through current income and long-term capital growth through investment in listed and non-listed fixed income and equity securities of Philippine companies and debt obligations of the Government of the Republic of the Philippines and its instrumentalities. The fund seeks to achieve long-term capital appreciation by investing all or substantially all of its assets in an equity collective investment scheme that invests principally in equity securities in markets throughout the world including major markets and smaller emerging markets.

Dollar multi-asset dividend paying fund A
The fund seeks to achieve income and long-term capital growth by investing all or substantially all of its assets in a collective investment scheme that invests primarily in global debt securities and equities. It is structured as a feeder fund which invests at least 90% of its assets in the Target Multi-Asset Fund, which is currently the JPMorgan Multi Income Fund.

Sensitivities

Life Insurance Contracts
The analysis below is performed for a reasonable possible movement in key assumptions, related to mortality and discount rate, with all other assumptions held constant, on the statement of comprehensive income and statement of changes in equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumption changes had to be done on an individual basis.

The assumptions that have the greatest effect on the 2021 and 2020 statements of financial position, statements of comprehensive income and statements of changes in equity are listed below:

Mortality

		2021		
	Change in Assumptions	**Increase/ (Decrease) in Net Liabilities**	**Increase/ (Decrease) in Profit Before Tax**	**Increase/ (Decrease) in Equity**
Mortality	**10.00%**	**₱1,596,720**	**(₱1,596,720)**	**(₱1,197,540)**
	-10.00%	**(1,684,053)**	**1,684,053**	**1,263,040**
Discount rate	**-1.00%**	**11,990,588**	**(11,990,588)**	**(8,992,941)**
Lapse	**10.00%**	**(438,321)**	**438,321**	**328,740**
	-10.00%	**448,864**	**(448,864)**	**(336,648)**
Expense	**10.00%**	**1,479,053**	**(1,479,053)**	**(1,109,290)**
	-10.00%	**(1,465,641)**	**1,465,641**	**1,099,231**

		2020		
	Change in Assumptions	Increase/ (Decrease) in Net Liabilities	Increase/ (Decrease) in Profit Before Tax	Increase/ (Decrease) in Equity
Mortality	10.00%	₱1,848,989	(₱1,848,989)	(₱1,294,293)
	-10.00%	(1,963,426)	1,963,426	1,374,398
Discount rate	-1.00%	14,613,921	(14,613,921)	(10,229,745)
Lapse	10.00%	(498,223)	498,223	348,756
	-10.00%	509,205	(509,205)	(356,444)
Expense	10.00%	1,697,880	(1,697,880)	(1,188,516)
	-10.00%	(1,694,832)	1,694,832	1,186,382

MfAD

	MfAD	**2021** Increase in Net Liabilities (from Unpadded Reserves)	Decrease in Profit Before Tax	Decrease in Equity
Lapse	**-50.00%**	**₱3,955,838**	**(3,955,838)**	**(₱2,966,879)**
Mortality	**10.00%**	**1,419,881**	**(1,419,881)**	**(1,064,911)**
Interest	**-10.00%**	**4,097,393**	**(4,097,393)**	**(3,073,045)**
Expense	**50.00%**	**4,028,731**	**(4,028,731)**	**(3,021,548)**
Total MfAD		**₱13,501,843**	**(₱13,501,843)**	**(₱10,126,383)**

	MfAD	2020 Increase in Net Liabilities (from Unpadded Reserves)	Decrease in Profit Before Tax	Decrease in Equity
Lapse	-50.00%	₱4,534,122	(₱4,534,122)	(₱3,173,885)
Mortality	10.00%	1,656,842	(1,656,842)	(1,159,789)
Interest	-10.00%	3,988,133	(3,988,133)	(2,791,693)
Expense	50.00%	4,928,642	(4,928,642)	(3,450,049)
Total MfAD		₱15,107,739	(₱15,107,739)	(₱10,575,416)

14. **Accounts Payable and Other Liabilities**

This account consists of:

	2021	2020
Accounts payable	**₱375,561,227**	₱244,161,046
Commissions payable	**144,014,916**	93,640,389
Accrued expenses	**92,732,106**	101,127,230
Client deposits	**85,990,851**	71,098,973
Taxes payable	**32,368,138**	40,742,921
Life insurance deposit	**19,258,106**	21,646,536
Due to policyholders	**15,787,294**	19,207,917
Premium deposit fund	**1,473,809**	1,523,222
Miscellaneous	**5,511,695**	4,939,721
	₱772,698,142	₱598,087,955

Accounts payable represent billings for medical fees, dental fees, annual physical examination, and third-party administration which are payable on demand. This account also includes unreleased and outstanding checks and the unpaid portion of the exclusive access fees.

Accrued expenses include accruals for employee bonuses which are payable the following year, accruals for other employee benefits, professional and legal fees and utilities.

Commissions payable refer to accrual for obligations to brokers, referrers and agents arising from commissions, overrides and service fees.

Client deposits pertain to unidentified bank credits as of the reporting date and are subject for clearing the following period.

Taxes payable include withholding tax and premium tax payable which are remitted within one month subsequent to reporting date.

Life insurance deposits represent deposits paid by policyholders in advance which are applied to premiums or other policyholder obligations when these fall due.

Due to policyholders represent the PhilHealth benefits due to insured members who were hospitalized or who availed of laboratory procedures from PhilHealth accredited hospitals or clinics. PhilHealth issues the Benefit Payment Notice (BPN) direct to the insured to claim the benefit. The Company will then require the submission of this BPN as a supporting document prior to paying the related claims on due to policyholders.

Premium deposit fund pertains to funds held for policyholders with annual interest ranging from 4.0% to 6.0%. Premium deposit fund amounted to ₱1.4 million and ₱1.5 million as of December 31, 2021 and 2020, respectively. Interest expense charged against income amounted to ₱0.1 million in both 2021 and 2020.

Miscellaneous includes unearned interest from policy loans and due to Insurope, a multinational pooling facilitator who administers the Company's group life policy pooling arrangements.

15. **Insurance Payables**

Insurance payables pertain to unpaid reinsurance premiums of the Company to insurers. As of December 31, 2021, and 2020, insurance payables amounted to ₱320.6 million and ₱188.2 million, respectively.

16. **Equity**

Capital stock
Details of the Company's capital stock for both 2021 and 2020 follows:

Common	Shares	Amount
Authorized (₱10.00 - par value)	124,499,404	₱1,244,994,040
Issued and outstanding:		
Balance at the beginning and end of the year	116,172,083	₱1,161,720,830

Preferred	Shares	Amount
Authorized (₱0.10 - par value)	50,059,600	₱5,005,960
Issued and outstanding:		
Balance at the beginning and ending of the year	50,059,600	₱5,005,960

The preferred shares have the following features:

a) Entitled to receive cash dividends at six percent (6.0%) per annum;
b) Voting rights;
c) Convertible at any time into common shares at the sole option of the Company;
d) Redeemable at any time at the sole option of the Company;
e) Priority to receive the guaranteed dividends, including dividends in arrears, over the common stockholders;
f) Not entitled to any participation or share in the retained earnings remaining after all cumulative dividends thereon have been paid; and
g) In the event of liquidation, dissolution, bankruptcy or winding up of the affairs of the Company, holders of preferred shares shall enjoy preferences in the payment, in full or pro-rata basis as the assets of the Corporation will permit, of the value of their shares plus all unpaid cumulative dividends, before any assets of the Company shall be paid or distributed to holders of common shares.
h) Accrued payable for preferred share dividends in arrears amounted to ₱2.6 million in 2021 and ₱2.3 million in 2020.

Contributed surplus
Contributed surplus amounted to ₱39.8 million as of December 31, 2021 and 2020. This represents original contributions of the stockholders as provided under the Amended Insurance Code.

Retained Earnings
This represents the accumulated earnings of the Company reduced by any losses the Company may incur during a certain accounting period or by dividend declarations.

Under Section 29 of the National Internal Revenue Code of 1997, the Improperly Accumulated Earnings Tax should not apply to Insurance companies.

17. Net Insurance Premiums

Life and Non-life Insurance Contracts
Gross premiums on insurance contracts and reinsurers' share of gross premiums on insurance contract consists of the following:

	2021	2020
Life insurance contract premiums:		
Group accident and health insurance	**₱3,595,609,298**	₱3,196,141,053
Group life insurance	**466,081,888**	299,729,017
Change in provision for unearned premiums	**(2,365,941)**	44,274,596
Gross premiums earned on group life insurance contracts	**4,059,325,245**	3,540,144,666
Ordinary life insurance	**49,818,587**	34,986,511
Unit-linked	**1,120,003,983**	1,083,312,069
Change in provision for unearned premiums	**(442,930)**	–
Gross premiums earned on individual life insurance contracts	**₱1,169,379,640**	₱1,118,298,580
Total life insurance contract premiums earned	**5,228,704,885**	4,658,443,246

(Forward)

	2021	2020
Reinsurers' share on life insurance contracts:		
Group life insurance	**(₱183,432,399)**	(₱124,979,047)
Ordinary life insurance	**713,060**	(15,244,786)
Total reinsurers' share on gross premiums earned on life insurance contracts	**(182,719,339)**	(140,223,833)
Net premiums earned on life insurance contracts	**5,045,985,546**	4,518,219,413
Non-life insurance contracts premiums:		
Motor	**76,666,950**	135,526,821
Fire	**129,000,734**	66,945,899
Personal accident	**928,535**	832,308
Travel insurance	**261,598**	636,473
Gross premiums written on nonlife insurance contracts	**206,857,817**	203,941,501
Change in unearned premium reserves	**(23,887,478)**	(35,819,270)
Gross earned premiums on nonlife insurance contracts	**182,970,339**	168,122,231
Reinsurers' share on gross premiums written on non-life insurance contracts	**(104,572,570)**	(42,785,643)
Net premiums earned on non-life insurance contracts	**78,397,769**	125,336,588
Net insurance premiums earned	**₱5,124,383,315**	₱4,643,556,001

18. **Interest and Other Income**

Interest income consists of interest arising from:

	2021	2020
Financial assets at FVOCI (Note 8)	**₱57,359,546**	₱56,180,242
Loans and receivables (Note 8)		
Salary loans	**29,049,222**	13,584,473
Policy loans	**741,068**	1,405,825
Mortgage loans	**93,291**	132,298
Cash and cash equivalents (Note 6)	**5,470,178**	12,261,110
	₱92,713,305	₱83,563,948

Service fees consist of income from:

	2021	2020
Fees from variable life insurance	**₱148,983,169**	₱112,548,308
Network fees	**8,697,445**	12,889,987
	₱157,680,614	₱125,438,295

Fees from variable life insurance pertain to charges to the policyholders holding investments in variable unit-linked products for fund management, as well as policy issue fees.

Network fees are membership fees paid by the policyholders for the use of accredited hospitals, clinics and doctors' network for a no cash-out arrangement in case of in-patient and out-patient availments. These membership fees cover the insured members with health cards issued by the Company.

Third party administration fees pertain to fees paid by third parties to the Company for handling medical and health expenses of the said third parties which amounted to ₱20.9 million and ₱13.5 million in 2021 and 2020, respectively.

Other income consists of:

	2021	2020
Processing and handling fees	**₱9,064,546**	₱16,593,750
Reinsurance commission income	**5,910,053**	–
Dividend income	**3,902,239**	4,325,519
Gain on termination of ROU assets (Note 10)	**26,067**	–
Loss on foreign currency transactions	**(821,938)**	(5,835,561)
	₱18,080,967	₱15,083,708

Processing and handling fees pertain to non-finance charges to cover cost of processing salary loans to DepEd teachers and private institution employees and delivery charge for non-life policies printed and delivered in hard copy.

19. Net Benefits and Claims Incurred on Insurance Contracts

This account consists of:

	2021	2020
Life	**₱2,519,690,557**	₱2,008,528,064
Non-life	**127,361,281**	85,041,644
	₱2,647,051,838	₱2,093,569,708

Life Insurance Contracts
Net insurance contract benefits and claims incurred follow:

	2021	2020
Claims (Note 13)	**₱2,463,820,632**	₱1,942,111,031
Surrenders	**54,463,518**	58,665,310
Maturities	**520,882**	689,766
Policyholders' dividends (Note 13)	**885,525**	7,061,957
	₱2,519,690,557	₱2,008,528,064

Non-Life Insurance Contracts
Insurance contract benefits and claims incurred follow:

	2021	2020
Motor car insurance	**₱39,311,505**	₱48,458,697
Fire insurance	**50,287,793**	21,876,338
Personal accident insurance	**34,999**	48,897
Travel insurance	**–**	94,810
Claims incurred	**89,634,297**	70,478,742
Increase in IBNR	**37,726,984**	14,562,902
	₱127,361,281	₱85,041,644

20. Expenses for the Acquisition of Insurance Contracts

This account consists of:

	2021	2020
Commissions	**₱286,725,495**	₱308,439,452
Service fees	**246,070,191**	139,525,913
Salaries, wages and employees' benefits (Notes 22 and 26)	**141,348,374**	111,938,285
Insurance taxes	**80,690,483**	57,654,108
Others	**25,430,458**	10,095,820
	₱780,265,001	₱627,653,578

Commissions represent amounts that are given to agents and brokers. This account includes overriding expenses that are in excess of 10.0% of commissions.

Service fees represent amounts paid to intermediaries of group policyholders for collecting the premiums from the assured.

