insurance

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Stronger You with FWD

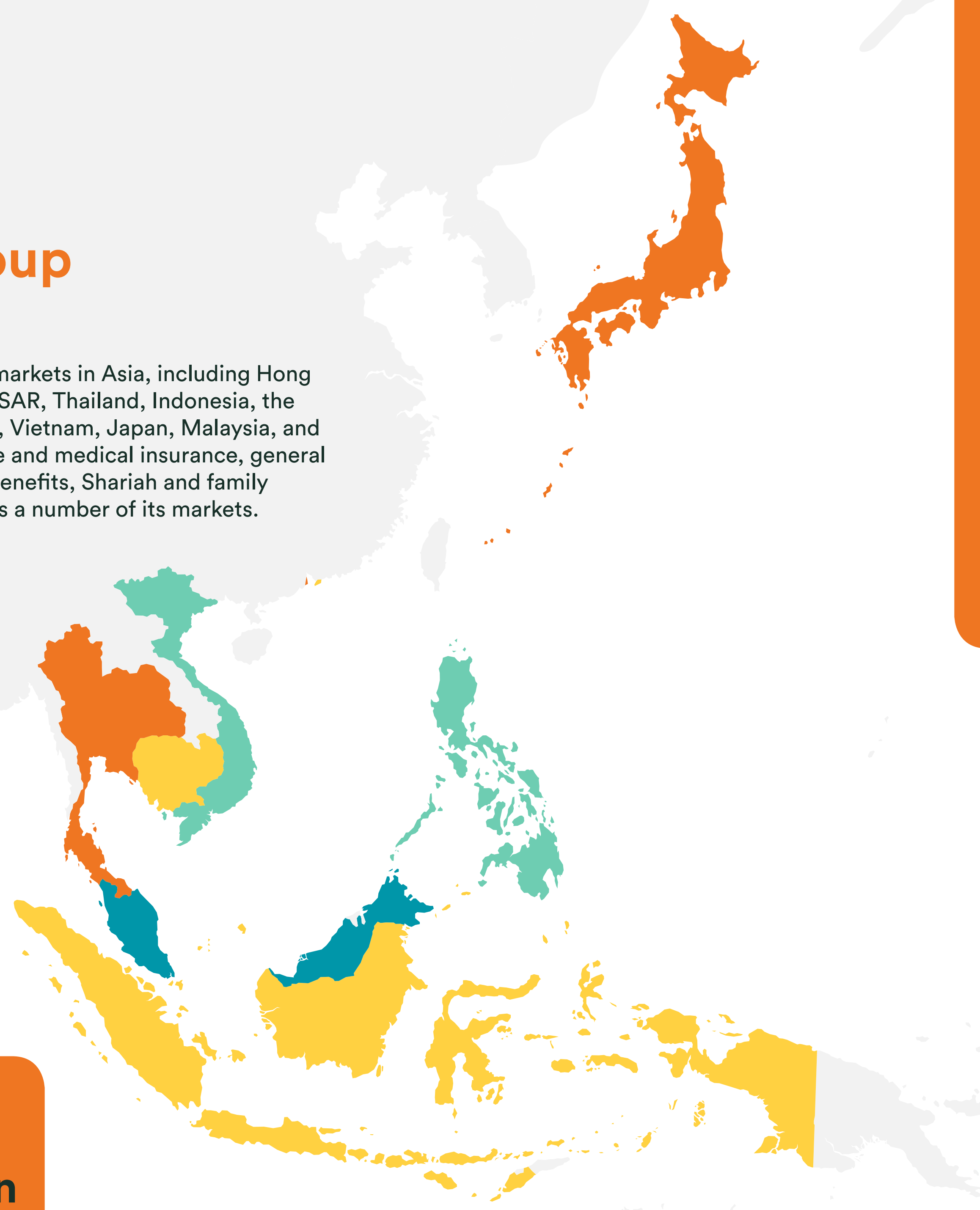
Annual Report 2020

Cover by Mary B. Tovillo “The Stronger Filipinos”

About the Cover
The winner of the FWD Annual Report Digital Design Contest is "The Stronger Filipinos" by Mary B. Tovillo. In her entry, Tovillo explains: "Filipinos from all walks of life have their own struggles, especially in this time of the pandemic, but we manage to persevere and adapt when faced with new challenges because of our admirable resilience. We are inspired to strive and keep going because we deeply care about others, because we have dreams that we aim to reach, and because we want only the best for our loved ones."

About FWD Group

FWD Group spans 10 markets in Asia, including Hong Kong SAR and Macau SAR, Thailand, Indonesia, the Philippines, Singapore, Vietnam, Japan, Malaysia, and Cambodia, offering life and medical insurance, general insurance, employee benefits, Shariah and family takaful products across a number of its markets.



More than 9.8 million customers[1]

More than 6,100 employees[2]

US$ 62.6 billion in assets

More than 33,000 agents

Entered the Million Dollar Round Table (MDRT) Top 10 for multinational companies (MNCs) 2020[3]

[1] Includes 2.8 million group members
[2] Includes Group office employees
[3] Includes 1,026 MDRT members

About FWD Insurance

FWD Life Insurance Corporation (FWD Insurance) is part of the pan-Asian FWD Group. We launched our commercial operations in September 2014. In just six years of business, we now rank Top 3 and Top 4 in terms of Paid-Up Capital[4] and New Business Annual Premium Equivalent[5], respectively.

FWD Insurance is #4 for 2020

We moved up to Top 4 Insurer by new business premiums.

[4] www.insurance.gov.ph > Statistics > Life > 2020 > Based on Paid-Up Capital
[5] www.insurance.gov.ph > Statistics > Life > 2020 > Based on New Business Annual Premium Equivalent

2020 FWD Insurance Milestones

February 2020
Maintained our Top 3 spot in the ASEAN Corporate Governance Scorecard for three (3) years running

Launched the President's Charity Drive through the Plan with Purpose initiative to support Philippine Cancer Society's cancer research and awareness program

March 2020
Announced FWD COVID-19 Ready, a special coverage for customers diagnosed with COVID-19

Launched our second President Charity Drive initiative to support medical frontline workers of St. Luke's Medical Center Foundation

April 2020
Announced COVID-19 Assist, an enhanced COVID-19 coverage for our customers, with additional benefit for policyholders who are medical frontline workers

July 2020
Launched the FWD Insurance flagship store in Lazada, an e-commerce site

August 2020
Received major international wins from the Insurance Asia Awards[6] and Global Banking & Finance Awards[7] for Tapp, our "one-tap insurance" app

September 2020
Launched new Set for Life add-ons, RecoveryPro, HealthPro Lite, and SurePro for Owners, to address our customers' evolving needs

December 2020
Launched the FWD Affiliates Program, a social media referral program that rewards everyone for helping bridge the protection gap in the Philippines

Launched Frankie, our WIZ AI conversational talkbot

[6] https://insuranceasia.com/co-written-partner/more-news/fwd-insurance-wins-again-insurance-asia-awards-2020
[7] https://www.globalbankingandfinance.com/global-banking-finance-awards-2020-award-winners/

Messages

"We emerged stronger from the most challenging year in our careers."

Li Hao Zhuang, President and CEO

Message from the Chairman of the Board

The year 2020 was an unbelievably devastating year for the global economy because of the COVID-19 pandemic. Practically no country was spared from the huge economic contraction that caused massive unemployment in many countries around the world. Various industries such as hospitality and tourism, aviation, education, retail, leisure and entertainment, real estate development, financial services including the insurance industry, and many others were adversely impacted. The forced lockdowns imposed by the national government and local government units resulted in massive layoffs of personnel, reduced income for many of those who retained their jobs but had to work shorter hours, and closure of many small- and medium-sized businesses.

FWD Insurance had to quickly adapt to a new environment where most of the employees had to work from home and serve the needs of our customers through a digital platform. Fortunately for us and our customers, these digital solutions have long been in place in our Company. We were one of the first insurance companies to offer remote selling as well as a remote recruitment process through our virtual business opportunity program. Technology and innovation are deeply rooted in the FWD DNA and this has served us well during these trying times.

Our senior management, agency force, bancassurance partner, employees, and customers had to cope with a difficult environment, but because of the hard work, persistence, and commitment of all our stakeholders, FWD Insurance managed to perform creditably.

The Philippines witnessed an unprecedented 9.5% contraction in our Gross Domestic Product (GDP). Revenues grew to PhP14.4 billion in 2020, from PhP11 billion in 2019, a significant increase despite the prevailing circumstances. Profits dipped slightly from PhP352 million in 2019 to PhP337 million in 2020. Total assets increased by PhP8.1 billion to PhP29.2 billion in 2020, from PhP21.1 billion in 2019, due to the increase in assets held to cover unit-linked liabilities. Solvency and Risk-Based Capital (RBC) ratios were maintained at healthy levels.

Significant partnerships were also forged in 2020. Our partnership with The Medical City, the largest healthcare network in the Philippines, for one, allows us to offer comprehensive protection solutions such as Set for Health, KanGuard, KanLive, and KanMend—making insurance more accessible to more Filipinos. Partnerships like this will undoubtedly contribute to the continued growth and expansion of our footprint in the life insurance industry.

Our ongoing partnership with Security Bank Corporation (SBC) has been mutually beneficial and has contributed substantially to the growth and quality of our life insurance business. I have no doubt that our long-term partnership with SBC will become even more important and synergistic in the years ahead.

To our management and employees, I wish to reiterate the Board of Directors' congratulatory message for a remarkable performance in 2020 despite the daunting challenges that confronted the Company. Our senior management, agency force, bancassurance partner, employees, and customers had to cope with a difficult environment, but because of the hard work, persistence, and commitment of all our stakeholders, FWD Insurance managed to perform creditably. We achieved a respectable performance that allowed us to end the year four (4) rungs higher in the rankings of life insurance companies compared to 2019, an impressive performance which we should all be proud of. Our management made sure that the safety of our employees, customers, partners, and contractors was given paramount importance. FWD Insurance was one of the few life insurance companies that provided protection against the COVID-19 virus. A number of our customers who benefitted from their life insurance coverage wrote to us to express their gratitude for having been covered against COVID-19. This is remarkable proof of our unwavering commitment to our customers.

To our customers, I wish to thank you for your confidence and trust in FWD Insurance. I assure you that all of us are working hard to ensure that your interests are protected and safeguarded. May the Almighty continue to protect and guide us in all of our endeavors.

Before I end this note, I would like to take an opportunity to celebrate the life of a good colleague and leader, Arthur Lee, who has sadly passed on. Arthur joined FWD Group in October 2017 and served as EVP, New Markets & Corporate Governance and Southeast Asia Chairman for almost three years. He also served as FWD Insurance's non-executive director for three years, since his appointment in 2018. Arthur was a man of intellect and vision. He was always caring and he made time for anyone who needed it. He will be truly missed.

Amb. Jose L. Cuisia Jr.
Chairman of the Board
FWD Insurance

Message from the President and Chief Executive Officer

Dear FWD family and friends,

We emerged stronger from the most challenging year in our careers.

In true bayanihan spirit, FWD Insurance responded rapidly to the needs of the nation. When the pandemic hit, we were first to provide special coverage to customers diagnosed with COVID-19. We expanded our President's Charity Drive from supporting Philippine Cancer Society to providing Personal Protection Equipment (PPE) for frontliners. All in all, FWD Insurance contributed over PhP10M to fighting cancer and COVID-19 in 2020.

Despite the pandemic, we have also significantly outperformed the industry in 2020. In one (1) year, we rose from a top eight insurer by new business premiums to top four. At the same time, our premiums rose 43% from 2019 to over PhP13Bn. Likewise, FWD Insurance's assets increased 38% to over PhP29Bn in 2020.

We would not have achieved this outperformance without our dedicated FWD Agency sales force, as well as our strategic partnership with Security Bank Corporation (SBC). Our FWD Agency leaders and financial advisors tirelessly served our customers and transformed their business online while the nation locked down. We have more Million Dollar Round Table (MDRT) qualifiers in 2020 thanks to their professionalism and resilience. To honor them, we have included a section in this report to showcase our 2020 MDRT qualifiers. Our FWD Bancassurance team worked hand in glove with SBC to create the most productive and active bancassurance sales force in the country.