Salaries, wages and employees' benefits pertain to personnel costs of the departments directly involved in the marketing, selling and processing the Company's insurance products.

Insurance taxes include documentary stamp tax and premium tax.

Others include medical fees, inspection fees and other direct costs.

21. General and Administrative Expenses

This account consists of:

	2021	2020
Salaries, wages and employees' benefits (Notes 22 and 26)	**₱190,986,698**	₱157,328,171
Occupancy (Note 24)	**110,973,504**	72,350,102
Management and professional fees (Note 26)	**81,158,022**	111,413,494
Taxes and licenses	**37,219,683**	54,256,406
Postage and communication	**13,840,502**	9,155,921
Office supplies	**12,485,823**	15,271,198
Transportation and travel	**2,816,151**	3,478,103
Representation and entertainment	**1,163,263**	1,679,750
Insurance	**931,646**	416,181
Provision for (recovery from) impairment of financial assets (Notes 6 and 8)	**280,488**	43,966,663
Provision for impairment of other assets (Note 12)	**–**	1,911,937
Provision for (recovery from) impairment of insurance receivables (Note 7)	**(27,786,033)**	18,238,955
Others	**34,687,251**	41,318,209
	₱458,756,998	₱530,785,090

Management and professional fees pertain to expenses incurred for management and other professional services received by the Company such as consulting fee, IMA fees, audit fees, directors' fees, legal fees, temporary staff expenses and miscellaneous services.

Taxes and licenses consist of license and permit fees, LGU Taxes, fringe benefit tax, and input VAT.

Others consists mainly of membership dues, prizes and awards, trainings and seminars and bank charges.

22. Salaries, Wages and Employees' Benefits

This account consists of:

	2021	2020
Salaries and wages and other benefits	**₱312,777,873**	₱253,892,750
SSS, Medicare and PAG-IBIG contributions	**9,872,729**	7,782,015
Pension expense (Note 23)	**9,684,470**	7,591,691
	₱332,335,072	₱269,266,456

Salaries, wages and employees' benefits are charged as follows:

	2021	2020
Expenses for the acquisition of insurance contracts (Note 20)	**₱141,348,374**	₱111,938,285
General and administrative expenses (Note 21)	**190,986,698**	157,328,171
	₱332,335,072	₱269,266,456

23. Pension Plan

The Company has a funded, non-contributory defined benefit plan (the Plan) which is managed by ATRAM Trust Corporation providing death, disability and retirement benefits for all of its employees. Under the Plan, the normal retirement age is sixty (60) and the employee should have completed at least ten (10) years of service. Normal retirement benefit consists of a lump-sum benefit equivalent to 100.00% of the employee's final monthly pay for every year of service.

The most recent actuarial valuation was carried out for the retirement plan of the Company as of December 31, 2021.

Based on the actuarial valuation as of December 31, 2021 and 2020 computed using the Projected Unit Credit (PUC) method, the Company's pension liabilities and expenses are summarized as follows:

	2021	2020
Net pension liability (asset)	**(₱8,242,775)**	₱10,642,134
Pension expense (Note 22)	**9,684,470**	7,591,691

The amounts recognized in the statements of comprehensive income are as follow:

	2021	2020
Current service cost	**₱9,290,711**	₱6,915,195
Net interest cost	**393,759**	676,496
Pension expense	**₱9,684,470**	₱7,591,691

The amounts of net pension liability recognized in the statements of financial position are as follows:

	2021	2020
Present value of defined benefit obligation	**₱107,419,069**	₱119,167,548
Fair value of plan assets	**(115,661,844)**	(108,525,414)
Present value of defined benefit obligation	**₱107,419,069**	₱119,167,548

The movements in the net pension asset (liability) recognized in the statements of financial position are as follows:

	2021	2020
At January 1	**₱10,642,134**	₱13,666,585
Pension expense (Note 22)	**9,684,470**	7,591,691
Contributions	**(20,696,971)**	(21,258,276)
Amount to be recognized in OCI	**(7,872,408)**	10,642,134
At December 31	**(₱8,242,775)**	₱10,642,134

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

	2021	2020
At January 1	**₱119,167,548**	₱93,826,473
Current service cost	**9,290,711**	6,915,195
Interest cost on benefit obligation	**4,409,199**	4,644,410
Benefits paid from retirement fund	**(14,034,829)**	(346,272)
Actuarial losses (gains):		
Experience adjustments	**126,865**	2,286,879
Changes in financial assumptions	**(11,540,425)**	11,840,863
At December 31	**₱107,419,069**	₱119,167,548

Changes in fair value of the plan assets are as follow:

	2021	2020
At January 1	**₱108,525,414**	₱80,159,888
Contributions	**20,696,971**	21,258,276
Expected return on plan assets	**4,015,440**	3,967,914
Benefits paid	**(14,034,829)**	(346,272)
Remeasurement gains (losses)	**(3,541,152)**	3,485,608
At December 31	**₱115,661,844**	₱108,525,414

Remeasurement losses (gains) recognized in OCI:

	2021	2020
Remeasurement losses (gains) on plan assets	**₱3,541,152**	(₱3,485,608)
Actuarial losses from benefit obligation	**(11,413,560)**	14,127,742
	(7,872,408)	10,642,134
Deferred tax on remeasurement on plan assets (Note 25)	**1,968,102**	(3,192,640)
	(₱5,904,306)	₱7,449,494

Movement of cumulative remeasurement effect recognized in OCI under equity section of the statements of financial position:

	2021	2020
At January 1	**₱10,962,240**	₱7,612,722
Remeasurement loss (gain) on plan assets	**3,541,152**	(3,485,608)
Actuarial losses from benefit obligation	**(11,413,560)**	14,127,742
At December 31	**3,089,832**	18,254,856
Deferred tax asset	**1,968,102**	(7,292,616)
Actuarial gains on pension liability	**₱5,057,934**	₱10,962,240

Plan assets consist of:

	2021		2020	
	Amount	**%**	Amount	%
Cash and cash equivalents	**₱13,058,258**	**11.29%**	₱21,365,506	26.65%
Government debt securities	**24,418,978**	**21.11%**	31,105,235	38.80%
Corporate debt securities	**–**	**0.00%**	–	0.00%
Equity securities	**10,557,060**	**9.13%**	–	0.00%
Mutual Funds/UITFs	**60,231,896**	**52.08%**	57,747,504	72.04%
Loans and receivables	**7,517,354**	**6.50%**	9,498,624	11.85%
Accounts payable	**(121,702)**	**-0.11%**	(11,191,454)	-13.96%
	₱115,661,844	**100.00%**	₱108,525,415	135.38%

The expected return on plan assets is determined by considering the expected return available on the assets underlying the current investment policy. Expected yields on fixed income investments are based on gross redemption yields as of reporting dates.

The carrying amounts disclosed above reasonably approximate fair value at the reporting date. Accounts payable pertain to projected benefit payable and accrued trust fees.

Net unrealized gains (losses) on investments follow:

	2021	2020
Mutual funds	**(₱2,875,301)**	₱4,637,343
Unit investment trust funds	**(2,027,634)**	1,123,334
Government debt securities	**(110,560)**	(213,817)
Corporate debt securities	**–**	–
Equity securities	**(410,687)**	–
	(₱5,424,182)	₱5,546,860

Actual return on plan assets amounted to ₱0.4 million and ₱7.4 million in 2021 and 2020, respectively.

The principal actuarial assumptions used are as follows:

	2021	2020
Discount rate	**4.83%**	3.70%
Expected return on plan assets	**0.42%**	8.23%
Salary increase rate	**5%**	5.00%
Average remaining working lives	**10 years**	17 years

The sensitivity analysis that follows has been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligation as of the end of reporting period, assuming all other assumptions were held constant.

	2021		2020	
Discount rate	**+0.50%**	**(₱4,428,382)**	+0.50%	(₱5,037,861)
	-0.50%	**5,050,489**	-0.50%	5,932,358
Salary increase rate	**+0.50%**	**4,847,428**	+0.50%	5,483,889
	-0.50%	**(4,560,325)**	-0.50%	(4,984,393)

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. It is the policy of the Trustee that immediate and near-term retirement liabilities of the Company's Retirement Fund are adequately covered by its assets. As such, due considerations are given that portfolio maturities are matched in accordance with due benefit payments. The Retirement Fund's expected benefits payments are determined through the latest actuarial reports.

24. **Occupancy Expenses**

This account consists of:

	2021	2020
Depreciation and amortization - property and equipment and intangible assets (Note 9)	**₱47,494,977**	₱12,219,175
Repairs and maintenance	**30,242,094**	27,816,773
Amortization - right of use assets (Note 10)	**24,485,790**	23,524,728
Rent	**6,912,442**	2,412,306
Light and water	**1,633,191**	6,313,245
Others	**205,010**	63,875
	₱110,973,504	₱72,350,102

Rent expenses are related to short-term leasing agreements that the Company entered into for its servicing branches and clinics.

- In July 2017, the Company entered into a three (3) year lease contract for its branch office located in Lipa City which will expire in June 2020. This contract has been renewed in June 8, 2020 for another one (1) year, expiring on June 30, 2021. It was renewed for another year, expiring on June 30, 2022.

- In June the Company entered into a lease agreement for its new branch in Malolos, Bulacan. The lease covers a period of one year from June 5, 2019 to June 15, 2020. It was renewed for another year, expiring on June 15, 2021.

- On August 1, 2020, the Company renewed its lease agreement for the clinic located in the Medical Arts Tower, Dr. Eugenio Lopez Jr. Medical Complex in Pasig City. The contract is for a period of one (1) year and will expire on July 31, 2021.

- The Company renewed its lease agreement with Medical Doctors, Inc. for its clinic in Makati Medical Center for a period of one year from March 16, 2020 to March 15, 2021.

Rental deposits as of December 31, 2021 and 2020 amounted to ₱7.0 million and ₱7.1 million respectively.

25. **Income Taxes**

Provision for (benefit from) income tax consists of:

	2021	2020
Current	**₱100,302,602**	₱238,770,356
Deferred	**32,976,330**	(77,104,238)
Final	**12,823,097**	14,078,776
	₱146,102,029	₱175,744,894

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30.0% to 25.0% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20.0%.
- Minimum corporate income tax (MCIT) rate reduced from 2.00% to 1.00% of gross income effective July 1, 2020 to June 30, 2023.

Applying the provisions of the CREATE Act, the Company is subjected to lower regular corporate income tax rate effective July 1, 2020.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. The current and deferred income taxes as of and for the year ended December 31, 2020 were computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30.00% RCIT / 2.00% MCIT) for financial reporting purposes. The reduction in current income tax expense in 2020 amounting to ₱19.9 million is recognized in 2021.

The regulations also provide that the MCIT and net operating loss carryover (NOLCO) may be applied against the Parent Company's income tax liability and taxable income, respectively, over a three-year period from the year of inception. However, on September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover as One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The reconciliation of provision for income tax computed at the statutory tax rate to provision for income tax as shown in the statements of comprehensive income follows:

	2021	2020
At statutory tax rate	**₱91,067,741**	₱180,263,012
Tax effects:		
Impact of 2020 tax reduction from CREATE	**(19,897,530)**	–
Nondeductible expenses	**76,089,147**	13,686,420
Non-taxable income	**4,027,423**	(9,373,686)
Income subjected to final tax	**(2,884,334)**	(6,453,630)
Unrealized gains on financial assets at FVTPL	**(2,300,418)**	(2,377,222)
At effective tax rate	**₱146,102,029**	₱175,744,894

Deferred tax assets are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. The details of the Company's deferred tax assets as at December 31, 2021 and 2020 are as follows:

	2021	2020
Deferred tax assets on:		
Affecting profit or loss:		
Provision for IBNR	**₱37,745,481**	₱55,940,935
Allowance for impairment losses	**15,841,104**	27,384,331
Accrued expenses	**11,013,104**	7,857,370
Unamortized contribution of past service cost	**5,868,232**	5,036,518
Post-employment benefit obligation	**–**	3,192,640
Affecting other comprehensive income:		
Tax effect of actuarial loss on pension liability	**5,324,514**	7,292,616
	75,792,435	106,704,410
Deferred tax liabilities on:		
Affecting profit or loss:		
Post-employment benefit obligation	**2,060,694**	–
Affecting other comprehensive income:		
Net unrealized gains on financial assets at FVOCI	**1,013,238**	2,947,167
	3,073,932	2,947,167
Deferred tax assets - net	**₱72,718,503**	₱103,757,243

The movements of the Company's net deferred tax assets are as follow:

	2021	2020
At January 1	**₱103,757,243**	₱25,400,712
Provision	**(31,004,566)**	77,104,238
Tax effect of actuarial loss on pension liability	**(1,968,102)**	3,192,640
Tax effect on unrealized gains on financial assets at FVOCI	**1,933,928**	(1,940,347)
At December 31	**₱72,718,503**	₱103,757,243

26. **Related Party Transactions**

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

In the normal course of the business, the Company has various transactions with its related parties as follows:

a. Loans to officers consist of car loans which earn interest ranging from 0%-6% per annum depending on the position of the employee. Total loans outstanding amounted to ₱11.3 million and ₱16.0 million as of December 31, 2021 and 2020, respectively. The related interest income on the car loans amounted to ₱0.1 million for the years ended December 31, 2021 and 2020, respectively (see Note 18).

b. In 2021 and 2020, directors' remuneration included in management and professional fees under "General and administrative expenses" amounted to ₱3.2 million and ₱3.4 million, respectively (Note 22).