In my message to you last year, I highlighted my top three (3) priorities towards achieving our vision of changing the way people feel about insurance and leading the industry through innovations. We made good strides in all three (3) priorities.

1. Stronger Focus on Customer
FWD Insurance emerged as the No. 1 in Customer Experience in the Philippines.* We also made sure to be available to our customers 24/7 even—or maybe especially—during the pandemic. We introduced new products, like KanDüü, to provide Filipinos with more affordable protection. UnderwriteMe, an industry-leading solution from Pacific Life Re that provides customers faster application approvals, helped us record a 35% increase in average straight through underwriting (STU) cases. Tapp, our "one-tap insurance" app, won major international awards and has been made even better.

We also recently launched the FWD Global Good ESG Funds and FWD Babyproof. The FWD Global Good ESG funds, available in PhP and USD denominations, are for investment in top, high-performing global companies that work proactively for a better and sustainable future. FWD Babyproof is our first life insurance bundle for babies. It prepares your little ones, as young as 15 days old, against anticipated and unforeseen needs, such as education, inflation, and hospitalization.

Top 4	Insurer	+43%	in premiums
+39%	in assets	No. 1	in Customer Experience*

2. Stronger Team
We welcomed a new Board Member, Adrian O'Connor, who is a highly experienced Chief Financial Officer and Chief Actuary with a proven track record in Asia. We have onboarded three new Executive Committee members. The new Chief Agency Officer and Chief Partnership Officer strengthened our distribution capabilities. Our new Chief Information and Transformation Officer built a robust technology infrastructure that allowed us to operate seamlessly and 100% remotely even during the worst of the Enhanced Community Quarantine (ECQ). Enhancements to our Marketing, Customer Experience, Product, Distribution, and Operations teams, along with the adoption of People-Centered Design (PCD) principles, helped us create a more aligned and more agile organization.

3. Stronger Technology Enablement
We championed remote selling and were the first to do so. From sales to operations, we didn't skip a beat and worked tirelessly from home and other remote places. Artificial intelligence and data analytics likewise helped us enhance our cross-selling.

The outlook for 2021 remains challenging, but we are confident and optimistic. The country's economic and demographical fundamentals remain strong, and we have built a stronger Company to thrive in the new normal. On top of the foundation we laid, we have:

- **Strengthened and grown our Elite Agency:** In 2020, we built a solid agency platform with industry-best digital enablement, training, and career development path that would allow us to scale rapidly and sustainably. We have also offered meaningful careers to top talents from all fields, especially those whose careers are interrupted by the pandemic.
- **Deepened and expanded our agency and partnerships:** We have the most wonderful strategic partner in SBC that helped us weather through the pandemic. We have deepened our partnership by further integrating our products, setting joint analytics teams to better understand and serve our customers, and helping each other in our digital transformation journeys. We have also expanded our partnership ecosystem in 2020. We are thrilled to have formed partnerships with The Medical City, Lazada, and MemoXpress, and will continue to do so especially in the digital space.
- **Solidified our technology lead:** Our digital-first thinking and setup helped us stay ahead of our customer needs and competition. We will continue to push the boundaries to create new and outstanding customer experiences, and the most productive sales force. We recently launched the FWD Affiliates Program. Anyone and everyone can engage with FWD Insurance, share information, refer clients and be rewarded for it. It is a game changer in customer engagement and distribution scalability. I invite you to join us as an FWD Insurance Elite Affiliate.

It is my honor to work with all FWD employees, agency and bancassurance sales force. We work hard to change the way people feel about insurance. We do it every day, with every customer, with every single policy, and with every interaction. We continue our mission to protect and empower every Filipino to truly celebrate living. FWD Insurance is one with the entire nation as we recover and emerge stronger than ever.

Li Hao Zhuang
President and Chief Executive Officer
FWD Insurance

*Based on a commissioned 2019 Customer Experience Index from Forrester Consulting

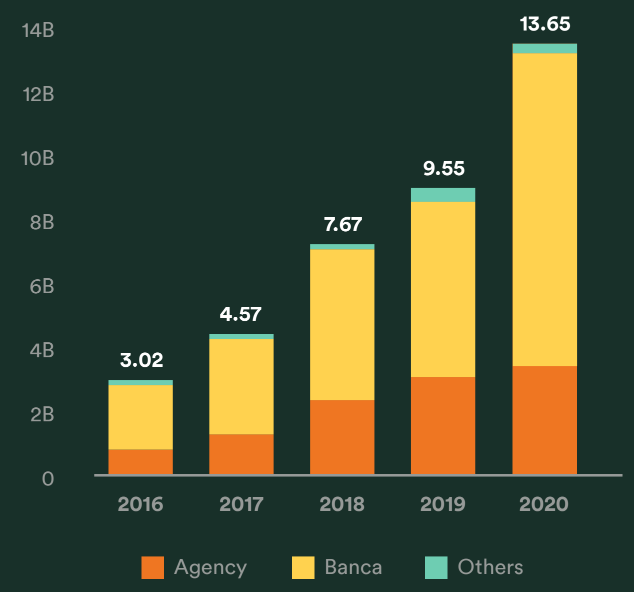
Business Review

Rising Above the Challenges

Key Business Highlights

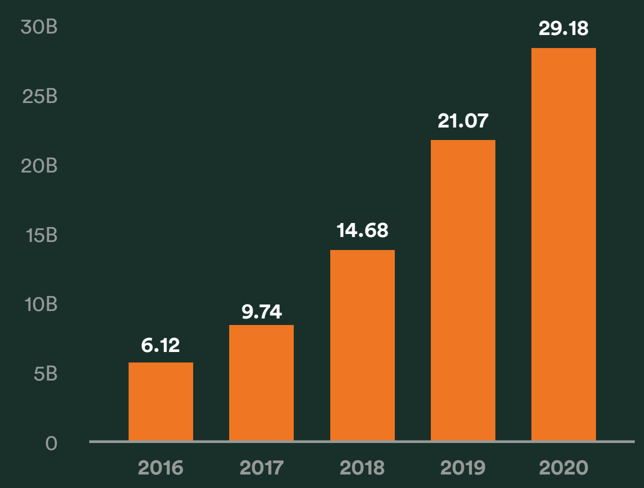
While the year 2020 posed many challenges across industries and economies, FWD Insurance's indomitable resilience, proactive planning, and digital readiness cushioned the impact of the COVID-19 pandemic.

Premium Income (PhP Billion)



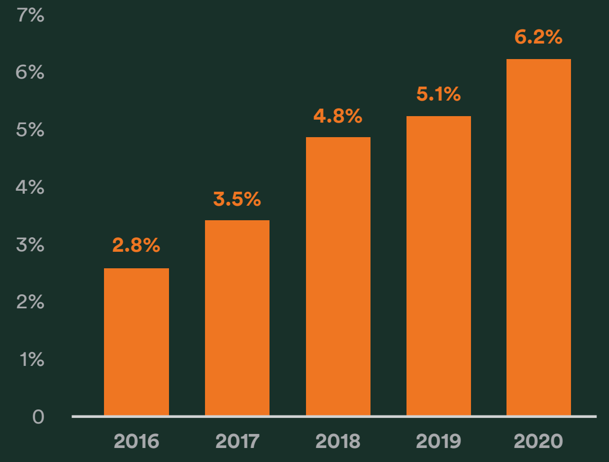
Premium Income
PhP13,654,706,853

Total Assets (PhP Billion)



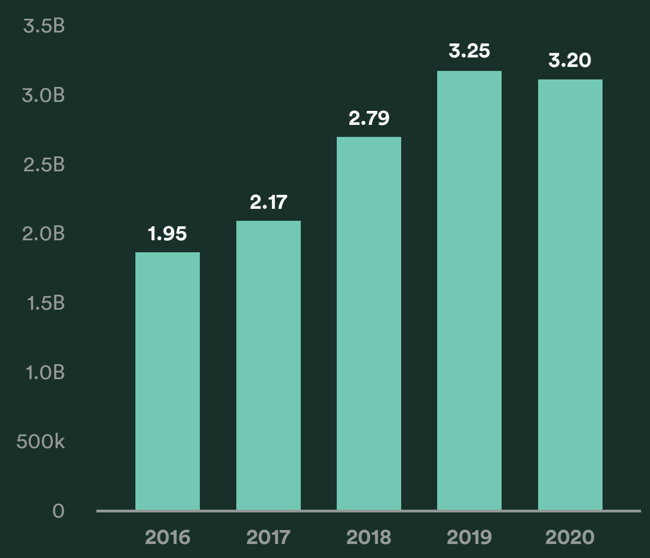
Total Assets
PhP29,182,468,479

FWD Insurance Market Share for New Business Annualized Premium Equivalent (NBAPE)



Market Share*
6.2%

Net Assets (PhP Billion)



Net Assets
PhP3,201,743,005

* Based on submitted unaudited Quarterly Reports on Selected Financial Statistic

Creating a Multi-Channel Elite Distribution Network

FWD Insurance's continually evolving digital platforms underscore our commitment to innovation and dynamism. We have expanded our distribution network to encompass strategic and industry-first programs, partnerships, and campaigns—making insurance available to more people, in more places, and in more ways.

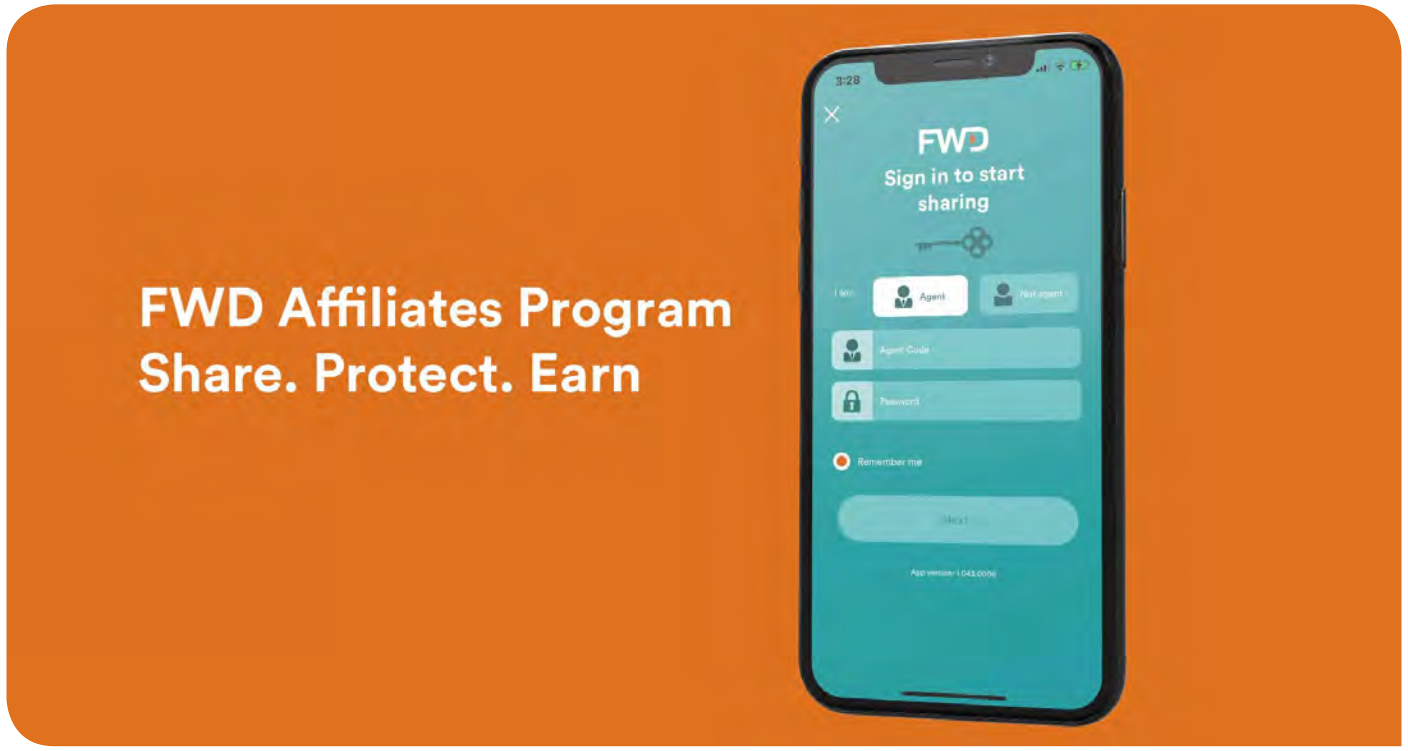
Bancassurance

Our bancassurance sales force continued working diligently through the pandemic, recording the highest productivity and activity with a 21% increase in case counts.

- **Increased Case Counts:** Outperformed 2019 case counts with a 21% increase in 2020. We recorded an average productivity of 12 cases per Financial Solutions Consultant!
- **100% Remote-Ready:** Successfully rolled out remote selling process on 1 April 2020, just weeks after the Enhanced Community Quarantine was enforced
- **Flexible Work Arrangements:** Implemented 50% work-from-home arrangement in Q1 2020 and transitioned to 80% to 90% work-from-branches in Q4 2020
- **Blended Learning:** Designed a flexible and robust leaders activity management and training strategy for our bancassurance sales force and bank partners to help adapt to the new normal

Digital
Our digital initiatives, which have been in place even before the COVID-19 crisis, grew even stronger—further expanding our network and reach.

- **Significant Growth:** Our digital efforts grew 15x its normal growth rate due to:
    - Activation of our offline sales force as agents bridging the offline-to-online sales experience
    - Digital partnerships and ecosystems that leverage external platforms to sell our digital products
    - Strengthened digital product propositions and rewards to offer multiple segments of the market
- **Bank Database Penetration:** Our increase in digital sales can also be attributed to our targeted bancassurance email and short message service (SMS) campaigns, including credit card bundle and promos, targeted to Security Bank customers.
- **Digital Partnership with Lazada and MemoXpress:** Our digital partnerships with Lazada, an e-commerce company, and MemoXpress, a dealer and retailer of mobile consumer devices, have made insurance more accessible to Filipinos especially during the pandemic. Customers can now purchase Set for Health, Set for Tomorrow Short-Term Cover, KanGuard, KanLive or KanMend from our flagship store on Lazada or our online shop (shop.fwd.com.ph).
- **Partnership with The Medical City:** In December 2020, we partnered with The Medical City, the largest healthcare network in the Philippines, to provide insurance and medical solutions and enable more Filipinos to take charge of their health. The partnership allows us to offer relevant and comprehensive protection solutions such as Set for Health, as well as our digital life insurance starter plans KanGuard, KanLive, and KanMend, which are all available on our online shop.



Agency
Our agency emerged from 2020 stronger, more professional, and more digitally connected than ever before.

- **Rise in Million Dollar Round Table (MDRT) Numbers:** We saw significant growth in MDRT membership through our Elite MDRT development program. Meanwhile, FWD Group ranked 9th in the 2020 MDRT Global Ranking for Top Multinational Companies (MNC).
- **Stronger Active Sales Team:** 11% growth through our Elite Builder program
- **Case Counts Hike:** 24% increase via our Elite Digital Products

We also launched a number of industry-first programs that helped our sales force become the most trusted advisors in the industry.

- **FWD Affiliates Program:** Launched in December 2020, it is another first-in-the-market solution from FWD Insurance! The social media referral program allows our advisors to share financial know-hows and generate potential leads and conversions. Recruited affiliates can also share content and refer leads in exchange for reward points.
- **Remote Recruitment Process:** We scored another milestone by being one of the first insurance companies to launch a remote recruitment process that allowed Filipinos to become an FWD Insurance advisor—in the safety of their homes. We worked closely with the Philippine Life Insurance Association (PLIA) to ask the Insurance Commission to allow temporary coding of agents, which led to IC Circular 2020-69.
- **Elite Signature INSEAD Programme:** Our first five (5) leaders who started their INSEAD journey in 2019 have graduated from the program, while five (5) new leaders began theirs in 2020. The Elite Signature at INSEAD Program is a nine-month (9-month) rigorous Executive Management program that prepares future industry leaders to take on the challenges of a VUCAD (volatility-uncertainty-complexity-ambiguity and now digitalization and disruption) world and bring the insurance industry to new heights.
- **AI Trainer:** AI Trainer is an artificial intelligence (AI) tool aimed at developing setting appointment skills for first year planners. It helps facilitate self-paced learning, adoption of best practices and suggested spiels, time efficiency on drills for trainers and agency leaders, and increase in training reach.

FWD Insurance
Top Leaders
and Advisors

2021 Top of the Table

Michaela Condes Jumao-As
BrightAdvisors

Rosario Castanos Salientes
Salientes-Gonzales Associates

Marion Fernandez Victoriano
Rainbow

FWD Insurance
Top Leaders
and Advisors

2021 Court of the Table

Rowena Margarita Cuyco Suarez
Mt. Carmel - Manila

Claire Ann Velasco Guiao
Mt. Carmel - Manila

Annalee Ang De Guia
Gerizim

Arlyn Grace Velicaria Guico
Mt. Triumph

Charina Oliveria Quiambao
BrightAdvisors

Lester Angelo Reyes
Mt. Elbrus

Rosario Vedad Reyes
BrightAdvisors

2021 Million Dollar Round Table

(based on 2020 production)

Angelyn Tamondong Nepomuceno
Sinai

Bryan Dominic Palaganas Del Castillo
SGA - DC Alliance

Lily Co Yu
SGA - MT. Phoenix

Mari Antonette Tandan Ascares
Fuji - Butuan

Myrna Loy Luna
Fuji - Butuan

Joel Artemio Garcia Salazar
Mt. Ebal

Bernadith Jimenez Ipanag
Mt. Carmel - Davao 1

Ma. Filipina Maligalig Garcia
Rainbow - Batangas

Sharon Mayonila Labor
Fuji

Mary Ann Gomez Latonio
Mt. Carmel

Maylanie Sixto Mendoza
Nebo - Gensan

Melany De Lara Cajucom
SGA - Manila

Betsy Liao Manapsal
Mt. Carmel - Cebu 2

Catherine Joy Go Mendoza
Mt. Malaya - Mabuhay

Julieta Gaw Garcia
SGA - Mt. Phoenix

Diana Mendoza Hernandez
BrightAdvisors

Teresita Malcampo Ramoso
Mt. Olympus - Demeter

Keisha Mariah Catabay Lauigan
Crown Peak

Clarissa Chew Bautista
Mt. Carmel - Manila

Niña Capangpangan Cantero
Mt. Carmel - Cebu

Marlon Inciong Lopez
Mt. Olympus - Artemis 2

Margarita Corpuz Arce
SGA - A+Quest

Maria Celina Decena Alonzo
SGA - Manila

Renz Louise Cruz Villanueva
Mongibello

Jeson Hachaso Simple
Rainbow - Batangas

George Benson Yu Mendoza
Mt. Malaya - Mabuhay

Tirso Raymond Singh Gutierrez
Mt. Zion South

Geraldine Alcaide Quibod
Nebo- Davao

Lourdes Marzo Merano
King Mayon

Alan Andrei Vina Badayos
Mt. Carmel - Cebu

Romulo Caval Manapsal Jr.
Mt. Carmel - Cebu 2

Maria Cristina Escobar Martin
Matterhorn- Manila

Cyndi Evangelista Alvar
SGA - A+Quest

Edward Antonio Simbajon Purnell
BrightAdvisors

Johnson Cabajes Masaya
Mt. Parker

Purita Dy Tane
Mt. Carmel - Manila

Richelle Marie Diola Ng
SGA - Bicol

Erlinda Salazar Cando
SGA - Manila

Carmela Condes Jumao-As
BrightAdvisors

Sarah Perez Deloraya-Mateo
Mt. Ebal

Angelina Inductivo Agustin
Ararat

Rhey Dominic Condes Rafaeliz
BrightAdvisors

Estela Torbiso Siboa
Rainbow 2

Alejandro Matic Clemente
Nebo - Pampanga

Kuzum Jeddan Lechonsito Pacis
Mt. Zion

Janedy Aguares Posadas
SGA - Manila

Lorna Dumlao Pascual
Rainbow- Pulag

Marissa Samson Francisco
King Mayon

Nicanor Joseph Santos Nepomuceno Jr.
SGA - DC Alliance

Kerrie Keane Gaudan Shimura
Mt. Carmel - Cebu 2

Celestial Nicdao Guerrero
Rainbow

Arlen Gerolaga Villarosa
Nebo - Davao

Loremar Aguilar San Pedro
Gerizim

Maribel Gutierrez Floresca
Mt. Bethel

Vanessa Garcia Madayag
Mt. Carmel - Davao 1

Michael Malibago Galaites
Rainbow - Fortitude

Ronald Joseph David Fernandez
SGA - Lifers Pampanga

Laura Lagman Utleg
Crown Peak

Caroline Ines Carig
SGA - Manila

Arianne Francheska Sanchez Moya
SGA - A+Quest

Ongie Grace Bernales Lim
Nebo - Bohol

Sheila Cabanela Nunag
Mongibello

Romeo Acojido Sustiguer Jr
SGA - A+Quest

Lea Kristine Laid Tañala
Nebo - Davao

Cristopher Pongco Cura
SGA - Lifers Pampanga

Johanna Medina Montalvo
SGA - A+Quest

Chris Jhay R Pallera Lugue
Mongibello

Avon Palaca Sinajon
SGA - A+Quest DFC

Cereus Chang Castro
SGA - Mt. Phoenix

Marisol Oliva Betonio
Mt. Carmel - Cebu

Leticia Suarnaba Lapizar
Fuji- Bukidnon

Karleen Buenaflor Gonzales
SGA - Davao

Marilyn Agagon Aggabao
Mt. Bethel

Melissa Salenda Turingan
Mt. Zion South

Julian Venedict Enriquez Baltazar
SGA - Manila

Philfa Carcedo De La Cruz
Mt. Olympus - Artemis

Rialyn Abrasaldo Pablo
Mt. Olympus - Zeus 2

Catherine Dimalaluan Gonzaga
Rainbow

Miraflor Villasis Maquiling
Mt. Carmel - Davao 1

Maria Teresa Nalisa Cabagui
Rainbow

Ma. Victoria Lacanlale Carlos
Nebo - Pampanga

Kris Ortiz Tan
Mt. Champion

Elaine Dayondon Bogo
Fuji

Marie Jane Gatus Daquil
Gerizim

Charito Enrique Aruta
SGA - Manila

Veronica Santos Gonzalez
Salientes-Gonzales Associates

George Brandon Yu Mendoza
Mt. Malaya- Mabuhay

Ana Bautista Fanlo
SGA - Davao

Danielle Bautista Fanlo
SGA - Davao

Diana Keh So Te
SGA - Mt. Phoenix

Ethel Edgarlina Alvarado Clima
Mt. Olympus - Artemis

Nonna Decolongon Medina
Gerizim

Ma. Sherem Jose Lumeran
Mt. Olympus - Artemis 2

Ed Dante Avila Latonio
Mt. Carmel - Cebu

Elena Ramos Kamid
SGA - Manila

Sheryll Alimbuyuguen Carlos
Sinai Peak

Val Ladaban Domingo
SGA - A+Quest DFC

Arthur Glenn Abellana Diaz
Mt. Carmel - Cebu 2

Jessyl Grace Jumawan Patria-Torres
SGA - Bicol

Joey Layague Villacampa
Mt. Carmel - Cebu

Analyn Musni Marcos
Sinai Peak

Claudia Cleofe Pido Cui

Mt. Ebal

Products for Customers' Evolving Needs

In response to the global pandemic, FWD Insurance acted quickly and decisively in providing additional protection to current and new customers. We likewise strengthened existing products to meet our customers' changing needs.