Details of key management compensation follows:

	2021	2020
Salaries and other short-term benefits	**₱80,810,647**	₱70,701,866
Post-employment benefits	**9,770,007**	8,547,856
Fringe benefits	**3,919,874**	3,849,206
Social security cost	**387,300**	302,400
	₱94,887,828	₱83,401,328

Key management includes officers with positions of Vice President and up.

c. Outstanding balances with related parties as of December 31 are as follow:

	2021					
	Relationship	**Nature of Transaction**	**Amount/ Volume**	**Outstanding Receivable (Payable) Balance**	**Terms**	**Conditions**
Maybank ATR KE Securities	**Entity under common control**	**Common expenses / premium refund**	**₱–**	**(₱4,106,262)**	**Interest free, payable on demand**	**Unsecured**
Maybank ATR KE Capital	**Shareholder**	**Common expenses**	**–**	**(7,656,161)**	**Interest free, payable on demand**	**Unsecured**
Maybank Ageas Holdings, Berhad	**Entity under common control**	**Chargeback for shared services**	**(696,976)**	**(696,976)**	**Interest free, payable on demand**	**Unsecured**
Etiqa Life Insurance Berhad	**Entity under common control**	**Chargeback for shared services**	**(14,587)**	**(14,587)**	**Interest free, payable on demand**	**Unsecured**
Etiqa International Holdings Sdn. Bhd.	**Parent company**	**Chargeback for software costs**	**(328,034)**	**–**	**Interest free, payable on demand**	**Unsecured**
			(₱1,039,597)	**(₱12,473,986)**		

	2020					
	Relationship	Nature of Transaction	Amount/ Volume	Outstanding Receivable (Payable) Balance	Terms	Conditions
Maybank ATR KE Securities	Entity under common control	Common expenses / premium refund	₱–	(4,106,262)	Interest free, payable on demand	Unsecured
Maybank ATR KE Capital	Shareholder	Common expenses	(87,989)	(7,656,161)	Interest free, payable on demand	Unsecured
Etiqa International Holdings Sdn. Bhd.	Parent company	Hypotax for International Assignee	(1,551,910)	32,334	Interest free, payable on demand	Unsecured
Etiqa International Holdings Sdn. Bhd.	Parent company	Chargeback for software development costs	(5,470,579)	(5,470,579)	Interest free, payable on demand	Unsecured
			(₱7,110,478)	(₱17,200,668)		

Due to Maybank ATR KE Securities represents premium refund for resigned employees covered by the group hospitalization plan and charges for common expenses. These are due and payable on demand and settled within one year upon renewal of the group hospitalization plan.

Due to Maybank ATR KE Capital represents operational advances and common expenses relating to Business Continuity Program (BCP) which are due and payable on demand.

Due to Maybank Ageas Holdings, Berhad and Etiqa Life Insurance, Berhad represent chargeback for shared services.

Due from Etiqa International Holdings Sdn. Bhd. pertains to chargebacks for Software costs.

The Company also has a Maintenance and Service Agreement (MSA) with Etiqa Insurance Pte. Ltd. (EIPL) for use of software. Charges for the MSA as part of accrued expenses amounted to ₱10.15 million as of December 31, 2021.

e. The Company has bank deposits with Maybank Philippines Inc. (MPI) as of December 31, 2021 and 2020 amounting ₱274.8 million and ₱612.2 million, respectively, earning interest rate of 0.25% both in 2021 and 2020. The Company also maintains time deposit accounts with Maybank Philippines Inc. as of December 31, 2021 and 2020 amounting ₱292.1 million and ₱365.4 million, respectively. Interest rates range from 0.50% in 2021, and 0.4% to 2.9% in 2020. Interest income earned in 2021 and 2020 amounted to ₱2.5 million and ₱5.3 million, respectively (see Note 18).

In November 2020, the Company and MPI signed a Bancassurance Agreement (the Agreement), effective January 1, 2021 for a period of fifteen (15) years. This supersedes the previous Bancassurance agreement expiring in 2025. The Agreement sets the Company to be the provider of all individual life and health insurance and variable unit life insurance products including other existing and future products for MPI and its subsidiaries. In return, the Company will pay service fees for MPI clients availing of its insurance products. For 2021 and 2020, service fees paid to MPI amounted to ₱102.5 million and ₱36.2 million, respectively.

The Company also provides hospitalization and life cover for employees of MPI, as well as Group Credit Life (GCL) insurance cover for borrowers from its lending business. Premium earned in 2021 and 2020 relative to these insurance covers amounted to ₱76.6 million and ₱62.8 million, respectively.

f. The Company has an Investment Management Agreement (IMA) with ATRAM Trust Corporation (ATRAM) formerly ATR KimEng Asset Management, Inc. (ATRKE AMI) which monitors and manages a portion of the Company's investments. The IMA provides that the Company retains legal title to the invested funds and properties and will be charged IMA fees based on the market value of the portfolio. As of December 31, 2021 and 2020, investments under IMA measured at FVOCI amounted to ₱1.2 billion and ₱1.4 billion, respectively, while investments measured at FVTPL amounted to ₱383.2 million and ₱273.7 million, respectively (Note 8).

   The Company has also entrusted the management of the fund assets of its policyholders availing of variable unit-linked products to ATRAM. As of December 31, 2021 and 2020, segregated fund assets amounted to ₱2.9 billion and ₱2.0 billion, respectively (Note 13).

   Total IMA fees paid to ATRAM included in management and professional fees under "General and administrative expenses" amounted to ₱18.0 million in 2021 and ₱26.1 million in 2020 (Note 21).

g. The Company also maintains its retirement fund with ATRAM, with plan assets as of December 31, 2021 and 2020 amounting to ₱115.7 million and ₱108.5 million, respectively (Note 23). The Company has no other transactions with the retirement plan.

Terms and conditions of transactions with related parties
The Company has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2021 and 2020. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. Outstanding balances will be settled in cash.

27. **Management of Capital and Insurance Risk**

The Company's activities expose it to a variety of risks such as capital, financial and insurance risks. The overall objective of risk management is to focus on the unpredictability of financial markets and insurance contingencies to minimize potential adverse effects on the financial position of the Company.

The Company has established risk management functions with clear cut responsibilities and with the mandate to develop company-wide policies on market, credit, liquidity, insurance and operational risk management. It also supports the effective implementation of risk management policies at the individual business unit and process levels.

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

Regulatory Framework

Regulators are interested in protecting the rights of the policyholders and maintain close monitoring to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains appropriate liquidity and solvency positions to meet maturing liabilities arising from claims and acceptable levels of risk.

The operations of the Company are subject to the regulatory requirements of the Insurance Commission. The Insurance Commission does not only prescribe approval and monitoring of activities but also imposes certain restrictive provisions [e.g. fixed capitalization requirements and risk-based capital (RBC) requirements]. Such restrictive provisions minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise.

Capital Management

The Company's capital includes the common and preferred stock and contributed surplus.

The Company has established the following capital management objectives in managing the risks that affect its capital position:

- To maintain the required level of net worth thereby providing a degree of security to policyholders;
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders;
- To retain financial flexibility by maintaining strong liquidity and access to a range of credit facilities;
- To align the profile of assets and liabilities taking account into the risks inherent in the business;
- To maintain healthy capital and liquidity ratios in order to support its business objectives and maximize shareholders value.

The Company manages its capital through its compliance with the statutory requirements on minimum net worth. The Company is also complying with the statutory regulations on RBC to measure the adequacy of its statutory surplus in relation to the risks inherent in its business. The RBC method involves developing a risk-adjusted target level of statutory surplus by applying certain factors to various asset, premium and reserve items. Higher factors are applied to more risky items and lower factors are applied to less risky items. The target level of statutory surplus varies not only as a result of the insurer's size, but also on the risk profile of the insurer's operations.

The Company's policy to address the situations where the capital level maintained is lower than minimum is to require the shareholders to add more capital. The Company currently holds net worth in excess of the minimum regulatory requirement.

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

Fixed capitalization requirements
Pursuant to the provision of Section 194 of the New Insurance Code ("the Code"), no new life or non-life insurance business will be licensed in the Philippines unless it has paid-up capital of One Billion Pesos (₱1,000,000,000).

Under the new Insurance Code, the required net worth which is defined as the sum of paid-up capital, retained earnings, unimpaired surplus, and revalued assets is set as follows:

Required Net Worth	Compliance Date
₱250.0 million	June 30, 2013
550.0 million	December 31, 2016
900.0 million	December 31, 2019
1.3 billion	December 31, 2022

As of December 31, 2021, and 2020, the Company's estimated statutory net worth amounted to ₱2.2 billion and ₱2.1 billion, respectively.

Insurance Commission Circular Letter (CL) No. 2018-45 issued in September 5, 2018 sets the net worth requirements for composite insurers at ₱1.1 billion by December 31, 2016, ₱1.8 billion by December 31, 2019 and ₱2.6 billion by December 31, 2022. However, on October 25, 2019, the Insurance Commission issued Circular Letter No. 2019-55 revoking CL No. 2018-45, citing the need for a clear basis to seek and wait for appropriate legislation that will provide greater clarity on the minimum capitalization and net worth requirements.

RBC requirements
Insurance Memorandum Circular (IMC) No. 6-2006 (Circular) provides for the RBC framework for the life insurance industry which establishes the required amounts of capital to be maintained by the insurance companies in relation to their investment and insurance risks. Subsequently, Insurance Circular 2016-68 amended the RBC framework (dubbed 'RBC2') as part of a new three (3) pillar risk-based approach to solvency regulation. The Risk Based Capital Ratio and Risk Based Capital Requirement are the key requirements under Pillar 1. The RBC2 framework became effective on January 1, 2017.

Every life insurance company is annually required to maintain an RBC ratio of at least 100.0% and not to fail the trend test. Failure to meet the minimum RBC ratio shall subject the insurance company to regulatory intervention which could be at various levels depending on the degree of the violation.

The RBC2 ratio shall be computed as the Total Available Capital divided by the RBC requirement. The Total Available Capital is the aggregate of the Tier 1 and Tier 2 capital minus deductions, subject to applicable limits and determinations. Tier 1 Capital represents capital that is fully available to cover the losses of the insurer at all times on a going concern and winding up basis. The Tier 2 Capital does not have the same high-quality characteristics as Tier 1 but can provide additional buffer to the insurer. The RBC requirement on the other hand is the capital that is required to be held appropriately to the risks and insurance company is exposed to such as Credit Risk, Insurance Risk, Market Risk, Operational Risk, Catastrophe Risk and Surrender Risk.

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

	2021	2020
Total Available Capital (TAC)	**₱2,032,886,666**	₱2,183,504,096
RBC2 requirement (RBC2)	**578,973,757**	449,571,646
RBC2 ratio	**351.12%**	485.69%

The final amount of the RBC ratio for 2021 can be determined only after the accounts of the Company have been examined by the Insurance Commission specifically for the determination of admitted and non-admitted assets as defined under the Insurance Code. The RBC ratio for 2019 was the final ratio after examination and verification of the Insurance Commission.

Unimpaired capital requirement
IMC 22-2008 provided that for purposes of determining compliance with the law, rules and regulations requiring that the paid-up capital should remain intact and unimpaired at all times, the statement of financial position should show that the net worth or stockholders' equity is at least equal to the actual paid-up capital.

The Company has complied with the unimpaired capital requirement as of December 31, 2021 and 2020.

Insurance Risk
Nature of risk
The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

Life Insurance Contracts
Insurance risk includes premium/benefits risk, actuarial reserve risk and reinsurance risk. Premium/benefits risk is the risk of having to pay, from a premium that may be fixed for a specific term, benefits that can be affected by uncontrollable event when they become due. Adequacy of the actuarial reserves is monitored by an in-house actuary on a regular basis in accordance with local regulations. Reinsurance risk arises from underwriting direct business or reinsurance business in relation to reinsurers and brokers.

Monitoring and controlling
The Company regularly assesses the reserving methodology in accordance with local regulations. Underwriting guidelines and limits for insurance and reinsurance contracts have been well established to clearly regulate responsibility and accountability.

The main underwriting strategy of the Company in managing insurance risk is the use of reinsurance. The Company maintains surplus-type reinsurance treaties for both individual and group life business.

Frequency and severity of claims
The frequency and severity of claims is dependent on the type of contracts as follows:

a. For contracts where death is the insured risk, the most significant factor would be epidemics that result in earlier or more claims than expected;
b. For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted;

c. For contracts with discretionary participating feature, the participating nature of these insurance contracts results in a portion of the insurance risk being shared with the insured party; and
d. For medical insurance contracts where illness incurred by the insured is the considered risk, the most significant factor would be epidemics and communicable diseases, that may result in earlier or more claims than expected.

The Company manages these risks through its underwriting strategy and reinsurance program. However, the risk is also dependent on the policyholders' right to pay reduced or no future premiums, or to terminate the contract completely.