New Variable Unit-Linked (VUL) Protection Add-Ons

We strengthened the Set for Life variable unit-linked product with a new set of add-ons. The add-ons are designed to provide our customers with an extra layer of protection and address their evolving needs such as unexpected critical illnesses or hospitalization:

- **RecoveryPro** provides an additional cash benefit for every day of hospital confinement and an additional 100% of this daily benefit if the customer is admitted to the intensive care unit (ICU). It pays for any cause of confinement including COVID-19, provided confinement is necessary and not for screening and/or investigation.

- **HealthPro Lite** pays out a cash benefit upon diagnosis of a major critical illness and advances 20% of this upon diagnosis of a minor critical illness.

- **SurePro for Owner** waives premiums in case of critical illness, total and permanent disability, and death of the policy owner. It covers the basic, add-on, and regular top-up payments, if applicable.

Protection for Everyone: New Online Products Set for Health and Set for Tomorrow Short-Term Cover

We strengthened our digital product offers by making online versions of two (2) of our top protection solutions.

- **Set for Health:** Our innovative, zero-waste protection plan that makes sure every premium paid works harder for you by letting you claim up to 3x against unrelated major critical illnesses and letting you get 100% of paid premiums when no major critical illness claims are made.

- **Set for Tomorrow Short-Term Cover:** Our affordable short-term insurance protects your family from sudden loss of income or the burden of unpaid loans or mortgages if the insured passes.

Both Set for Health and Set for Tomorrow Short-Term Cover come with online-exclusive rewards. Our customers who buy these products via our online shop (shop.fwd.com.ph) will receive their very own FWD Insurance Card issued by Security Bank. The card features zero maintaining balance and one-year unlimited consultation at The Medical City Ortigas.

COVID-19 Ready and COVID-19 Assist

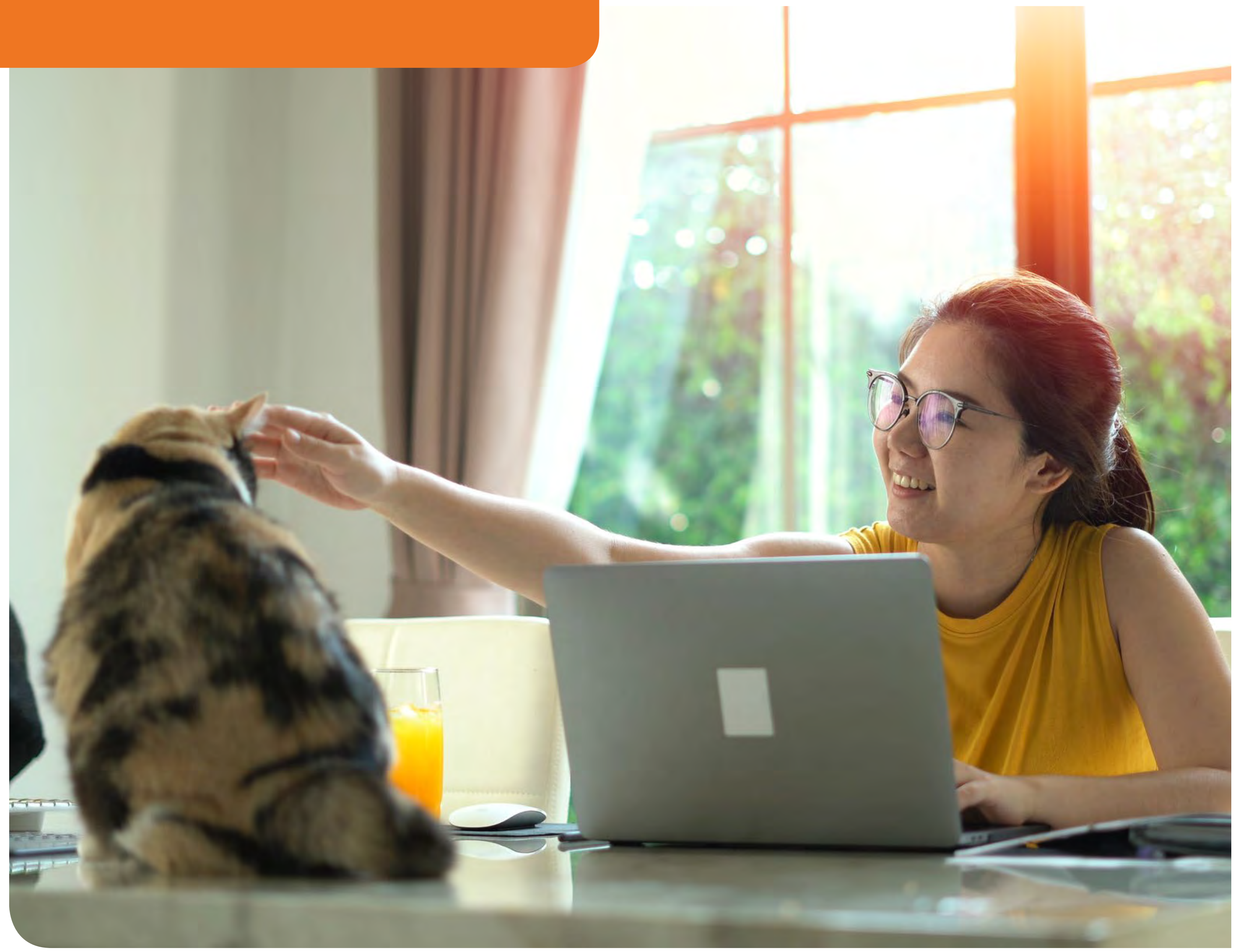
Staying true to our promise to care for our customers, we launched special coverages for existing policyholders who are diagnosed with the COVID-19 virus.

- **COVID-19 Ready:** Made available from 9 March to 15 April 2020, our first COVID-19 special coverage features:
  - additional medical benefit of PhP100,000 upon diagnosis of COVID-19 and paid within 48 hours after complete claim submission
  - additional funeral benefit of PhP50,000, in case of loss of life due to the virus

- **COVID-19 Assist:** Our enhanced COVID-19 special coverage for eligible existing customers features:
  - PhP100,000 death benefit, with additional PhP50,000 if they are a medical frontliner
  - PhP10,000 death benefit for customers with KanDüü plan, with additional PhP5,000 if they are a medical frontliner
  - additional PhP25,000 to customers who are registered in FWD Tapp upon claiming the benefit

Innovations in Customer Experience and Technology

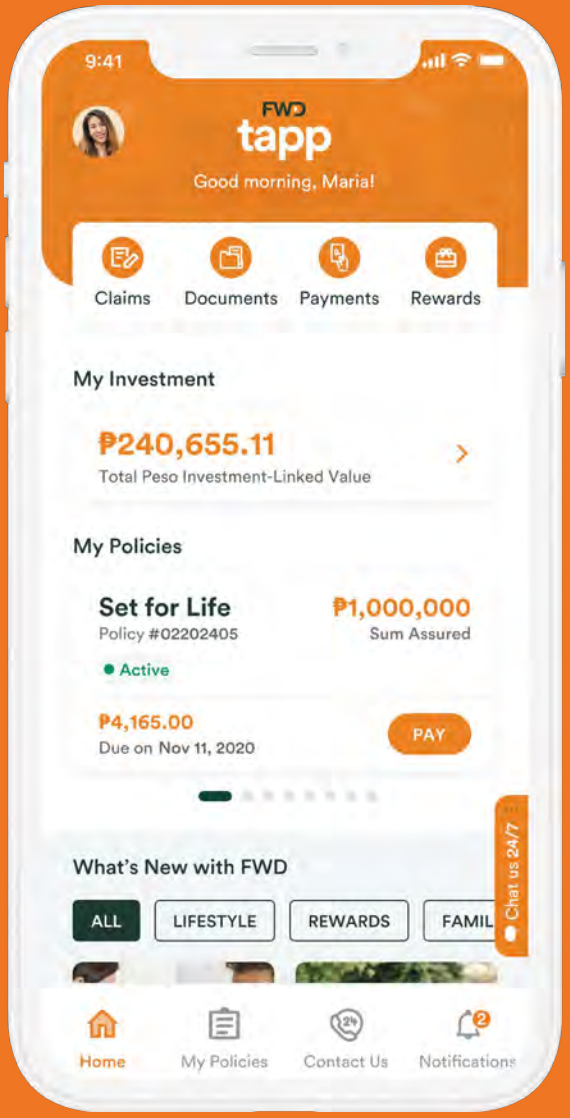
Digital technology is at the core of how we do business, and it has informed many of our decisions and initiatives. FWD Insurance continues to blaze trails in the industry by introducing products and services that truly change the way people feel about insurance.



Frankie

- Launched in December 2020, Frankie is our Wiz AI conversational talkbot. It shares policy details and benefits and everything else our new customers need to know to begin their FWD Insurance journey. Frankie operates via talkbots with humanistic voice and can deliver 100 automated calls daily. Frankie also helps:
  - Drive cost efficiency
  - Increase customer reach
  - Ensure compliance to business strategies
  - Promote customer satisfaction

- Frankie established a high contrast rate ranging from 77% to 80%, wherein 38% to 40% completely engaged the talkbot. It has also yielded Full-Time Equivalent (FTE) saves of 2-3 FTEs for Customer Connect resource.



FWD Tapp NexGen

- We launched the FWD Tapp NexGen model in alignment with FWD Group's IT infrastructure. FWD Tapp NexGen makes insurance more accessible to customers and is the first to introduce these features:
    - Ad hoc top-up: simplifies the process for topping up investments anytime
    - Fund switch: allows customers to update their funds as their needs change
    - 48-hour advance claims for Hospital Cash Benefit: makes claims easier with faster payout

UnderwriteMe

- Launched in March 2020, UnderwriteMe helped us record a 35% increase in average straight through underwriting (STU) cases against total submission in 2020 (compared to the same period in 2019). On the other hand, non-STU cases were limited to 16% in 2020. Its features include:
    - Rules-based decision-making for a more consistent underwriting approach
    - Point-of-sale underwriting decision
    - Enhanced advisors' experience in doing business and providing customers with an easy purchasing experience
    - Streamlined policy issuance for efficiency
    - Liberalized occupation rating underwriting guidelines adopting an "occupation grouping" selection (moved away from a traditional occupation list)

underwrite me

Project Eden: Digital Policy Pack

- In December 2020, we reinforced our commitment to providing best-in-class experience to our customers through digital-first practices. We issued encrypted digital policy packs through emails to empower our customers to take control of their insurance—with speed, ease, and convenience. The efforts likewise help create a sustainable society via environmental conservation efforts.

Robotics Process Automation

- Robotics Process Automation (RPA) is an emerging form of business process automation technology based on the notion of metaphorical software robots or AI workers. 2020 performance highlights include:
    - Implementation of 13 new RPA functions
    - Over 120,000 transactions performed by RPA bots
    - More than 1,800 man-hours substituted by RPA bots

Data Lake and Data Governance Implementation

- Our Enterprise Data Management team led the development and implementation of the Data Lake Infrastructure with the integration of a Data Governance tool. The infrastructure sought to generate a best-cleansed single customer view and establish a single version of truth. Results of the implementation include:
    - C360 dashboard and various automated reports
    - Centralized repository for all identified source systems (structured and unstructured data), building a single source of truth
    - Improved operational efficiency in dashboards and generating reports for data-informed decision-making
    - Established stronger customer focus, stronger marketing efforts, and stronger customer service

Increased Value of Data

- In 2020, we increased repurchase of new policy from 10% in 2019 to 16% in 2020. Active cross-selling activities enabled by data analytics contributed to this. Furthermore, data and analytics were utilized to support various persistency-related initiatives that resulted in a 17.3% campaign conversion.

The FWD Brand in Action

A driven and strong mindset separates FWD Insurance from other insurers, and in 2020, we acted with even greater intention and foresight. Not surprisingly, we emerged as the No. 1 in Customer Experience in the Philippines, based on a commissioned 2019 Customer Experience Index Survey from Forrester Consulting—proof of our enduring promise to provide best-in-class customer experience.

FWD Insurance Cited as Different, Innovative, and Relevant

More Filipinos recognize us as a different kind of insurer.

One of the key highlights of our 2020 is successfully obtaining our highest Brand Awareness (and second highest Brand Consideration score) since we started six (6) years ago. Filipinos have also identified FWD Insurance as most "Different" in the market, and we ranked second in terms of being "Innovative" and "Relevant."*

Customer Value Management via Marketing Automation

In 2020, we were able to put in place the Salesforce Marketing Cloud (SFMC), our marketing automation platform, which helped us engage with more customers. Customers are initially reached via email. Non-engagement with our email auto-triggers SMS follow-up and referral to their advisor for follow-through via marketing automation.

*Based on Blackbox Research's August 2020 Brand Report.

FWD Insurance's President's Charity Drive

In February 2020, we introduced the President's Charity Drive. This program is designed to empower those who are most vulnerable and in need. It aims to help cancer patients and healthcare frontline workers affected by the COVID-19 pandemic. We launched two (2) initiatives under the program:

- **Plan with Purpose:** In February and March 2020, we launched a charity drive for the benefit of the Philippine Cancer Society (PCS) and their various cancer research and awareness programs. We organized a Plan with Purpose roadshow in our business hubs nationwide to help spread awareness about cancer and how our customers can be financially prepared in the face of the Big C.

  For every purchase of any FWD Insurance Protection Plan, we donated a portion to PCS to support their programs on cancer awareness and prevention. We were able to raise a total donation of PhP1,214,000 from protection products sold during the period.

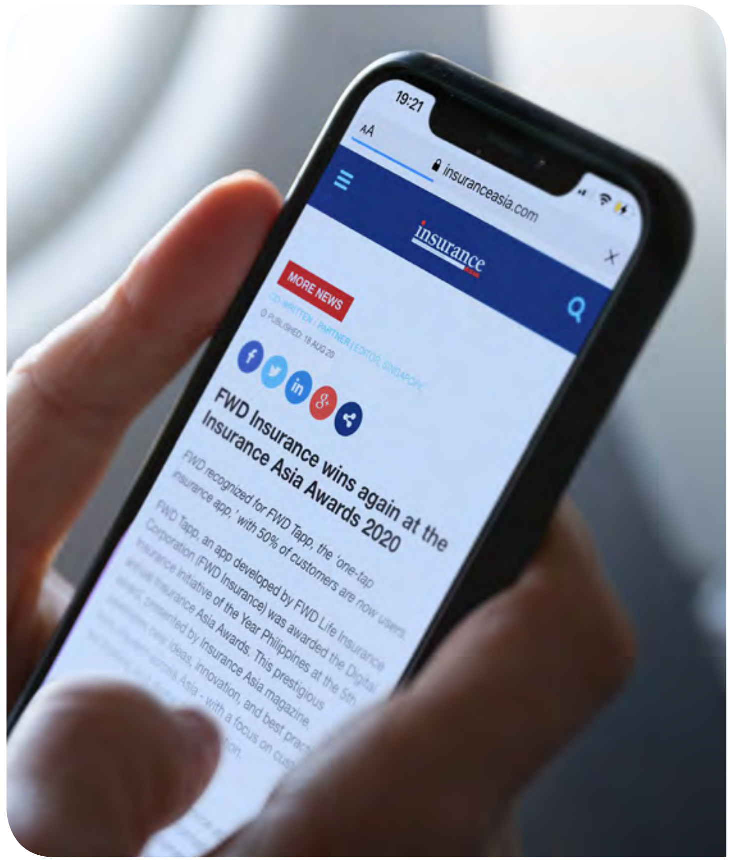
- **PPEs for Healthcare Frontline Workers:** In April 2020, as the cases of COVID-19 in the country increased, we launched another charity drive. PPEs for Healthcare Frontline Workers helped healthcare frontline workers of St. Luke's Medical Center Foundation (SLMCF). Every eligible FWD Insurance Protection Plan bought in April generated a donation to the SLMCF to aid in its ongoing need for personal protective equipment (PPEs). The project raised a total of PhP1,000,000.

FWD x PBA #WeKanDuuThis Campaign

Together with the Philippine Basketball Association (PBA), we launched our #WeKanDuuCampaign to encourage Filipinos to financially protect themselves and their loved ones. As part of the campaign, FWD Insurance, the official insurer of the PBA, sponsored one of the episodes of "PBA Kamustahan," the basketball league's online series. In the episode, PBA paragons Arwind Santos, Baser Amer, Gabe Norwood, Garvo Lanete, Robert Bolick, and Scottie Thompson narrated how they maintained a solid defense against the effects of the pandemic. The campaign also highlighted the relevance of financial security in these unprecedented times by way of our digital products, KanMend and KanLive.

FWD Insurance Bags Major International Wins

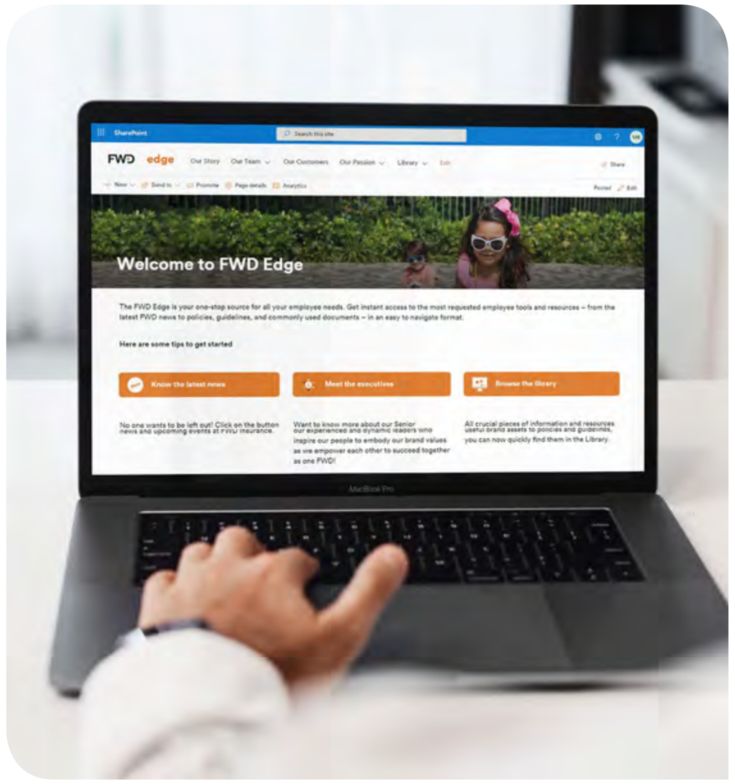
We were yet again recognized for our customer-led approach! FWD Tapp, our "one-tap insurance" app that allows customers to manage policies digitally, bagged two (2) international awards: Digital Insurance Initiative of the Year from the Insurance Asia Awards and Best Life Insurance App Philippines from the Global Banking & Finance Awards. Likewise, FWD Insurance was also recognized as Best Life Insurance Company for Digital Transformation by the latter. These go to show our commitment to providing innovative solutions that change the way people feel about insurance.

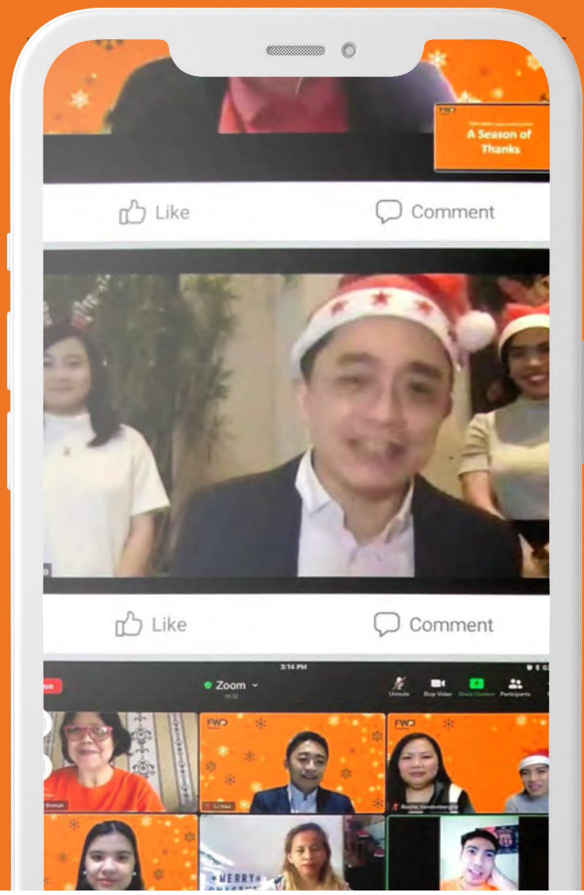


Launch of Edge Intranet

On August 2020, we launched Edge, a one-stop source for everything and anything employees need to get around in FWD Insurance. It is a collaborative internal communications platform designed to centralize all communications, employee engagements, and internal processes in an easy-to-navigate format. Edge also assists in:

- Providing instant access to our resources
- Housing the Company's latest news and happenings
- Showing direct links to important employee self-service portals





FWD Media Appreciation Event

We organized an appreciation event, dubbed "A Season of Thanks," for members of media and bloggers to thank them for their continuous support throughout the years and despite the challenging times. The attendees joined games and raffles and were treated to a surprise piano performance from our President and Chief Executive Officer, Li Hao Zhuang.

Our People, Our Values

Finding Strength in Solidarity

2020 Senior Management Team

Li Hao Zhuang
President and Chief Executive Officer

Irene Andas
Chief Partnership Officer

Judith Baliton
Chief Life Operations Officer

Jasper Hendrik Cheng
Chief Financial Officer

Floro Marasigan, Jr.
Chief Agency Officer

Rozanne Parungo
Chief People and Culture Officer

Atty. Juan Sotero Roman
General Counsel, Chief Compliance Officer, and Data Privacy Officer

D. Angela Rowley
Chief Risk Officer

Adnelle Valeza
Chief Information and Transformation Officer

Rochelle Vandenberghe
VP, Head of Marketing

Christopher Young
Chief Actuary

Taking the Helm of Leadership

The secret to success is not just good leadership, but good leadership in action. FWD Insurance is led by a team of highly proficient and pioneering leaders who act with purpose.

Li Hao Zhuang

President and CEO, 50

Qualifications:
Mr. Zhuang holds a Master of Business Administration from Massachusetts Institute of Technology (MIT), USA and a Bachelor of Engineering (Hons) from Loughborough University, UK.

Trainings:
He attended the Orientation on Corporate Governance conducted by the Institute of Corporate Directors, Makati, Philippines in 2020.

Professional Experiences:
Mr. Zhuang leads our Life business in the Philippines. He has nearly 30 years of leadership experience in insurance, banking, and consulting across Asia, the Middle East, the UK, and the United States. Mr. Zhuang was previously our Group Head of Agency Distribution. In this time, he developed FWD's Elite Agency strategy and successfully rolled out a number of key initiatives that lifted Elite Agency's productivity, digital capabilities, and professionalism.

Irene Andas

Chief Partnership Officer, 51

Qualifications:
Ms. Andas holds a Bachelor of Economics from the University of Santo Tomas.

Trainings:
She attended the Orientation on Corporate Governance conducted by the Institute of Corporate Directors, Makati, Philippines in 2020. She also attended the Strategic Systems Thinking: Creating Competitive Advantage and Decision Effectiveness for Bancassurance Leaders trainings organized by Ateneo de Manila University in 2018 and 2017, respectively. She likewise took part in the Leading Bancassurance Summit by Equip Global.

Professional Experiences:
Ms. Andas draws on a proven track record that spans over 20 years in financial services. She now heads our strategic partnerships, ensuring that we're creating a portfolio of simple, intuitive, and digitized product offerings. Ms. Andas also manages our partnerships with leading banks and oversees our relationships with other synergistic partners. She's previously held several distribution leadership roles in local and multinational financial services firm.