The following represents the Company's concentration of insurance risk as of December 31, 2021 and 2020:

	2021		2020	
	Exposure, Net of Reinsurance ('000)	**Concentration (%)**	Exposure, Net of Reinsurance ('000)	Concentration (%)
Group	**₱101,932,016**	**98.34%**	₱65,849,342	99.08%
Individual	**1,716,800**	**1.66%**	613,846	0.92%
	₱103,648,816	**100.00%**	₱66,463,188	100.00%

Summary of claims analysis

	2021	2020
Mortality Ratio		
Aggregate individual	**17.18%**	5.56%
Aggregate group	**129.82%**	31.76%

Classification by attained age

2021

The table below presents the concentration of risk across the 14 age brackets. For individual insurance, exposure is concentrated on age brackets 35 to 39. For group insurance, exposure is concentrated on age brackets 35 to 39 and 30 to 34.

	Individual			
	Gross Reinsurance		**Net of reinsurance**	
Attained Age	**Exposure '000**	**Concentration (%)**	**Exposure '000**	**Concentration (%)**
<20	**₱291,019**	**7.50%**	**₱185,442**	**10.80%**
20 – 24	**165,762**	**4.27%**	**67,609**	**3.94%**
25 – 29	**338,521**	**8.73%**	**129,425**	**7.54%**
30 – 34	**401,885**	**10.36%**	**152,142**	**8.86%**
35 – 39	**470,062**	**12.12%**	**159,775**	**9.31%**
40 – 44	**394,245**	**10.17%**	**171,400**	**9.98%**
45 – 49	**384,693**	**9.92%**	**171,265**	**9.98%**
50 – 54	**340,421**	**8.78%**	**153,528**	**8.94%**
55 – 59	**269,449**	**6.95%**	**147,366**	**8.58%**
60 – 64	**315,345**	**8.13%**	**156,246**	**9.10%**
65 – 69	**333,840**	**8.61%**	**133,908**	**7.80%**
70 – 74	**123,255**	**3.18%**	**63,316**	**3.69%**
75 – 79	**43,567**	**1.12%**	**20,967**	**1.22%**
80 +	**5,787**	**0.16%**	**4,411**	**0.26%**
Total	**₱3,877,851**	**100.00%**	**₱1,716,800**	**100.00%**

	Group			
	Gross Reinsurance		**Net of reinsurance**	
Attained Age	**Exposure '000**	**Concentration (%)**	**Exposure '000**	**Concentration (%)**
<20	**₱534,463**	**0.24%**	**₱301,383**	**0.30%**
20 – 24	**13,535,471**	**6.13%**	**7,589,626**	**7.45%**
25 – 29	**39,045,357**	**17.68%**	**20,841,505**	**20.45%**
30 – 34	**44,245,741**	**20.04%**	**21,623,997**	**21.21%**
35 – 39	**46,522,148**	**21.07%**	**18,924,109**	**18.57%**
40 – 44	**27,459,925**	**12.43%**	**10,635,464**	**10.43%**
45 – 49	**22,502,154**	**10.19%**	**8,958,865**	**8.79%**
50 – 54	**12,626,988**	**5.72%**	**5,442,584**	**5.34%**
55 – 59	**5,955,560**	**2.70%**	**2,841,043**	**2.79%**
60 – 64	**4,015,808**	**1.82%**	**2,173,296**	**2.13%**
65 – 69	**2,623,027**	**1.19%**	**1,531,056**	**1.50%**
70 – 74	**1,136,648**	**0.51%**	**686,722**	**0.67%**
75 – 79	**463,994**	**0.21%**	**278,732**	**0.27%**
80 +	**172,613**	**0.07%**	**103,634**	**0.10%**
Total	**₱220,839,897**	**100.00%**	**₱101,932,016**	**100.00%**

2020

The table below presents the concentration of risk across the 14 age brackets. For individual insurance, exposure is concentrated on age brackets 45-49. For group insurance, exposure is concentrated on age brackets 35-39.

	Individual			
	Gross Reinsurance		Net of reinsurance	
Attained Age	Exposure '000	Concentration (%)	Exposure '000	Concentration (%)
<20	₱125,838	11.80%	₱84,505	13.77%
20 – 24	25,327	2.37%	13,726	2.24%
25 – 29	69,715	6.54%	37,330	6.08%
30 – 34	98,874	9.27%	51,035	8.31%
35 – 39	118,078	11.07%	59,848	9.75%
40 – 44	123,567	11.58%	64,796	10.56%
45 – 49	171,626	16.09%	81,936	13.35%
50 – 54	114,487	10.73%	66,238	10.79%
55 – 59	76,326	7.16%	51,271	8.35%
60 – 64	64,690	6.06%	47,901	7.80%
65 – 69	55,474	5.20%	35,516	5.79%
70 – 74	16,483	1.55%	13,845	2.26%
75 – 79	4,238	0.40%	3,982	0.65%
80 +	1,917	0.18%	1,917	0.30%
Total	₱1,066,640	100.00%	₱613,846	100.00%

	Group			
	Gross Reinsurance		Net of reinsurance	
Attained Age	Exposure '000	Concentration (%)	Exposure '000	Concentration (%)
<20	₱494,246	0.30%	₱203,620	0.31%
20 – 24	4,833,634	2.89%	2,014,252	3.06%
25 – 29	21,591,890	12.91%	9,382,341	14.25%
30 – 34	28,615,998	17.11%	11,855,530	18.00%
35 – 39	40,757,371	24.37%	17,823,940	27.07%
40 – 44	29,635,291	17.72%	8,972,283	13.63%
45 – 49	16,238,125	9.71%	6,388,736	9.70%
50 – 54	9,977,126	5.97%	4,097,239	6.22%
55 – 59	4,872,064	2.91%	2,194,892	3.33%
60 – 64	7,509,826	4.49%	1,295,701	1.97%
65 – 69	1,587,860	0.95%	940,119	1.43%
70 – 74	689,621	0.41%	421,362	0.64%
75 – 79	316,851	0.19%	186,872	0.28%
80 +	120,548	0.07%	72,455	0.11%
Total	₱167,240,451	100.00%	₱65,849,342	100.00%

Non-life Insurance Contracts

The Company principally issues the following types of general insurance such as fire and motor. Risk under general insurance policies usually cover a twelve-month duration.

For general insurance contracts, the significant risks arise from climate changes and natural disasters. These risks vary significantly in relation to the location of risk insured, type of risk insured and by industry. Undue concentration by amount can have a further impact on the severity of benefit payments on a portfolio basis.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography.

Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit the exposure to catastrophes to a pre-determined maximum amount based on the Company's risk appetite as decided by management.

The following tables set out the concentration of the claims liabilities by type of contract:

	2021	2020
Fire	**₱108,455,150**	₱33,796,058
Motor car	**43,815,847**	59,327,499
Personal accident	**73,423**	114,052
Travel insurance	**36,522**	55,954
	₱152,380,942	₱93,293,563

Assumptions
The principal assumption underlying the estimates is the Company's past claims development experience or in case of first year non-life business, average industry experience is used. This includes assumptions in respect of average claims costs, claim handling costs, claims inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example once off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Other key assumptions include variation in interest rate, delays in settlement and changes in foreign currency rates.

Sensitivities
The general insurance claims provision is sensitive to the above key assumptions. The sensitivity of the certain assumptions such as legislative change, uncertainty in the estimation process, etc., is not possible to quantify.

Claims Development Table
The following tables reflect the cumulative incurred claims for each successive accident year at each reporting date, together with cumulative payments to date.

The Company aims to maintain strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences are eliminated which results in the release of reserves from earlier accident years. In order to maintain strong reserves, the Company transfers much of this release to current accident year reserves when the development of claims is less mature and there is much greater uncertainty attaching to the ultimate cost of claims.

2021

Fire

Accident year	2019	2020	2021	Total
Estimate of ultimate claims costs:				
At the end of accident year	**₱–**	**₱–**	**₱43,785,661**	**₱43,785,661**
One year later	**–**	**46,138,852**	**–**	**46,138,852**
Two years later	**28,453,998**		**–**	**28,453,998**
Current estimate of cumulative claims	**28,453,998**	**46,138,852**	**43,785,661**	**118,378,511**
Estimate of gross cumulative payments:				
At the end of accident year	**–**	**–**	**9,958,804**	**9,958,804**
One year later	**–**	**15,847,915**	**–**	**15,847,915**
Two years later	**11,524,393**	**–**	**–**	**11,524,393**
Cumulative payments to date	**11,524,393**	**15,847,915**	**9,958,804**	**37,331,112**
Gross insurance liabilities	**16,929,605**	**30,290,937**	**33,826,857**	**81,047,399**
Unallocated Loss Adjustment Expenses				**–**
Best Estimate of Gross Claims Liabilities				**81,047,399**
Margin for Adverse Development				**–**
Gross Insurance Claims Liabilities at December 31, 2021				**₱81,047,399**

Motor Car

Accident year	2019	2020	2021	Total
Estimate of ultimate claims costs:				
At the end of accident year	**₱–**	**₱–**	**59,293,780**	**59,293,780**
One year later	**–**	**44,081,118**	**–**	**44,081,118**
Two years later	**28,437,119**	**–**	**–**	**28,437,119**
Current estimate of cumulative claims	**28,437,119**	**44,081,118**	**59,293,780**	**131,812,017**
Estimate of gross cumulative payments:				
At the end of accident year	**–**	**–**	**30,508,653**	**30,508,653**
One year later	**–**	**40,673,720**	**–**	**40,673,720**
Two years later	**28,413,019**	**–**	**–**	**28,413,019**
Cumulative payments to date	**28,413,019**	**40,673,720**	**30,508,653**	**99,595,392**
Gross insurance liabilities	**24,100**	**3,407,398**	**28,785,127**	**32,216,625**
Unallocated Loss Adjustment Expenses				**–**
Best Estimate of Gross Claims Liabilities				**32,216,625**
Margin for Adverse Development				**–**
Gross Insurance Claims Liabilities at December 31, 2021				**₱32,216,625**

Personal Accident and Travel Insurance

Accident year	2019	2020	2021	Total
Estimate of ultimate claims costs:				
At the end of accident year	**₱–**	**₱–**	**21,647**	**21,647**
One year later	**–**	**78,181**	**–**	**78,181**
Two years later	**180,789**	**–**	**–**	**180,789**
Current estimate of cumulative claims	**180,789**	**78,181**	**21,647**	**280,617**
Estimate of gross cumulative payments:				
At the end of accident year	**–**	**–**	**7,500**	**7,500**
One year later	**–**	**78,181**	**–**	**78,181**
Two years later	**157,569**	**–**	**–**	**157,569**
Cumulative payments to date	**157,569**	**78,181**	**7,500**	**243,250**
Gross insurance liabilities	**23,220**	**-**	**14,147**	**37,367**
Unallocated Loss Adjustment Expenses				**–**
Best Estimate of Gross Claims Liabilities				**37,367**
Margin for Adverse Development				**–**
Gross Insurance Claims Liabilities at December 31, 2021				**₱37,367**

2020

Fire

Accident year	Before 2019	2019	2020	Total
Estimate of ultimate claims costs:				
At the end of accident year	**₱7,458,249**	**₱–**	**₱10,054,358**	**₱17,512,607**
One year later	**–**	**17,340,197**	**–**	**17,340,197**
Current estimate of cumulative claims	**7,458,249**	**17,340,197**	**10,054,358**	**34,852,804**
Estimate of gross cumulative payments:				
At the end of accident year	**–**	**–**	**–**	**–**
One year later	**–**	**1,672,130**	**–**	**–**
Cumulative payments to date	**–**	**1,672,130**	**–**	**1,672,130**
Gross insurance liabilities	**7,458,249**	**15,668,067**	**10,054,358**	**33,180,674**
Unallocated Loss Adjustment Expenses				**615,384**
Best Estimate of Gross Claims Liabilities				**33,796,058**
Margin for Adverse Development				**–**
Gross Insurance Claims Liabilities at December 31, 2020				**₱33,796,058**

Motor Car

Accident year	Before 2019	2019	2020	Total
Estimate of ultimate claims costs:				
At the end of accident year	₱1,893,162	₱–	₱47,170,992	₱49,064,154
One year later	–	29,322,637	–	29,322,637
Current estimate of cumulative claims	1,893,162	29,322,637	47,170,992	78,386,791
Estimate of gross cumulative payments:				
At the end of accident year	–	17,944,284	10,088,417	28,032,701
One year later	–	6,728,273	–	6,728,273
Cumulative payments to date	–	24,672,557	10,088,417	34,760,974
Gross insurance liabilities	1,893,162	4,650,080	37,082,575	43,625,817
Gross Outstanding Claims for Assumed Business				4,990,226
Unallocated Loss Adjustment Expenses				947,449
Best Estimate of Gross Claims Liabilities				49,563,492
Margin for Adverse Development				9,764,008
Gross Insurance Claims Liabilities at December 31, 2020				₱59,327,500

Personal Accident and Travel Insurance

Accident year	Before 2019	2019	2020	Total
Estimate of ultimate claims costs:				
At the end of accident year	₱63,239	₱–	₱65,193	₱128,432
One year later	–	205,329	–	205,329
Current estimate of cumulative claims	63,239	205,329	65,193	333,761
Estimate of gross cumulative payments:				
At the end of accident year	–	–	65,193	65,193
One year later	–	101,461	–	101,461
Cumulative payments to date	–	101,461	65,193	166,654
Gross insurance liabilities	63,239	103,868	–	167,107
Unallocated Loss Adjustment Expenses				2,898
Best Estimate of Gross Claims Liabilities				170,005
Margin for Adverse Development				–
Gross Insurance Claims Liabilities at December 31, 2020				₱170,005

Source of Uncertainty in the Estimation of Future Claim Payments
Estimation of future payments and premium receipts is subject to unpredictability of changes in mortality and morbidity levels. The Company adopts standard industry data in assessing future benefit payments and premium receipts as approved by the Insurance Commission. Adjustments are made, if necessary, according to the experience of the Company.