Judith Baliton

Chief Life Operations Officer, 55

Qualifications:
She finished a course in Jr. Secretarial from Trinity College of Quezon City, Philippines.

Trainings:
She attended the Advanced Medical Underwriting course from the Philippine Society of Insurance Medicine; Corporate Governance Orientation by Insurance Institute of Asia and PTHE Pacific; Insurance Medicine versus Clinical Medicine course by Home Office Life Underwriters Association of the Philippines; Swiss Re Life & Health's New Underwriting Guidelines Launch by the Philippine Society of Insurance Medicine; Mood Disorders & Suicide/Preferred Risk Underwriting seminar by Lincoln National Reinsurance; Appreciation of Group Insurance seminar by HOLOUP; All Geared Up for the Year 2000: Underwriting & Development seminar by Swiss Reinsurance; and the Association of Insurance Medicine Conference. She attended the Orientation on Corporate Governance conducted by the Institute of Corporate Directors, Makati, Philippines in 2020.

Professional Experiences:
With over 35 years of insurance industry experience, Ms. Baliton manages our commercial operations. Prior to joining FWD Insurance, she was VP, Chief Underwriter in a multinational insurance company and a financial services provider.

Jasper Hendrik Cheng

Chief Financial Officer, 41

Qualifications:
Mr. Cheng obtained his Bachelor of Mathematics, Major in Actuarial Science and Statistics from De La Salle University, Manila. He went on to obtain both a Master of Computational Finance and an MBA at the same university's Graduate School of Business.

Training:
He attended the Orientation on Corporate Governance conducted by the Institute of Corporate Directors, Makati, Philippines in 2018.

Professional Experiences:
He brings over 20 years of industry experience spanning several multinational companies. Prior to FWD Insurance, Mr. Cheng held leadership roles within a number of global financial services companies. More recently he was Chief Product Officer & Actuary, a position that encompassed all parts of the value chain from design to pricing. He is a Fellow of the Society of Actuaries, a Fellow of the Actuarial Society of the Philippines, and a charter holder of the CFA Institute.

Floro Marasigan, Jr.

Chief Agency Officer, 52

Qualifications:
Mr. Marasigan holds a Bachelor of Medical Technology from Far Eastern University – Dr. Nicanor Reyes Medical Foundation.

Training:
He attended the Orientation on Corporate Governance conducted by the Institute of Corporate Directors, Makati, Philippines in 2020.

Professional Experiences:
Mr. Marasigan leads our Distribution team and aligns our distribution channel with our wider customer-focused strategy. He has a proven track record with over 26 years of experience in the financial services industry. He was previously Vice President and Senior Director of Agencies within a financial services organization in the Philippines.

Mr. Marasigan is a Registered Financial Consultant (RFC) at the International Association of Registered Financial Consultant (IARFC); Fellow in Life Management Institute and Associate in Customer Service of the Life Office Management Association (LOMA).

Rozanne Parungo

Chief People and Culture Officer, 61

Qualifications:
Ms. Parungo holds a Bachelor of Business Administration from the University of the Philippines Diliman.

Trainings:
She completed a certificate course in Industrial and Labor Relations from the University of the Philippines. She also received a Hogan certification from Hogan Assessments as well as a Coach Accreditation from IELC. She attended the Orientation on Corporate Governance conducted by the Institute of Corporate Directors, Makati, Philippines in 2014.

Professional Experiences:
Ms. Parungo oversees our Human Resources (HR), supporting across a range of functions—from recruitment and talent development to strategy, infrastructure, and organization. She brings a a wealth of experience working in financial services at several global brands and organizations including the development and implementation of a highly successful HR and Training system.

Atty. Juan Sotero Roman

General Counsel, Chief Compliance Officer, and Data Privacy Officer, 51

Qualifications:
Atty. Roman holds a Bachelor of Arts in Political Science from De La Salle University, Manila, Philippines. He earned his Bachelor of Laws from the San Beda College of Law in the Philippines. He was admitted to the Philippine Bar in 1999.

Trainings:
He completed the Orientation on Corporate Governance conducted by The Institute of Corporate Directors, Makati, Philippines in 2016 and 2020.

Professional Experiences:
Atty. Roman has more than a decade of experience in the insurance industry. He currently holds the rank of Vice President, as General Counsel, Chief Compliance Officer, and Data Privacy Officer of the Company. Prior to joining FWD Insurance, he was with other insurance companies as Vice President – Legal and Compliance (2011 to 2014); Asst. Vice President, Officer-In-Charge (January to June 2011); Senior Compliance Officer (2010 to 2011); Claims Head (2007 to 2010); and Sales Compliance Manager (2006 to 2007).

D. Angela Rowley

Chief Risk Officer, 50

Qualifications:
Ms. Rowley holds a Bachelor of Business and Finance from the University of Phoenix and a Post Graduate Diploma in Computing for Commerce and Industry (PGDCCI) from Open University.

Trainings:
She is an Associate in Life Management Institute of the Life Office Management Association (LOMA). She also attended the Certified Professional Risk Manager course conducted by Asia Risk Management Institute. She attended the Orientation on Corporate Governance conducted by the Institute of Corporate Directors, Makati, Philippines in 2019.

Professional Experiences:
Ms. Rowley has over 30 years of global experience in the financial services industry, spanning life insurance, banking, pensions, and investments. She leads our Risk team and plays a critical role in ensuring that sound policies and practices are in effect and a robust risk culture is embedded across our organization. Ms. Rowley has substantial experience in the three (3) lines of defense along with the creation of strong and sustainable risk programs including audit and risk management.

Adnelle Valeza

Chief Information and Transformation Officer, 45

Qualifications:
Ms. Valeza obtained her Bachelor of Information Technology from Polytechnic University of the Philippines. She has also taken master's degree units in Information Management at Ateneo de Manila University.

Training:
She attended the Orientation on Corporate Governance conducted by the Institute of Corporate Directors, Makati, Philippines in 2020.

Professional Experiences:
Ms. Valeza leads our Technology, Transformation, and Customer Experience team. She has 25 years of experience including her previous role in FWD Group as Head of Project Management Office leading M&A, Transformation, and Integration projects. Prior to FWD Insurance, she worked for a global insurance firm as Vice President and Chief Information Officer. Based in London, she held an international role for project deployments in Europe and North America. Ms. Valeza is a Certified John Maxwell Coach, Speaker, and Trainer.

Rochelle Vandenberghe

VP, Head of Marketing, 45

Qualifications:
She holds a Bachelor of Science in Development Communication from the University of the Philippines Los Baños. She also continued her executive education at the University of Michigan Ross School of Business, taking up the Leadership in Action Program.

Training:
She attended the Orientation on Corporate Governance conducted by the Institute of Corporate Directors, Makati, Philippines in 2020.

Professional Experiences:
Ms. Vandenberghe leads a group of creative marketers and spearheaded the launch of the brand in 2014. Prior to FWD Insurance, she spent a major part of her career outside the country as an advertising and communications professional in top ranked companies based in South East Asia, particularly in Malaysia, Indonesia, and Vietnam. She became a General Manager of a multinational advertising firm in her early 30s and is a sought-after juror and presenter at international marketing, advertising, and e-commerce shows.

Christopher Young

Chief Actuary, 36

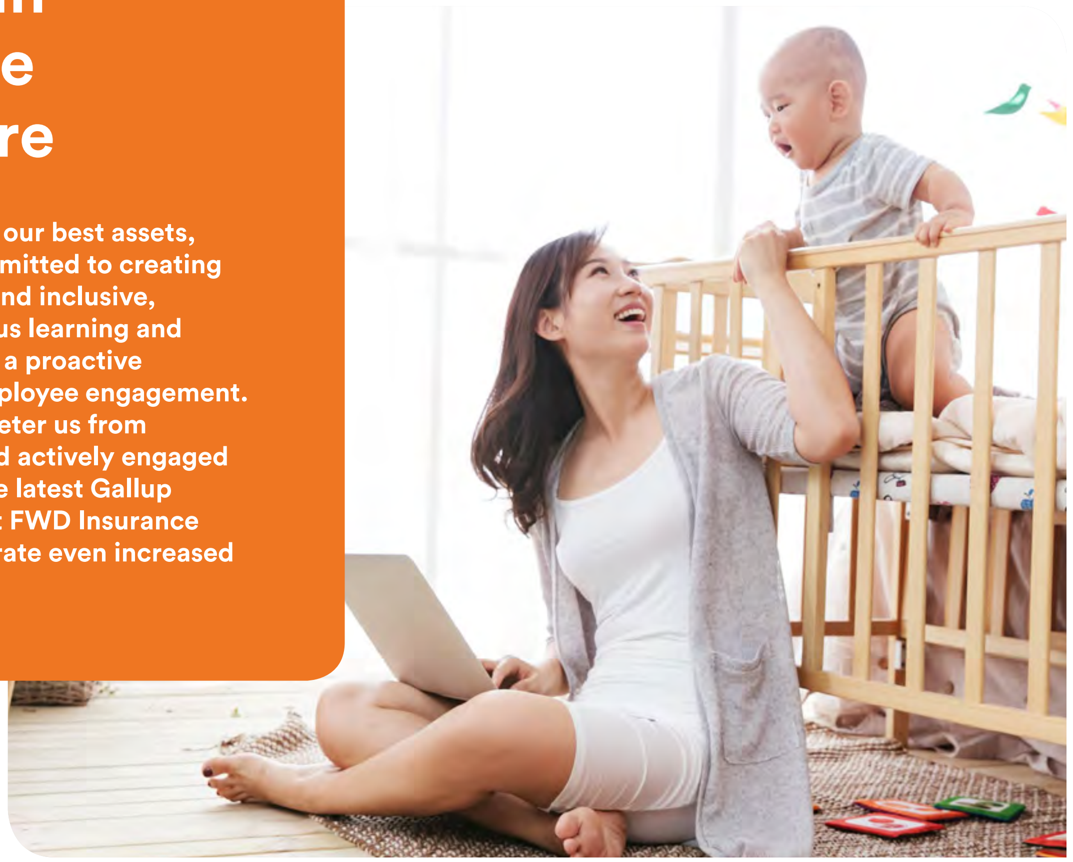
Qualifications:
He holds a Bachelor of Science in Mathematics (summa cum laude) and a Master of Applied Mathematics (major in Actuarial Science), both from UPD.

Training:
He attended the Orientation on Corporate Governance conducted by the Institute of Corporate Directors, Makati, Philippines in 2020.

Professional Experiences:
Mr. Young has been part of FWD Insurance since September 2018 as its Chief Actuary, overseeing pricing, valuation, experience studies, reinsurance, capital management, and business planning. He brings with him over 15 years of professional experience in the insurance industry spanning the Philippines and Vietnam for various life insurance companies covering roles in actuarial, product development, risk management, and data analytics. He also taught actuarial courses at the University of the Philippines Diliman (UPD). He is a Fellow of the Actuarial Society of the Philippines, the Society of Actuaries and the Life Management Institute.

Investing in Our People and Culture

We will always invest in our best assets, our people. We are committed to creating a culture that is caring and inclusive, that promotes continuous learning and innovation and takes on a proactive approach in seeking employee engagement. The pandemic did not deter us from establishing an open and actively engaged environment. In fact, the latest Gallup survey results show that FWD Insurance employee engagement rate even increased from 4.03 to 4.05.

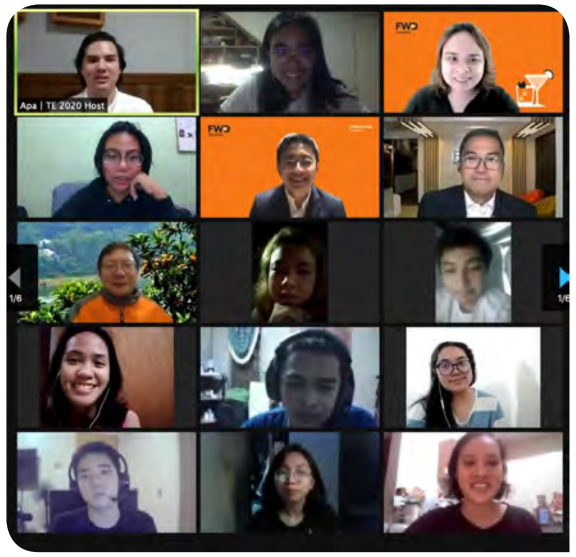


People Development and Innovation

- **Completion of People-Centered Design (PCD) Sessions:** PCD is our design-thinking framework that puts the consumer at the heart of what we do. It is a problem-solving philosophy that aims to create desirable, doable, and valuable solutions for users' needs. We conducted a whole-year training for all leaders, and achieved a 99% completion rate.

- **100% Work-from-Home Student Internship Program:** We partnered with different universities to promote our Student Internship Program, which helps position FWD Insurance as an employer brand of choice. We hired a total of nine (9) student-interns in 2020.

- **Sponsorships:** We participated in these student-led initiatives organized by the Developer Student Club Loyola of Ateneo de Manila University (AdMU). We shared our expertise as an innovative and customer-led organization that leverages technology to create bespoke digital solutions and best-in-class customer experience. Our academic partnerships also support our goal of becoming an employer of choice of potential talents.
    - **"#CelebrateLiving with FWD" at Tech Everywhere 2020:** President and Chief Executive Officer Li Hao Zhuang, Adnelle Valeza, Camilo Velasco, and Dr. Yuhui Yao were guest speakers
    - **"Tales from the Trenches:** Three CX Strategies to Beat Your Competition" at Hackfest 2020: Li Hao Zhuang and Head of Customer Experience Maz Paygane served as guest speakers



- **e-Modules for Employees:** With the launch of Learning Management System on iHR, our human resource management platform, we were able to seamlessly transition from face-to-face training to virtual, self-paced learning at the start of the lockdown. Our Learning and Development (L&D) team successfully launched 87 learning contents and courses, among them, FWD Mentoring, Balancing Work and Life, Being an Effective Team Member, and Leading Virtual Teams.

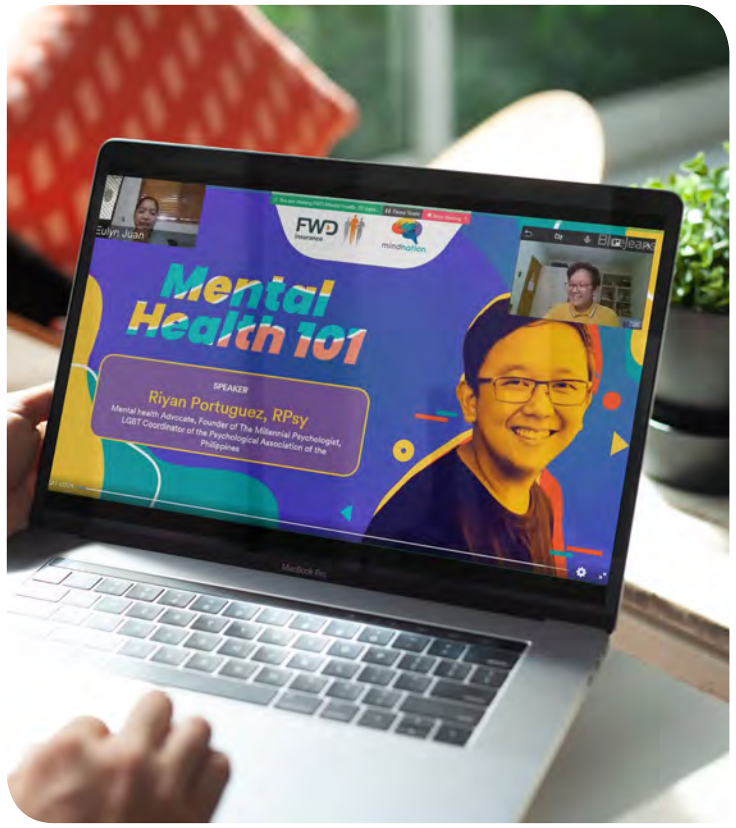
- **Succession Planning:** Talent Review is a framework that supports our managers in planning their individual careers and personal development. In this program, our leaders assess the potential of their people, identify critical employees, and assist those who aspire to build their careers within the Company.

- **Performance Management:** We continue to work on our Performance Management process and system. In 2020, we focused on the continuous improvement on existing discussions between managers and their direct reports.

Employee Wellness

- **Mental Health Policy:** The policy, which gives employees further guidance on the subject of mental health, is a collaboration between our People & Culture and Occupational Safety, Health & Environment (OSHE) teams.

- **Mental Health Awareness Month:** We continually aim to raise employee awareness on the existing Mental Health Law. This year, we launched these initiatives:
    - **Self-Care Day:** In commemoration of Mental Health month, employees were given the opportunity to convert their Community Care time-off to Self-Care day.
    - **Mental Health Awareness Talk:** Riyan Portuguez, psychologist and mental health advocate, conducted a talk that brought awareness on the stigma surrounding mental health, the truths and myths about mental health, and the newly approved Mental Health Law.
    - **Employee Assistance Program:** In June 2020, we launched the ComPsych project, a comprehensive employee assistance program. It gives employees and their dependents access to confidential consultations on behavioral health, mental, legal, and financial concerns.



Operational Processes and Improvements for Enhanced Employee Experience

- **New and Enhanced Talent Acquisition Policies:** We launched new talent acquisition policies to enhance the employee experience during recruitment, hiring, and onboarding. These include policies on rehiring of former employees; hiring relatives of employees and managing or avoiding potential, perceived, and actual conflicts of interest; student-internship for developing a pool of future talents; and internal mobility for proper onbarding of successful candidates.

- **Onboarding Module on iHR:** Modules on recruitment processes, from the submission of a hiring request to onboarding new hires, were made available on iHR in August 2020.

- **Job Evaluation:** This provides accurate placement of employees and jobs in their appropriate grades. It also aligns the jobs with the rest of the market and allows ease and fairness in employee movements and promotions.

- **Retirement Plan:** We offer flexible plans that allow our employees to have peace of mind, financial independence, and to provide liquidity in their retirement years. In partnership with Bank of the Philippine Islands Asset Management Group and Miravite, we delivered financial wellness programs that emphasized the importance of investing. Our employees were given the flexibility to choose their fund investment—conservative, moderate, or aggressive—depending on their risk appetite.

- **Remuneration Structure:** Our remuneration structure is reviewed by the Corporate Governance Committee. Management certifies that the candidates' packages are within the Company-approved tier limits. Directors' and senior management's remuneration packages are then presented to the Shareholders and Directors for approval during their respective meetings. These packages regularly go through approval, review, and recommendation to ensure they are updated and satisfactory.

Employee Experience and Engagement

- **Employee Appreciation Month:** In September 2020, we conducted online activities that focused on recognizing our employees' efforts and keeping them engaged despite the pandemic. These included virtual coffee sessions, breakfast and lunch sessions with Engagement Champions and Leaders, as well as online games and trivia sessions through Workplace.

- **Employee Virtual Town Hall:** We held monthly company-wide virtual meetings that allowed our Executive Committee to share business updates and listen to our employees' feedback.

- **Work from Anywhere:** Our Work from Anywhere (WFA) program was first introduced in 2018; it enabled our employees to work on their location of choice. In 2020, we increased WFA credits from five (5) days each quarter to up to 80% of the time per month. This gave our employees the option to work remotely and productively even after the pandemic.

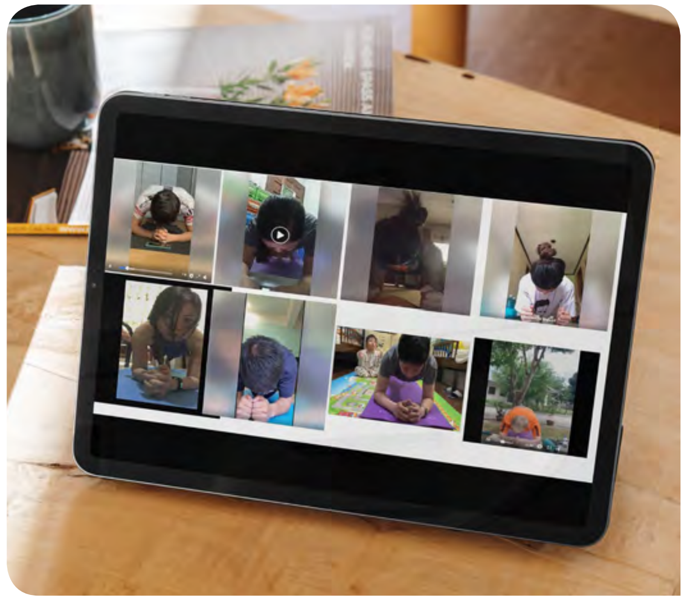
Passion Communities

- **Engagement and Year-end Committee:** Sustaining engagement and high morale of our people is our priority. Despite the pandemic, we made sure to provide avenues for them to stay connected through virtual activities, including our annual year-end party. "FWD Idol," our first singing competition where winners got the chance to share their prizes with their chosen charity, was the event's highlight.

- **Diversity & Inclusion Committee:** Our goal is to create a culture of inclusivity and mutual respect in our workplace. To support this, we organized virtual learning sessions to equip our people with knowledge on how to build an inclusive and caring work environment for all. Topics included:

  - Ideas to maintain connection, mental health, and wellness while working remotely (20 May 2020)
  - Tools and tips for employees on how to perform at their best while working flexibly (27 May 2020)
  - Tools and tips for leaders on how to lead and support flexible teams (4 June 2020)
  - How to hire for diversity: breaking bias and being more inclusive (12 August 2020)
  - "Gender Identity and Affirmation" by Troy Roderick, Diversity & Inclusion specialist (2 September 2020)

  These were accompanied by other virtual activities, such as:
  - International Women's Day celebration
  - Pride Month celebration
  - National Disability Prevention and Rehabilitation Week
  - Movie Mania
  - Myth Busters
  - Diversity & Inclusion Liking Contest



- **Sports & Wellness Committee**
  - We wanted to continuously encourage engagement among our employees. At the start of the enhanced community quarantine, we launched our virtual wellness activities, starting with the #BeattheBossChallenge, #PlankChallenge, and the #BingoChallenge. These also paved the way for other online activities such as recorded online workouts by our very own employee, Cristine Baulos, and yoga classes with our partner merchant, Urban Ashram.
  - Flu vaccines were provided for free to employees (and for a minimal cost to their dependents) to give them additional protection especially during these times.

- **Innovation Committee**
  - Limited resources during the enhanced community quarantine did not stop us from providing employees with virtual Innovation Learning Sessions on these subjects:
    1. GCash 101 Webinar (in partnership with Globe Telecom's GCash)
    2. Microsoft Teams 101

- **Recognition Committee**
  - We applaud employees who live by our values. This year's STAR and Leader Awards, a quarterly activity, recognized a total of 31 STAR individuals and 30 Leaders. One (1) employee was chosen as our 2020 STAR Awardee and will be introduced to the rest of the FWD regional markets.

Our Commitment to Community Care

The year 2020 shined a spotlight on Filipinos' inherent strength in the face of challenges. FWD Insurance reaffirmed our commitment to our community, extending assistance when and where we can—proving that with every man for each other, we are stronger than any adversity.

Relief Operations for Taal Volcano Victims

In January 2020, we coordinated with the Philippine Coast Guard Auxilliary in distributing in-kind donations (clothes, packaged foods, bottled water, hygiene kits, and medicines) to 100 families in Bauan, Batangas.

Sulong 2020 Program

Together with other Tanging Tanglaw project partners, we discussed plans for the continued development of the Aeta community in Bamban, Tarlac. On 29 February 2020, we visited the project site at Sitio Caguing in Bamban, Tarlac. The team was treated to a short program prepared by the Aetas.