For individual life insurance, no adjustment is made by the Company to the standard mortality table. For group life, accident and health insurance, the mortality table is adjusted to reflect the Company's actual and projected experiences which are given weights or credibility depending on the amount and length of exposure under consideration. The Company currently monitors its actual experience on individual business on a per policy basis and on an aggregate basis and reports the same to management.

The liability for these contracts comprises the incurred IBNR provision, a provision for reported claims not yet paid and a provision for unexpired risk at reporting dates. The IBNR provision is based on historical experience and is subject to a degree of uncertainty.

Financial Instruments
Due to the short-term nature of cash and cash equivalents, premiums due and uncollected, due from policyholders, receivable from third party administration, other receivables, accrued interest receivable, performance bond, reserve and security funds, deposits, claims payable, policyholders' dividends due to related parties, premium deposit fund, their carrying values approximate their fair values at reporting dates.

The fair values of salary loans, mortgage loans, accounts receivable and accounts payable and other liabilities are determined by computing the present value of the expected future cash flows of the loans using the predetermined market rate for similar instrument as of reporting date as discount rate.

The fair values of financial instruments classified as financial assets at FVTPL and at FVOCI that are actively traded in an organized exchange or active markets are determined by reference to quoted market or broker bid prices at the close of business as of reporting dates. For shares in an open-ended investment company, fair value is established by reference to published Net Asset Value (NAV) per share.

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

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:				
Financial assets at FVTPL:				
Unit investment trust funds	**₱239,206,605**	**₱–**	**₱–**	**₱239,206,605**
Mutual funds	**–**	**181,188,016**	**–**	**181,188,016**
Listed equity securities	**6,835,224**	**–**	**–**	**6,835,224**
Proprietary shares	**4,370,280**	**–**	**–**	**4,370,280**
Financial assets at FVOCI:				
Government debt securities	**1,291,398,428**	**–**	**–**	**1,291,398,428**
Corporate debt securities	**261,901,971**	**–**	**–**	**261,901,971**
	₱1,803,712,508	**₱181,188,016**	**₱–**	**₱1,984,900,524**

	2020			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Financial assets at FVTPL:				
Mutual funds	₱–	₱170,423,975	₱–	₱170,423,975
Unit investment trust funds	140,994,523	–	–	140,994,523
Proprietary shares	4,370,280	–	–	4,370,280
Listed equity securities	76,697	–	–	76,697
Financial assets at FVOCI:				
Government debt securities	1,634,714,240	–	–	1,634,714,240
Corporate debt securities	143,505,601	–	–	143,505,601
	₱1,923,661,341	₱170,423,975	₱–	₱2,094,085,316

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

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:				
Unit investment trust funds	**₱2,809,664,645**	**₱–**	**₱–**	**₱2,809,664,645**
Mutual funds	**235,701,802**	**–**	**–**	**235,701,802**

	2020			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Unit investment trust funds	₱1,866,531,327	₱–	₱–	₱1,866,531,327
Mutual funds	165,943,361	–	–	165,943,361

Financial Risks
The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. The relevant financial risks faced by the Company in its day-to-day operations are market risk, credit risk and liquidity risk.

The BOD is the ultimate governing body with overall risk oversight. Risk Management Committee (RMC) assists the Board in fulfilling its supervision and monitoring responsibilities in respect of internal control, including monitoring the risk profile of the legal entities and combined and compared to the targeted level of risk appetite as set by the Board. Management Risk Committee (MRC) is the advisor to the RMC concerning all Risk related topics, including limits, exposures and methodologies.

Credit Risk
The Company has a significant exposure to credit risk, defined as the risk of financial loss resulting from the failure of counterparty to meet its contractual obligations to the Company. In particular, the Company is exposed to credit risk in the following accounts:

- Amounts due from Department of Education (DepEd) teachers and private institution employees;
- Amounts due from related parties and employees;
- Reinsurers' share in insurance liabilities;
- Obligations of companies issuing Mutual Fund shares and equity securities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance policyholders;
- Amounts due from insurance intermediaries; and
- Amounts due from banks.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty. Such counterparty limits are subject to an annual or more frequent review. Limits are approved regularly as the need arises at the BOD level. A Credit Committee, which reports to the Management Committee (ManCom), has been established by the BOD to monitor the credit management and exposure of the Company.

The Company fully complies with the guidelines issued by the DepEd in granting loans to teachers which are monitored by DepEd on a regular basis. Any violation shall result to the revocation of the Company's license to extend loans to public school teachers. The Company's credit evaluation policies are anchored on the DepEd guidelines on net take home pay of the teachers and authenticity of documents submitted by the borrowers.

The ManCom has also created a special committee (DepEd Committee), tasked to monitor the DepEd loans business. The DepEd Committee meets on a monthly basis to discuss developments and status of past due accounts, action plans for collecting unpaid accounts and other pertinent issues relative to the loans operations. The DepEd Committee, in turn, reports to the ManCom the status of the loans business on a regular basis.

Loans to policyholders granted against the cash surrender value of policies carry substantially minimal credit risk.

A significant credit exposure arises with respect to reinsurance ceded, to the extent that any reinsurer may be unable to meet its obligations assumed under such reinsurance agreements. The Company selects only domestic and foreign companies with strong financial standing and excellent track records which are allowed to participate in the Company's reinsurance programs. Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

In respect of investments securities, the Company secures satisfactory credit quality by setting maximum limits of portfolio securities with a single or group of issuers, excluding those secured on specific assets and setting the minimum ratings for the issuer. The Company sets the maximum amounts and limits that may be advanced to/placed with individual corporate counterparties which are set by reference to their long term ratings.

The table below shows the maximum exposure to credit risk as of December 31, 2021 and 2020:

Non-linked

	2021	2020
Cash and cash equivalents (excluding cash on hand)	**₱1,382,062,597**	₱1,793,017,522
Premiums due and uncollected	**664,298,826**	672,618,410
Reinsurance recoverable on paid losses	**215,990,061**	89,432,317
Reinsurance recoverable on unpaid losses	**126,003,181**	62,310,135
Financial assets at FVTPL	**431,600,125**	315,865,475
Financial assets at FVOCI	**1,554,765,915**	1,779,951,730
Loans and receivables	**670,950,709**	446,311,226
Accrued interest receivable	**9,734,760**	10,514,476
Other assets*	**16,527,488**	16,803,404
	₱5,071,933,662	₱5,186,824,695

**excluding prepayments and miscellaneous*

Unit-linked

	2021	2020
Cash and cash equivalents	**₱12,896,325**	₱14,318,671
Mutual funds	**235,701,802**	165,943,361
Unit investment trust funds	**2,809,664,645**	1,866,531,327
Accounts receivable	**37,590**	2,558,948
	₱3,058,300,362	₱2,049,352,307

The Company uses an external credit grading system from various rating agencies based on the borrowers and counterparties overall credit worthiness, as described below:

Investment grade - This pertains to accounts with a very low probability of default as demonstrated by the borrower's strong financial position and reputation. The borrower has the ability to raise substantial amounts of funds through the public markets and/or credit facilities with financial institutions. The borrower has a strong debt service record and a moderate use of leverage.

Non-investment grade - satisfactory - This pertains to current accounts with no history of default or which may have defaulted in the past, but the conditions and circumstances directly affecting the borrower's ability to pay has abated already. The borrower is expected to be able to adjust to the cyclical downturns in its operations, for individuals into business or for corporate entities. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. The use of leverage may be above industry or credit standards but remains stable.

The Company assessed that its cash and cash equivalents, premiums due and uncollected, reinsurance recoverable on paid and unpaid losses, financial assets at FVTPL, financial assets at FVOCI, accrued interest receivable, and other assets have investment grade and ECL recognized under stage 1. There were no transfers during the year.

The table below provides information regarding the credit risk exposure of the Company's loans and receivables by classifying as to the counterparties' credit grading and staging assessment of the outstanding allowance for ECL.

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Investment grade	**₱166,284,542**	**₱–**	**₱–**	**₱166,284,542**
Non-investment grade - satisfactory	**453,953,577**	**4,814,961**	**–**	**458,768,538**
Past due or impaired	**–**	**–**	**45,897,629**	**45,897,629**
	₱620,238,119	**₱4,814,961**	**₱45,897,629**	**₱670,950,709**

	2020			
	Stage 1	Stage 2	Stage 3	Total
Investment grade	₱76,626,943	₱–	₱–	₱76,626,943
Non-investment grade - satisfactory	330,058,184	2,159,956	–	332,218,140
Past due or impaired	–	–	37,466,143	37,466,143
	₱406,685,127	₱2,159,956	₱37,466,143	₱446,311,226

Liquidity risk

The Company is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company maintains minimum proportion of sufficient funds available to meet such calls to cover maturities, claims and surrenders at unexpected levels of demand.

The BOD has formed an Asset and Liability Committee (ALCO) which meets on a quarterly basis to ensure the adequacy of reserves and liquid assets and complies with the regulatory reserve and liquidity requirements. Cash forecasts are prepared and reviewed by the ALCO, DepEd Committee and Investment Committee to ensure that the operational funding requirements are adequately met.

The table below summarizes the maturity profile of the Company's liabilities at December 31, 2021 and 2020 based on contractual undiscounted payments except for the legal policy reserves of the life and non-life insurance contracts (included in the "Insurance contract liabilities" account) which shows the maturity analysis based on the estimated timing of the net cash outflows using the recognized insurance liability amounts:

	2021					
	On Demand	**Up to a Year**	**1 -2 Years**	**2 -3 Years**	**Over 3 Years**	**Total**
Insurance contract liabilities:						
Premium reserves and legal policy reserves	**₱–**	**₱1,031,621,107**	**₱4,624,417**	**₱2,844,182**	**₱224,940,733**	**₱1,264,030,439**
Claims payable		**955,249,021**	**–**	**–**	**–**	**955,249,021**
Policyholders' dividends	**3,697,461**	**–**	**–**	**–**	**–**	**3,697,461**
Premium deposit fund	**1,473,809**	**–**	**–**	**–**	**–**	**1,473,809**
Accounts payable and other liabilities:						
Accounts payable	**–**	**375,561,227**	**-**	**-**	**-**	**375,561,227**
Life insurance deposits	**–**	**19,258,106**	**–**	**–**	**–**	**19,258,106**
Accrued expenses	**–**	**92,732,106**	**–**	**–**	**–**	**92,732,106**
Due to policyholders	**–**	**15,787,294**	**–**	**–**	**–**	**15,787,294**
Lease liabilities	**–**	**18,094,457**	**1,482,480**	**–**	**–**	**19,576,937**
Insurance payables	**–**	**320,632,629**	**–**	**–**	**–**	**320,632,629**
Others	**–**	**267,885,601**		**–**	**–**	**267,885,601**
	₱5,171,270	**₱3,096,821,548**	**₱6,106,897**	**₱2,844,182**	**₱224,940,733**	**₱3,335,884,630**

	2020					
	On Demand	Up to a Year	1 -2 Years	2 -3 Years	Over 3 Years	Total
Insurance contract liabilities:						
Premium reserves and legal policy reserves	₱–	₱994,380,984	₱4,457,482	₱2,741,511	₱216,820,677	₱1,218,400,654
Claims payable	–	928,689,052	–	–	–	928,689,052
Policyholders' dividends	14,891,235	–	–	–	–	14,891,235
Premium deposit fund	1,523,222	–	–	–	–	1,523,222
Accounts payable and other liabilities:						
Accounts payable	–	244,161,046	–	–	–	244,161,046
Life insurance deposits	–	21,646,536	–	–	–	21,646,536
Accrued expenses	–	101,127,230	–	–	–	101,127,230
Due to policyholders	–	19,207,917	–	–	–	19,207,917
Lease liabilities	–	26,811,953	18,224,597	1,482,480	–	46,519,030
Insurance payables	–	188,236,532	–	–	–	188,236,532
Others	–	210,422,003	–	–	–	210,422,003
	₱16,414,457	₱ 2,734,683,253	₱22,682,079	₱4,223,991	₱216,820,677	₱2,994,824,457

Market Risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of adverse changes in market prices. Market risk relevant to the Company comprises market rate (fair value interest rate risk) and market price (equity price risk) risks.

Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of adverse changes in market interest rates. Fixed rate securities and receivables, in particular, are exposed to such risk.

The Company's investment policy is to maintain an adequate yield to match the interest necessary to support future policy liabilities. Management's focus is to reinvest the proceeds of the maturing securities and to invest the future premium receipts while continuing to maintain satisfactory investment quality.

The Company has an Investment Committee which approves all investment undertaking of the Company and meets on a monthly basis. The Company adopts an investment strategy to invest primarily in high quality securities while maintaining diversification to avoid significant exposure to issuer and/or industry concentrations.

The following table shows the information relating to the Company's financial instruments as of December 31, 2021 and 2020 that are exposed to fair value interest rate risk presented by maturity profile:

2021	**Range of Interest Rate**	**On Demand**	**Less than 1 Year**	**1 -2 Years**	**2 -3 Years**	**More than 3 Years**	**Total**
Cash and cash equivalents (excluding cash on hand)	**0.10%-0.50%**	**₱351,913,372**	**₱542,170,677**	**₱–**	**₱–**	**₱–**	**₱894,084,049**
Financial assets at FVOCI							
Government debt securities	**2.370% - 5.620%**	–	**395,746,432**	**53,295,364**	**42,148,019**	**801,408,758**	**1,292,598,573**
Corporate debt securities	**2.7885% - 6.660%**	–	**53,898,355**	**1,013,863**	**23,730,079**	**183,525,046**	**262,167,343**
Loans and receivables							
Salary loans	**5.70% - 6.00%**	–	**98,239,508**	**177,513,972**	**17,462,515**	–	**293,215,995**
Mortgage loans	**6.00%**	–	**4,474,986**	**7,496,242**	–	–	**11,971,228**
Policy loans	**10.00%**	**12,708,232**	–	–	–	–	**12,708,232**
		₱364,621,604	**₱1,094,529,958**	**₱239,319,441**	**₱83,340,613**	**₱984,933,804**	**₱2,766,745,420**
Policyholders' dividends	**4.00%**	**3,697,461**	**₱–**	**₱–**	**₱–**	**₱–**	**₱3,697,461**
Premium deposit fund	**4.00-6.00%**	**1,473,809**	–	–	–	–	**1,473,809**
		₱5,171,270	**₱–**	**₱–**	**₱–**	**₱–**	**₱5,171,270**

2020	Range of Interest Rate	On Demand	Less than 1 Year	1 -2 Years	2 -3 Years	More than 3 Years	Total
Cash and cash equivalents							
(excluding cash on hand)	0.10% - 3.125%	₱849,099,211	₱943,918,311	₱–	₱–	₱–	₱1,793,017,522
Financial assets at FVOCI							
Government debt securities	2.375% - 6.250%	–	48,457,416	384,096,210	774,169,404	429,599,889	1,636,322,919
Corporate debt securities	3.050% - 6.660%	–	27,780,378	56,189,005	4,710,453	54,948,975	143,628,811
Loans and receivables							
Salary loans	5.70% - 6.00%	–	24,543,330	72,845,062	210,002,175	–	307,390,567
Mortgage loans	6.00%	653,967	7,276,704	8,753,136	–	–	16,683,807
Policy loans	10.00%	13,276,401	–	–	–	–	13,276,401
		₱863,029,579	₱1,051,976,139	₱521,883,413	₱988,882,032	₱484,548,864	₱3,910,320,027
Policyholders' dividends	4.00%	₱14,891,235	₱–	₱–	₱–	₱–	₱14,891,235
Premium deposit fund	4.00-6.00%	1,523,222	–	–	–	–	1,523,222
		₱16,414,457	₱–	₱–	₱–	₱–	₱ 16,414,457

The sensitivity analysis below is presented for reasonably possible movements in interest rates with all other variables held constant, showing the impact on equity (that reflects adjustments due to changes in fair value of FVOCI financial assets):

	Change in Interest Rate	**Impact on Equity**
December 31, 2021	**+1.00%**	**(₱283,258)**
	-1.00%	**283,700**
December 31, 2020	+1.00%	(₱234,189)
	-1.00%	234,567

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

Equity Price Risk
The Company's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities and investment in mutual funds classified as financial assets at FVTPL. Such securities are subject to price risk due to possible adverse changes in market values of instruments arising from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Company invests in equity securities for various reasons, including reducing its overall exposure to interest rate risk.

The Company has an IMA with ATRAM Trust Corp. which monitors and manages a portion of the Company's investments. The Investment Committee of the Company oversees its investment undertaking.

The analysis below is performed for reasonably possible movements in PSE index with all other variables held constant, showing the impact on equity and profit before tax:

	Change in PSE Index	**Impact on Profit Before Tax**	**Impact on Equity**
December 31, 2021	**+5.00%**	**₱341,761**	**₱256,321**
	-5.00%	**(341,761)**	**(256,321)**
December 31, 2020	+5.00%	₱3,835	₱2,684
	-5.00%	(3,835)	(2,684)

In 2021 and 2020, the Company determined the reasonably possible change in PSE index using the specific adjusted data for each equity security the Company holds as of the reporting dates. The adjusted data is the forecasted measure of the volatility of security or a portfolio in comparison to the market as a whole.

The analysis below is performed for reasonably possible movements in NAV per share with all other variables held constant, showing the impact on equity and Profit before tax:

	Change in NAV per Share	Impact on Profit Before Tax	Impact on Equity
December 31, 2021	**+5.00%**	**₱1,259,005**	**₱944,254**
	-5.00%	**(1,259,005)**	**(944,254)**
December 31, 2020	+5.00%	₱1,286,107	₱900,275
	-5.00%	(1,286,107)	(900,275)

Foreign Currency Risk

The Company’s foreign exchange risk arises primarily from any transaction denominated in a foreign currency such as the US Dollar. In 2021 and 2020, the Company’s transactions are primarily denominated in Philippine Peso, thus, reducing the Company’s exposure to currency risk to an insignificant amount.

28. Contingencies

The Company is currently involved in various legal proceedings and the Company currently does not believe these proceedings will have a material adverse effect on the Company's financial position as of reporting date.

29. Approval of the Financial Statements

The accompanying financial statements of the Company were authorized for issue by BOD on February 18, 2022.

30. Current and Non-current Classification

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

	2021			2020		
	Current	**Non-current**	**Total**	Current	Non-current	Total
Cash and cash equivalents	**₱1,380,809,068**	**₱–**	**₱1,380,809,068**	₱1,791,838,486	₱–	₱1,791,838,486
Insurance receivables	**872,401,840**	**–**	**872,401,840**	726,377,647	–	726,377,647
Reinsurance assets	**162,813,410**	**–**	**162,813,410**	74,384,843	–	74,384,843
Financial assets:						
Fair value through profit or loss	**431,600,125**	**–**	**431,600,125**	315,865,475	–	315,865,475
Fair value through other comprehensive income	**449,331,426**	**1,103,968,973**	**1,553,300,399**	83,187,178	1,695,032,663	1,778,219,841
Loans and receivables	**417,765,390**	**202,472,729**	**620,238,119**	104,062,492	291,600,373	395,662,865
Accrued interest receivable	**9,734,760**	**–**	**9,734,760**	10,514,476	–	10,514,476
Due from related parties	**–**	**–**	**–**	32,334	–	32,334
Segregated fund assets	**2,870,307,183**	**–**	**2,870,307,183**	1,956,311,907	–	1,956,311,907
Right-of-use assets	**–**	**16,665,724**	**16,665,724**	–	41,401,499	41,401,499
Property and equipment	**–**	**31,669,134**	**31,669,134**	–	29,916,205	29,916,205
Intangible assets	**–**	**476,499,245**	**476,499,245**	–	10,948,448	10,948,448
Deferred acquisition cots	**160,064,591**	**–**	**160,064,591**	153,125,617	–	153,125,617
Deferred tax assets - net	**72,718,503**	**–**	**72,718,503**	–	103,757,243	103,757,243
Other assets	**112,361,197**	**–**	**112,361,197**	39,714,980	–	39,714,980
Net pension asset	**–**	**8,242,775**	**8,242,775**	–	–	–
Total Assets	**₱6,939,907,493**	**₱1,839,518,580**	**₱8,779,426,073**	₱5,255,415,435	₱2,172,656,431	₱7,428,071,866

	2021			2020		
	Current	**Non-current**	**Total**	Current	Non-current	Total
Liabilities						
Insurance contract liabilities	**₱1,991,010,519**	**₱232,409,332**	**₱2,223,419,851**	₱1,937,961,271	₱224,019,670	₱2,161,980,941
Accounts payable and other liabilities	**772,698,142**	**–**	**772,698,142**	598,087,955	–	598,087,955
Insurance payables	**320,632,629**	**–**	**320,632,629**	188,236,532	–	188,236,532
Lease liabilities	**18,094,457**	**1,482,480**	**19,576,937**	26,811,953	19,707,077	46,519,030
Due to related parties	**12,473,986**	**–**	**12,473,986**	17,233,002	–	17,233,002
Segregated fund liabilities	**2,870,307,183**	**–**	**2,870,307,183**	1,956,311,907	–	1,956,311,907
Income tax liability	**–**	**–**	**–**	89,188,678	–	89,188,678
Net pension liability	**–**	**–**	**–**	–	10,642,134	10,642,134
Total Liabilities	**₱5,985,216,916**	**₱233,891,812**	**₱6,219,108,728**	₱4,813,831,298	₱254,368,881	₱5,068,200,179

31. Supplementary Tax Information Required Under Revenue Regulations (RR) 15-2010

The Company reported and/or paid the following taxes in 2021:

Value-added tax (VAT)
The NIRC of 1997 provides for the imposition of VAT on sales of goods and services. The Company, however, as a domestic corporation doing life insurance business, is a non-VAT registered Company. Sales or receipts of life insurance premiums are subject to percentage tax called premium tax.

The premium tax rate was reduced from 5.0% to 2.0% pursuant to Republic Act 10001. The Company paid ₱79.8 million in 2021 and ₱67.9 million in 2020 in premium taxes.

An analysis of the Company's VAT transactions is presented below:

Transactions subject to VAT	₱285,463,623
VAT rate	12%
VAT on sales / receipts	34,255,635
Less allowable input tax	7,765,142
Output VAT payable declared in returns	₱26,490,493

The rollforward of Input VAT is presented below:

As of January 1, 2021	₱–
Input VAT on domestic purchase of services	107,240,237
Input VAT on domestic purchases of goods other than capital goods	957,007
Total available input VAT	108,197,244
Input VAT allocable to exempt sales, treated as part of Company costs	100,432,102
Allowable input VAT claimed as offset against output VAT	₱7,765,142

Information on the Company's Importations
The Company has not undertaken any importation activity in 2021.

Excise taxes
The Company is neither involved in the local production nor in the importation of excisable items, therefore, has not paid excise taxes.

Documentary Stamp Tax

On others - policy issuance	₱19,243,459
On loan instruments	1,412,985
	₱20,656,444

Other Taxes and Licenses
This includes all other taxes, local and national, including real estate taxes, license and permit fees. Details of other taxes and licenses in 2021 follow:

License and permit fees	₱9,094,338
Fringe benefit tax	1,883,003
	₱10,977,341

Withholding Taxes
Details of taxes withheld in 2021 follow:

Creditable withholding taxes	₱147,718,066
Withholding taxes on compensation and benefits	32,905,839
Final withholding Tax	254,324
	₱180,878,229

Tax Assessments and Cases
The Company received Formal Assessment Notices (FAN) from the Bureau of Internal Revenue (BIR) covering different types of taxes for calendar year 2013 and Final Decision on Disputed Assessment (FDDA) for calendar year 2010 for these deficiency taxes ranging from ₱315.1 million to ₱398.4 million.

Within thirty (30) days after receipt of FAN for 2013 and FDDA for 2010, the Company filed a protest letter with the Office of the Commissioner of Internal Revenue on the findings noted by the BIR and requested reconsideration and reinvestigation based on legal and factual grounds.

On June 30, 2021, the Company entered into compromise with BIR and paid the compromise settlement for both taxable years 2010 and 2013. As of December 31, 2021, the Company is yet to receive the Certificate of Availment from BIR.

Annex B

Deadline: 20 calendar days after
The end of the quarter

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
(formerly ASIANLIFE AND GENERAL ASSURANCE CORP.)
Name of Covered Institutions

3F Morning Star Center, 347 Sen. G. Puyat Ave., Makati City
Address

REPORT OF MATERIAL RELATED PARTY TRANSACTIONS
As of March 31, 2021
(Quarterly)

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI)SS

I solemnly swear that all matters set forth in this report are true and correct, to the best of my knowledge and belief.

JAMES PATRICK G. BONUS
(Signature of Officer/Alternate)

SUBSCRIBED AND SWORN TO BEFORE ME this APR 19 2021 day of ________ 2021, affiant exhibiting me his/her Passport No. P6818893A, Issued on April 17, 2018 valid until April 16, 2028, Issued by DFA Manila.

ATTY.GEORGE DAVID D. SITON
NOTARY PUBLIC
Until ________, 20__
PTR No. ________
Place ________

Doc. No. 31
Page No. 08
Book No. 96
Series of 2021

Material Related Party Transactions

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
Name of Covered Institution

March 31, 2021
Date

Parent/Subsidiary/ Affiliate	Related Counter Party	Relationship between the parties	Transaction date	Type of Transaction	Amount	Terms	Rationale for entering into the Transaction
A.Parent							
a. Malayan Banking Berhad of Malaysia	a.Maybank ATR Kim Eng Capital Partners, Inc.	Parent	3/31/21	Due to parent company	7,656,160.99	Due and payable on demand	Premium refund to MATRKE for resigned employees & common telephone charges
b. Etiqa International Holdings Sdn. Bhd.	b. Etiqa International Holdings Sdn. Bhd.	Parent	3/31/21	Due from parent company	112,254.66	Due and payable on demand	Advance payment for Hypotax of EIHSB International Assignee.
				Due from parent company	84,743.69	Due and payable on demand	Advance payment for ELGAP Banca IOS software development cost.
B. Affiliates							
a. Maybank Philippines, Inc (MPI)	a. Maybank Philippines, Inc (MPI)	Affiliate	3/31/21	Service Fees	26,196,689.20	Service fees incurred as of Mar 31, 2021 (Paid Monthly)	Etiqa & MPI has entered into a Bancassurance agreement, where MPI agrees to refer its clients who may be interested to purchase insurance products. A service fee is paid to MPI in as part of this agreement.
			3/31/21	Cash in Bank / Time Deposits	887,143,201.87	Balance as of March 31, 2021	Etiqa maintains bank accounts and time deposit accounts with Maybank as part of its strategy in maximizing returns for cash while maintaining liquidity & operational requirements.
			3/31/21	Interest Income	620,019.60	Interest Earned as of March 31, 2021	Interest Income earned from time and bank deposits.
			3/31/21	Premium income	8,478,021.60	Premium Collected as of March 31, 2021	Premium income for Group Credit Life (MRI) – MPI borrowers

Material Related Party Transactions

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
Name of Covered Institution

March 31, 2021
Date

Parent/Subsidiary /Affiliate	Related Counter Party	Relationship between the parties	Transaction date	Type of Transaction	Amount	Terms	Rationale for entering into the Transaction
			1/15/2021	Exclusivity Access Fee paid to MPI	350,000,000	Exclusivity Fee paid Jan 15, 2021 for Php 350M to be amortized in 15 years.	Fee paid to MPI, in return for being the exclusive provider of all individual life and health insurance and variable unit life insurance products including other existing and future products for MPI and its subsidiaries. It also sets the Company as the exclusive insurance provider offering its products to MPI's clients as part of the Bancassurance agreement.
			3/31/21	Amortization of Exclusivity Access Fee as of March 31, 2021	11,666,666.64	Exclusivity Fee paid Jan 15, 2021 for Php 350M to be amortized in 15 years.	Fee paid to MPI, in return for being the exclusive provider of all individual life and health insurance and variable unit life insurance products including other existing and future products for MPI and its subsidiaries. It also sets the Company as the exclusive insurance provider offering its products to MPI's clients as part of the Bancassurance agreement
b. Maybank ATR Kim Eng Securities	b. Maybank ATR Kim Eng Securities, Inc.	Affiliate	3/31/21	Due to affiliates	4,106,261.77	Due and payable on demand	Etiqa previously shares the use of MATRKE Securities BCP site, with corresponding charges billed back to the company. This is the remaining balance for previous year's BCP charges.

c. Etiqa Insurance Pte. Ltd. (EIPL)	c. . Etiqa Insurance Pte. Ltd. (EIPL)	Affiliate	3/31/21	Share in maintenance fees for SG's hosting of ILS	1,918,153.69	Maintenance fees incurred as of March 31, 2021	Etiqa PH uses the Integral Life System (ILS) for its individual life insurance products. The system is hosted by EIPL in Singapore, who charges Etiqa PH the share in maintenance fees.
d. ATRAM Trust Corporation	d. ATRAM Trust Corporation	Affiliate	3/31/21	Trust Fees for IMA and VUL accounts Trust fees incurred as of March 31, 2021	1,953,785.41	Trust fees incurred as of March 31, 2021	Etiqa PH has an Investment Management Agreement (IMA) with ATRAM Trust Corporation (ATRAM) formerly ATR KimEng Asset Management, Inc. (ATRKE AMI) which monitors and manages a portion of the Company's investments. The IMA provides that the Company retains legal title to the invested funds and properties and will be charged IMA fees based on the market value of the portfolio. The Company has also entrusted the management of the fund assets of its policyholders availing of variable unit-linked products to ATRAM.
C. Employees & Officers							
a. Officers of Etiqa Philippines	a. Officers of Etiqa Philippines	Employer - Employee	3/31/21	Chattel Mortgage loan	14,550,485.20	Balance as of March 31, 2021. Payable in 5 years	Officers of Etiqa PH may avail of Car loans for purchase of Motor vehicle, with the vehicle used as collateral.
			3/31/21	Interest income – chattel mortgage loan	36,480.43	Interest income earned as of March 31, 2021	Interest income earned on chattel mortgage loans from officers of Etiqa PH.

b. Salary Loans	a. Employees & Officers of Etiqa Philippines	Employer - Employee	3/31/21	Salary Loans	13,080,504.24	Balance as of March 31, 2021. Payable in 1-3 years	Employees and officers of Etiqa PH may avail of a salary loan from the company, payments of such are auto-deducted from the payroll. Term is from 6 months – 3 years.
			3/31/21	Interest income – salary loans	60,437.92	Interest income earned as of March 31, 2021.	Interest income earned on Salary loans of employees and officers

eTiQa

July 12, 2021

Honorable Dennis B. Funa
Insurance Commissioner
Insurance Commission Building
1071 United Nations Avenue, Manila

Re: Report of Material Related Party Transactions

Dear Commissioner Funa:

In compliance with your Circular Letter No. 2017-29 dated May 02, 2017, we are pleased to submit **Report of Material Related Party Transactions for Etiqa Life and General Assurance Philippines, Inc.** as of June 30, 2021.

We hope you find everything in order.

Very truly yours,

James Patrick Q. Bonus
Chief Financial Officer

Etiqa Life and General Assurance Philippines, Inc.
(Formerly: AsianLife and General Assurance Corporation)
2nd and 3rd Floor
Morning Star Center
347 Sen. Gil Puyat Avenue,
Makati City 1209

T +632 8890 1758
F +632 8895 8519
E customersupport@etiqa.com.ph

www.etiqa.com.ph

Annex B

Deadline: 20 calendar days after
The end of the quarter

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
Name of Covered Institutions

3F Morning Star Center, 347 Sen. G. Puyat Ave., Makati City
Address

REPORT OF MATERIAL RELATED PARTY TRANSACTIONS
As of June 30, 2021
(Quarterly)

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI)SS

I solemnly swear that all matters set forth in this report are true and correct, to the best of my knowledge and belief.

JAMES PATRICK Q. BONUS
(Signature of Officer/Alternate)

13 JUL 2021

SUBSCRIBED AND SWORN TO BEFORE ME this _____day of _________2021, affiant

exhibiting me his/her Passport No. P6818893A, Issued on April 17, 2018 valid until

April 16, 2028, Issued by DFA Manila.

NOTARY PUBLIC
Until ___________, 20__
PTR No. ______________
Place ________________

ATTY RAUL M. HEBRON
Notary Public for Makati
Commission until December 31, 2021
APPT M-47 (2020-2021) ROLL No. 47204
IBP No. 018418
PTR No. 8531325/ Makati City

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Material Related Party Transactions

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
Name of Covered Institution

June 30, 2021
Date

Parent/Subsidiary/ Affiliate	Related Counter Party	Relationship between the parties	Transaction date	Type of Transaction	Amount	Terms	Rationale for entering into the Transaction
A.Parent							
a. Malayan Banking Berhad of Malaysia	a.Maybank ATR Kim Eng Capital Partners, Inc.	Parent	6/30/21	Due to parent company	7,656,160.99	Due and payable on demand	Premium refund to MATRKE for resigned employees & common telephone charges
b. Etiqa International Holdings Sdn. Bhd.	b. Etiqa International Holdings Sdn. Bhd.	Parent	6/30/21	Due to parent company	20,797.58	Due and payable on demand	Adjustments for Hypotax of EIHSB International Assignee.
B. Affiliates							
a. Maybank Philippines, Inc (MPI)	a. Maybank Philippines, Inc (MPI)	Affiliate	6/30/21	Service Fees	51,756,030.47	Service fees incurred as of June 30, 2021 (Paid Monthly)	Etiqa & MPI has entered into a Bancassurance agreement, where MPI agrees to refer its clients who may be interested to purchase insurance products. A service fee is paid to MPI in as part of this agreement.
			6/30/21	Cash in Bank / Time Deposits	756,798,449.44	Balance as of June 30, 2021	Etiqa maintains bank accounts and time deposit accounts with Maybank as part of its strategy in maximizing returns for cash while maintaining liquidity & operational requirements.
			6/30/21	Interest Income	1,248,176.08	Interest Earned as of June 30, 2021	Interest Income earned from time and bank deposits.
			6/30/21	Premium income	39,405,065.58	Premium Collected as of June 30, 2021	Premium income for Group Health and Life– Maybank Phils. Employee and dependents
			6/30/21	Premium income	16,942,658.80	Premium Collected as of [illegible]	Premium income for Group Credit Life (MRI) – MPI borrowers

Material Related Party Transactions

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
Name of Covered Institution

March 31, 2021
Date

Parent/Subsidiary /Affiliate	Related Counter Party	Relationship between the parties	Transaction date	Type of Transaction	Amount	Terms	Rationale for entering into the Transaction
			6/30/2021	Exclusivity Access Fee paid to MPI	350,000,000	Exclusivity Fee paid Jan 15, 2021 for Php 350M to be amortized in 15 years.	Fee paid to MPI, in return for being the exclusive provider of all individual life and health insurance and variable unit life insurance products including other existing and future products for MPI and its subsidiaries. It also sets the Company as the exclusive insurance provider offering its products to MPI's clients as part of the Bancassurance agreement.
			6/30/21	Amortization of Exclusivity Access Fee as of June 30, 2021	11,666,666.64	Exclusivity Fee paid Jan 15, 2021 for Php 350M to be amortized in 15 years.	Fee paid to MPI, in return for being the exclusive provider of all individual life and health insurance and variable unit life insurance products including other existing and future products for MPI and its subsidiaries. It also sets the Company as the exclusive insurance provider offering its products to MPI's clients as part of the Bancassurance agreement
b. Maybank ATR Kim Eng Securities	b. Maybank ATR Kim Eng Securities, Inc.	Affiliate	6/30/21	Due to affiliates	4,106,261.77	Due and payable on demand	Etiqa previously shares the use of MATRKE Securities BCP site, with corresponding charges billed back to the company. This is the

							remaining balance for previous year's BCP charges.
c. Etiqa Insurance Pte. Ltd. (EIPL)	c. . Etiqa Insurance Pte. Ltd. (EIPL)	Affiliate	6/30/21	Share in maintenance fees for SG's hosting of ILS	3,684,881.69	Maintenance fees incurred as of June 30, 2021	Etiqa PH uses the Integral Life System (ILS) for its individual life insurance products. The system is hosted by EIPL in Singapore, who charges Etiqa PH the share in maintenance fees.
d. ATRAM Trust Corporation	d. ATRAM Trust Corporation	Affiliate	6/30/21	Trust Fees for IMA and VUL accounts Trust fees incurred as of June 30, 2021	6,487,306.45	Trust fees incurred as of June 30, 2021	Etiqa PH has an Investment Management Agreement (IMA) with ATRAM Trust Corporation (ATRAM) formerly ATR KimEng Asset Management, Inc. (ATRKE AMI) which monitors and manages a portion of the Company's investments. The IMA provides that the Company retains legal title to the invested funds and properties and will be charged IMA fees based on the market value of the portfolio. The Company has also entrusted the management of the fund assets of its policyholders availing of variable unit-linked products to ATRAM.
C. Employees & Officers							
a. Officers of Etiqa Philippines	a. Officers of Etiqa Philippines	Employer - Employee	6/30/21	Chattel Mortgage loan	15,350,722.87	Balance as of June 30, 2021. Payable in 5 years	Officers of Etiqa PH may avail of Car loans for purchase of Motor vehicle, with the vehicle used as collateral.
			6/3/21	Interest income – chattel mortgage loan	58,776.17	Interest income earned as of June 30, 2021	Interest income earned on chattel mortgage loans from officers of Etiqa PH.

b. Salary Loans	a. Employees & Officers of Etiqa Philippines	Employer - Employee	6/30/21	Salary Loans	13,068,863.32	Balance as of June 30, 2021. Payable in 1-3 years	Employees and officers of Etiqa PH may avail of a salary loan from the company, payments of such are auto-deducted from the payroll. Term is from 6 months – 3 years.
			6/30/21	Interest income – salary loans	305,329.07	Interest income earned as of June 30, 2021.	Interest income earned on Salary loans of employees and officers

eTiQa

October 18, 2021

Honorable Dennis B. Funa
Insurance Commissioner
Insurance Commission Building
1071 United Nations Avenue, Manila

Re: Report of Material Related Party Transactions

Dear Commissioner Funa:

In compliance with your Circular Letter No. 2017-29 dated May 02, 2017, we are pleased to submit **Report of Material Related Party Transactions for Etiqa Life and General Assurance Philippines, Inc.** as of September 30, 2021.

We hope you find everything in order.

Very truly yours,

James Patrick Q. Bonus
Chief Financial Officer

Etiqa Life and General Assurance Philippines, Inc.
(Formerly: AsianLife and General Assurance Corporation)
2nd and 3rd Floor Morning Star Center
347 Sen. Gil Puyat Avenue, Makati City 1209
Tel. No: (632) 890-1758
www.etiqa.com.ph

Annex B

Deadline: 20 calendar days after
The end of the quarter

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
Name of Covered Institutions

3F Morning Star Center, 347 Sen. G. Puyat Ave., Makati City
Address

REPORT OF MATERIAL RELATED PARTY TRANSACTIONS
As of September 30, 2021
(Quarterly)

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI)SS

I solemnly swear that all matters set forth in this report are true and correct, to the best of my knowledge and belief.

JAMES PATRICK Q. BONUS
(Signature of Officer/Alternate)

OCT 18 2021

SUBSCRIBED AND SWORN TO BEFORE ME this _____day of _________2021, affiant

exhibiting me his/her Passport No. P6818893A, Issued on April 17, 2018 valid until

April 16, 2028, Issued by DFA Manila.

NOTARY PUBLIC
Until ____________, 20__
PTR No. _____________
Place _______________

ATTY. RAUL M. HEBRON
Notary Public for Makati
Commission until December 31, 2021
APPT M-47 (2020-2021) ROLL No. 47204
IBP No 018418
PTR No. [illegible] Makati City

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Material Related Party Transactions

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
Name of Covered Institution

September 30, 2021
Date

Parent/Subsidiary/ Affiliate	Related Counter Party	Relationship between the parties	Transaction date	Type of Transaction	Amount	Terms	Rationale for entering into the Transaction
A.Parent							
a. Malayan Banking Berhad of Malaysia	a.Maybank ATR Kim Eng Capital Partners, Inc.	Parent	9/30/21	Due to parent company	7,656,160.99	Due and payable on demand	Premium refund to MATRKE for resigned employees & common telephone charges
B. Affiliates							
a. Maybank Philippines, Inc (MPI)	a. Maybank Philippines, Inc (MPI)	Affiliate	9/30/21	Service Fees	71,579,122.20	Service fees incurred as of September 30, 2021 (Paid Monthly)	Etiqa & MPI has entered into a Bancassurance agreement, where MPI agrees to refer its clients who may be interested to purchase insurance products. A service fee is paid to MPI in as part of this agreement.
			9/30/21	Cash in Bank / Time Deposits	931,503,797.10	Balance as of September 30, 2021	Etiqa maintains bank accounts and time deposit accounts with Maybank as part of its strategy in maximizing returns for cash while maintaining liquidity & operational requirements.
			9/30/21	Interest Income	1,943,814.84	Interest Earned as of September 30, 2021	Interest Income earned from time and bank deposits.
			9/30/21	Premium income	39,596,309.73	Premium Collected as of September 30, 2021	Premium income for Group Health and Life– Maybank Phils. Employee and dependents
			9/30/21	Premium income	22,991,763.10	Premium Collected as of September 30, 2021	Premium income for Group Credit Life (MRI) – MPI borrowers

Material Related Party Transactions

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
Name of Covered Institution

September 30, 2021
Date

Parent/Subsidiary /Affiliate	Related Counter Party	Relationship between the parties	Transaction date	Type of Transaction	Amount	Terms	Rationale for entering into the Transaction
			9/30/2021	Exclusivity Access Fee paid to MPI	350,000,000	Exclusivity Fee paid Jan 15, 2021 for Php 350M to be amortized in 15 years.	Fee paid to MPI, in return for being the exclusive provider of all individual life and health insurance and variable unit life insurance products including other existing and future products for MPI and its subsidiaries. It also sets the Company as the exclusive insurance provider offering its products to MPI's clients as part of the Bancassurance agreement.
			9/30/21	Amortization of Exclusivity Access Fee as of September 30, 2021	17,499,999.96	Exclusivity Fee paid Jan 15, 2021 for Php 350M to be amortized in 15 years.	Fee paid to MPI, in return for being the exclusive provider of all individual life and health insurance and variable unit life insurance products including other existing and future products for MPI and its subsidiaries. It also sets the Company as the exclusive insurance provider offering its products to MPI's clients as part of the Bancassurance agreement
b. Maybank ATR Kim Eng Securities	b. Maybank ATR Kim Eng Securities, Inc.	Affiliate	9/30/21	Due to affiliates	4,106,261.77	Due and payable on demand	Etiqa previously shares the use of MATRKE Securities BCP site, with corresponding charges billed back to the company. This is the remaining balance for previous year's BCP charges.

c. Etiqa Insurance Pte. Ltd. (EIPL)	c. . Etiqa Insurance Pte. Ltd. (EIPL)	Affiliate	9/30/21	Share in maintenance fees for SG's hosting of ILS	5,508,783.69	Maintenance fees incurred as of September 30, 2021	Etiqa PH uses the Integral Life System (ILS) for its individual life insurance products. The system is hosted by EIPL in Singapore, who charges Etiqa PH the share in maintenance fees.
d. ATRAM Trust Corporation	d. ATRAM Trust Corporation	Affiliate	9/30/21	Trust Fees for IMA and VUL accounts Trust fees incurred as of September 30, 2021	14,383,763.07	Trust fees incurred as of September 30, 2021	Etiqa PH has an Investment Management Agreement (IMA) with ATRAM Trust Corporation (ATRAM) formerly ATR KimEng Asset Management, Inc. (ATRKE AMI) which monitors and manages a portion of the Company's investments. The IMA provides that the Company retains legal title to the invested funds and properties and will be charged IMA fees based on the market value of the portfolio. The Company has also entrusted the management of the fund assets of its policyholders availing of variable unit-linked products to ATRAM.
C. Employees & Officers							
a. Officers of Etiqa Philippines	a. Officers of Etiqa Philippines	Employer - Employee	9/30/21	Chattel Mortgage loan	12,693,556.54	Balance as of September 30, 2021. Payable in 5 years	Officers of Etiqa PH may avail of Car loans for purchase of Motor vehicle, with the vehicle used as collateral.
			9/30/21	Interest income – chattel mortgage loan	79,952.52	Interest income earned as of September 30, 2021	Interest income earned on chattel mortgage loans from officers of Etiqa PH.

b. Salary Loans	a. Employees & Officers of Etiqa Philippines	Employer - Employee	9/30/21	Salary Loans	13,639,910.63	Balance as of September 30, 2021. Payable in 1-3 years	Employees and officers of Etiqa PH may avail of a salary loan from the company, payments of such are auto-deducted from the payroll. Term is from 6 months – 3 years.
			9/30/21	Interest income – salary loans	916,817.85	Interest income earned as of September 30, 2021.	Interest income earned on Salary loans of employees and officers

Annex B

Deadline: 20 calendar days after
The end of the quarter

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
Name of Covered Institutions

3F Morning Star Center, 347 Sen. G. Puyat Ave., Makati City
Address

REPORT OF MATERIAL RELATED PARTY TRANSACTIONS
As of December 31, 2021
(Quarterly)

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI)SS

I solemnly swear that all matters set forth in this report are true and correct to the best of my knowledge and belief.

JAMES PATRICK Q. BONUS
(Signature of Officer/Alternate)

SUBSCRIBED AND SWORN TO BEFORE ME this JAN 18 2022 day of ________ 2021, affiant exhibiting me his/her Passport No. P6818893A, Issued on April 17, 2018 valid until April 16, 2028, Issued by DFA Manila.

NOTARY PUBLIC
Until ____________, 20__
PTR No. ____________
Place ____________

ATTY. JOSHUA P. LAPUZ
Notary Public Makati City
Until Dec. 31, 2023
Appointment No. M-019-(2022-2023)
PTR No. 8852510 Jan. 3, 2022 / Makati
IBP Lifetime No. 04897 Roll No. 45790
MCLE Compliance No. VI-0016565
Legaspi Village, Makati City

Doc. No. 347
Page No. 71
Book No. 330
Series of 2022

Material Related Party Transactions

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
Name of Covered Institution

December 31, 2021
Date

Parent/Subsidiary/ Affiliate	Related Counter Party	Relationship between the parties	Transaction date	Type of Transaction	Amount	Terms	Rationale for entering into the Transaction
A.Parent							
a. Malayan Banking Berhad of Malaysia	a.Maybank ATR Kim Eng Capital Partners, Inc.	Parent	12/31/21	Due to parent company	7,656,160.99	Due and payable on demand	Premium refund to MATRKE for resigned employees & common telephone charges
B. Affiliates							
a. Maybank Philippines, Inc (MPI)	a. Maybank Philippines, Inc (MPI)	Affiliate	12/31/21	Service Fees	102,527,012.84	Service fees incurred as of December 31, 2021 (Paid Monthly)	Etiqa & MPI has entered into a Bancassurance agreement, where MPI agrees to refer its clients who may be interested to purchase insurance products. A service fee is paid to MPI in as part of this agreement.
			12/31/21	Cash in Bank / Time Deposits	583,186,686.88	Balance as of December 31, 2021	Etiqa maintains bank accounts and time deposit accounts with Maybank as part of its strategy in maximizing returns for cash while maintaining liquidity & operational requirements.
			12/31/21	Interest Income	2,563,665.07	Interest Earned as of December 31, 2021	Interest Income earned from time and bank deposits.
			12/31/21	Premium income	44,543,046.49	Premium Collected as of December 31, 2021	Premium income for Group Health and Life– Maybank Phils. Employee and dependents
			12/31/21	Premium income	40,054,679.11	Premium Collected as of December 31, 2021	Premium income for Group Credit Life (MRI) – MPI borrowers

Material Related Party Transactions

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
Name of Covered Institution

December 31, 2021
Date

Parent/Subsidiary /Affiliate	Related Counter Party	Relationship between the parties	Transaction date	Type of Transaction	Amount	Terms	Rationale for entering into the Transaction
			12/31/2021	Exclusivity Access Fee paid to MPI	500,000,000	Exclusivity Fee paid Jan 15, 2021 for Php 350M to be amortized in 15 years. Another 150M will be paid next year.	Fee paid to MPI, in return for being the exclusive provider of all individual life and health insurance and variable unit life insurance products including other existing and future products for MPI and its subsidiaries. It also sets the Company as the exclusive insurance provider offering its products to MPI's clients as part of the Bancassurance agreement.
			12/31/21	Amortization of Exclusivity Access Fee as of December 31, 2021	33,333,333.29	Exclusivity Fee paid Jan 15, 2021 for Php 350M to be amortized in 15 years. Another 150M will be paid next year.	Fee paid to MPI, in return for being the exclusive provider of all individual life and health insurance and variable unit life insurance products including other existing and future products for MPI and its subsidiaries. It also sets the Company as the exclusive insurance provider offering its products to MPI's clients as part of the Bancassurance agreement
b. Maybank ATR Kim Eng Securities	b. Maybank ATR Kim Eng Securities, Inc.	Affiliate	12/31/21	Due to affiliates	4,106,261.77	Due and payable on demand	Etiqa previously shares the use of MATRKE Securities BCP site, with corresponding charges billed back to the company. This is the remaining balance for previous year's BCP charges.

c. Etiqa Insurance Pte. Ltd. (EIPL)	c. . Etiqa Insurance Pte. Ltd. (EIPL)	Affiliate	12/31/21	Share in maintenance fees for SG's hosting of ILS and Polisysea	6,257,220.00	Maintenance fees incurred as of December 31, 2021	Etiqa PH uses the Integral Life System (ILS) for its individual life insurance products.The system is hosted by EIPL in Singapore, who charges Etiqa PH the share in maintenance fees.
			12/31/21	Share in maintenance fees for SG's hosting of Polisysea	5,550,000.00	Maintenance fees incurred as of December 31, 2021	Etiqa PH uses the Polisysea which being test and subsequently use in the General Insurance products. The system is hosted by EIPL in Singapore, who charges Etiqa PH the share in maintenance fees.
d. Etiqa Life Insurance Berhad (ELIB)	d. Etiqa Life Insurance Berhad (ELIB)	Affiliate	12/31/21	Due to Affiliates	14,586.58	Due and payable on demand	Chargeback for staff cost and other directly attributable expense per shared services agreement.
e. Maybank Ageas Holdings Berhad (MAHB)	e. Maybank Ageas Holdings Berhad (MAHB)	Affiliate	12/31/21	Due to Affiliates	696,976.33	Due and payable on demand	Chargeback for staff cost and other directly attributable expense per shared services agreement.
f. ATRAM Trust Corporation	d. ATRAM Trust Corporation	Affiliate	12/31/21	Trust Fees for IMA and VUL accounts Trust fees incurred as of September 30, 2021	18,030,150.09	Trust fees incurred as of December 31, 2021	Etiqa PH has an Investment Management Agreement (IMA) with ATRAM Trust Corporation (ATRAM) formerly ATR KimEng Asset Management, Inc. (ATRKE AMI) which monitors and manages a portion of the Company's investments. The IMA provides that the Company retains legal title to the invested funds and properties and will be charged IMA fees based on the market value of the portfolio. The Company has also entrusted the management of the fund assets of its policyholders availing of variable unit-linked products to ATRAM.
C. Employees & Officers							

a. Officers of Etiqa Philippines	a. Officers of Etiqa Philippines	Employer - Employee	12/31/21	Chattel Mortgage loan	11,317,262.04	Balance as of December 31, 2021. Payable in 5 years	Officers of Etiqa PH may avail of Car loans for purchase of Motor vehicle, with the vehicle used as collateral.
			12/31/21	Interest income – chattel mortgage loan	93,290.32	Interest income earned as of December 31, 2021	Interest income earned on chattel mortgage loans from officers of Etiqa PH.
b. Salary Loans	a. Employees & Officers of Etiqa Philippines	Employer - Employee	12/31/21	Salary Loans	13,900,062.50	Balance as of December 31, 2021. Payable in 1-3 years	Employees and officers of Etiqa PH may avail of a salary loan from the company, payments of such are auto-deducted from the payroll. Term is from 6 months – 3 years.
			12/31/21	Interest income – salary loans	1,246,299.80	Interest income earned as of December 31, 2021.	Interest income earned on Salary loans of employees and officers

Humanizing Insurance

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Etiqa Life and General Assurance Philippines, Inc.
2nd and 3rd Floor Morning Star Center
347 Sen. Gil Puyat Avenue, Makati City 1209
Tel. No: (632) 8890-1758