Fundraiser for Local Farmers, Displaced Informal Workers, and Local Residents

In April 2020, we reached out to farmers and informal workers displaced by the enhanced community quarantine. Our employees raised funds to purchase produce from Cordilleran farmers and distributed these to families of displaced informal workers. We also extended assistance to residents along the FWD-Muntinlupa-Cavite Expressway (FWD-MCX) whose livelihoods have been greatly affected by the pandemic.

Global Day of Inclusion

In July 2020, our employees, led by President and Chief Executive Officer Li Hao Zhuang, pledged their support for the Special Olympics' "I Choose to Include" online campaign. They prepared a video montage for the organization's 52nd anniversary.

Sign Language Workshop

Our partners, Humanity & Inclusion and Hand & Heart, conducted an exclusive 12-session sign language workshop for our employees. The workshop helped employees gain insight into the basics of sign language, which are instrumental in becoming skilled and inclusive communicators.

Virtual Halloween Event with Special Olympics

Despite the pandemic, we made sure to throw a special Halloween event for Special Olympics athletes and children of our employees. Special Olympics' "Kamustahan, Kwentuhan, Kasiyahan" virtual hangout, held on 24 October 2020 via Zoom, saw everyone in their most creative costumes. Participants enjoyed an amazing talent show and an afternoon of exciting games and sweet surprises.

FWD Cares Fundraising Drive for Support Staff

In a show of community and solidarity, we gave back to our hardworking services personnel through a fundraiser. In May 2020, the Company and our employees provided cash assistance of more than PhP1 million to our messengers and utility and security personnel to help alleviate the pandemic's economic repercussions.

FWD Insurance reaches out to those in need amidst COVID-19

Corporate Governance

Committing to Values and Excellence

FWD Insurance supports and implements a robust corporate governance policy that allows us to safeguard our stakeholders' interests in an effective and transparent manner.

We are committed to practicing and promoting accountability and acting in accordance with the highest performance standards and ethical guidelines. We comply with the Insurance Commission's Revised Code of Corporate Governance and all other relevant laws, rules, regulations, and best practices on corporate governance.

Shareholders

FWD Insurance Shareholders take on an active role in ensuring that the Company performs in accordance with corporate governance policies and procedures.

Conduct of Shareholders' Meetings

We strongly encourage our Shareholders' active participation in corporate affairs by ensuring their presence in Shareholders' meetings. We consult them at the beginning of the calendar year and prioritize a flexible schedule to ensure most, if not all, Shareholders are present in person or by proxy. The formal notice ("Notice") for Shareholders' meetings is circulated at least 21 days prior to the meeting. The Notice is accompanied by the Agenda to encourage active participation in the meeting. Likewise, a proxy form is attached to the Notice to allow unavailable Shareholders to vote in absentia or through a representative.

The Shareholders are also reminded of the governing rules and voting procedures during the Shareholders' meetings. Before the meeting, the Shareholders are reminded that each share is equivalent to one (1) vote.

Meetings of Shareholders and Directors are held at FWD Insurance's main office in Taguig City. To ensure everyone's safety with the COVID-19 pandemic, the Company's recent Shareholders and Directors meetings are held via videoconference.

During the Meeting, the agenda item is read and the presenter is called. During or after the presentation, Shareholders are encouraged to raise questions or clarifications. The proposed resolution is read and voted upon. Shareholders are likewise given the opportunity to object. The Corporate Secretary captures any questions, clarifications, or objections in the minutes. Thereafter, the minutes are circulated to the attendees to ensure their accuracy before the same are submitted to the Shareholders for approval at their succeeding meeting.

Annual Shareholders' Meeting on 23 March 2021

Our annual Shareholders' meeting was scheduled on 23 March 2021. The formal Notice and Agenda, together with proxy forms, were routed to the Shareholders on 2 March 2021, 21 days before the scheduled meeting. The reference materials for the Shareholders' meeting were also sent to the Shareholders in advance to ensure that they were apprised of the rationale and explanation for each agenda item.

The Annual Shareholders' Meeting was held entirely through electronic communications pursuant to Securities and Exchange Commission Circular 2020-06. The following attended the Annual Shareholders Meeting via teleconferencing and videoconferencing:

- **FWD Group Financial Services Pte. Ltd.**
  with Jasper Hendrik Cheng as proxy
- **Security Bank Corporation**
  with Harold de Leon as proxy
- **Ambassador Jose L. Cuisia, Jr.**
  Chairperson of the Board and of the Related Party Transactions Committee
- **Li Hao Zhuang**
  Executive Director, President and Chief Executive Officer
- **Atty. Leo G. Dominguez**
  Lead Independent Director and Chairperson of the Corporate Governance Committee
- **Atty. Lilia B. De Lima**
  Independent Director and Chairperson of the Risk Committee
- **Vicente B. Castillo**
  Independent Director and Chairperson of the Audit Committee
- **Adrian T. O'Connor**
  Non-Executive Director
- **Binayak Dutta**
  Non-Executive Director

Board of Directors

The Board of Directors presides over management and the Company's strategic direction, making certain that the highest standards are constantly met.

Ambassador Jose L. Cuisia, Jr.
Chairman

Lilia De Lima
Independent Director

Vicente B. Castillo
Independent Director

Li Hao Zhuang
President and Chief Executive Officer

Leo G. Dominguez
Lead Independent Director

Binayak Dutta
Non-Executive Director

Arthur Lee*
Non-Executive Director

Adrian T. O'Connor*
Non-Executive Director

*Arthur Lee resigned as Director of the Company effective 22 September 2020. He was replaced by Adrian T. O'Connor on the same date.

Jose L. Cuisia, Jr.

Chairman of the Board, 75
Date of First Appointment: 17 June 2016

Qualifications:
Ambassador Cuisia, Jr. graduated Magna Cum Laude from De La Salle University, Manila, Philippines, with a degree in BA/BS Commerce. He earned his MBA in Finance from The Wharton School, University of Pennsylvania, USA.

Trainings:
The Securities and Exchange Commission's Corporate Governance and Finance Department granted him a permanent exemption from the corporate governance training requirement under SEC Memorandum Circular No. 20-2013 on 08 December 2015.

Relevant Experiences:
He has held corporate directorships in Philippine conglomerates since 1996. He is also Chairman of the Board in four (4) other corporations: The Covenant Car Company Inc. (Chevrolet Philippines), Adlemi Properties, Inc., JVC Holdings, Inc., and Five Js Diversified Holdings. He is Vice Chairman and Independent Director of SM Prime Holdings and an Independent Director in PHINMA Corp., Manila Water Company Inc., Century Properties Group Inc., AIG Shared Services Inc., and PHINMA Inc. He took his official diplomatic post as Ambassador Extraordinary and Plenipotentiary to the United States of America from 2011 to 2016.

Vicente B. Castillo

Independent Director, 65
Date of First Appointment: 21 April 2015

Qualifications:
Mr. Castillo holds Bachelor of Arts in Economics from De La Salle University, Manila, Philippines.

Training:
He attended the ASEAN Corporate Governance Scorecard Orientation conducted by Institute of Corporate Directors in 2015.

Relevant Experiences:
Mr. Castillo was President and Chief Executive Officer of Philippine Dealing System for 10 years. From 1995 to 2003, he worked with Banco Santander Philippines, Inc. as President and CEO. Mr. Castillo was Senior Vice President and Group Treasurer of Bank of the Philippine Islands (BPI) in 1989. He held other prime posts in BPI from 1980 to 1989.

Li Hao Zhuang

Executive Director, President and Chief Executive Officer, 50
Date of First Appointment: 1 January 2020

Qualifications:
Mr. Zhuang holds a Master of Business Administration from Massachusetts Institute of Technology (MIT), USA and a Bachelor of Engineering (Hons) from Loughborough University, UK.

Training:
He attended the Orientation on Corporate Governance conducted by The Institute of Corporate Directors, Makati, Philippines on 5 March 2020.

Relevant Experiences:
He leads our Life business in the Philippines. He has nearly 30 years of leadership experience in insurance, banking, and consulting across Asia, the Middle East, the UK, and the United States. He was previously our Group Head of Agency Distribution. In this time, he developed FWD's Elite Agency strategy and successfully rolled out a number of key initiatives that lifted Elite Agency's productivity, digital capabilities, and professionalism.

Binayak Dutta

Non-Executive Director, 47
Date of First Appointment: 15 March 2018

Qualifications:
Mr. Dutta graduated with honors from Jadavpur University, India, with a Bachelor of Arts in Economics. He earned his Post-Graduate Diploma in Business Management (MBA) from the Institute of Management Technology in 1996.

Training:
He attended the Corporate Governance Course conducted by the Institute of Corporate Directors in the Philippines on 6 June 2018.

Relevant Experiences:
He has held prime positions in the insurance industry for over 16 years. He was most recently Chief Executive Officer of Prudential Life Assurance, Public Company Ltd. Thailand from 2008 to 2016. Prior to that, he was CEO of Prudential Vietnam Assurance Pte. Ltd. from 2007 to 2008 and Chief of Sales and Distribution for ICICI Prudential Life Insurance Company India from 2006 to 2007. He likewise held managerial positions in Microland Ltd. India, ICICI Bank India, and Bank of America India.

Atty. Leo Dominguez

Lead Independent Director, 64
Date of First Appointment: 6 December 2013

Qualifications:
Atty. Dominguez graduated with a Bachelor of Arts in Philosophy from Ateneo de Manila University in the Philippines and earned his Bachelor of Laws from the Ateneo Law School in 1980. He was admitted to the Philippine Bar in 1981.

Trainings:
He completed the Orientation on Corporate Governance and Professional Directors Program of the Institute of Corporate Directors, Makati, Philippines in 2017 and the Baker & Mckenzie Partner Program of the Kellog Graduate School of Management, Northwestern University, Illinois, USA in 2000.

Relevant Experiences:
A law veteran of 42 years, he was an Associate in two (2) firms: Quisumbing Torres & Evangelista in Manila, Philippines and Baker & Mckenzie in Singapore, where he was involved in cross-transactions, merger and acquisitions, and advising multinational clients on their operations in several countries in the Asia Pacific region. He was also a Partner at Quisumbing Torres from 1991 to 2010.

Arthur Lee

Non-Executive Director, 59
Date of First Appointment: 24 January 2018

Qualifications:
Mr. Lee† held a Bachelor of Arts from San Francisco State University, USA and earned his Juris Doctorate from Santa Clara University, California, USA.

Training:
He attended the Corporate Governance Course conducted by the Institute of Corporate Directors in the Philippines on 6 June 2018.

Relevant Experiences:
Prior to joining FWD Group, he held concurrent roles: a member of the Executive Office of Tokio Marine Holdings (Tokyo) from 2013 to 2017 and Chief Executive of Tokio Marine Asia Pte. Ltd. from 2009 to 2017. He was also the Managing Director of Asia General Holdings Ltd. from 2004 to 2017 and Chief Financial Officer of Tokio Marine Asia Pte. Ltd. from 2008 to 2009. He also worked at TM Asia Insurance Singapore Ltd.; InSites Pte. Ltd.; and Price Waterhouse, China.

Atty. Lilia B. De Lima

Independent Director, 79
Date of First Appointment: 21 June 2018

Qualifications:
Atty. De Lima graduated with an Associate in Arts from Centro Escolar University in 1958. Four (4) years later, she earned her Bachelor of Laws from Manuel L. Quezon University. She earned her fellowship in American and International Law at The Center of American & International Law in Texas, USA in 1974 and her Doctor of Laws (Honoris Causa) at Manuel L. Quezon University in 2014. She was called to the Philippine Bar in 1963.

Training:
She attended the Corporate Governance Course conducted by the Institute of Corporate Directors on 5 September 2018.

Relevant Experiences:
She sits in the Board of Directors of Dusit Thani Manila, Science Park of the Philippines, RFM Science Park of the Philippines, and Rizal Commercial Banking Corporation. She is an Executive-in-Residence at Asia Institute of Management (AIM), a Member of Board of Trustees of TOWNS Foundation Inc. and Fatima Center for Human Development, and an Independent Director for Phinma Corp., Ionics EMS Inc., and Ionics Inc.

Adrian T. O'Connor

Non-Executive Director, 62
Date of First Appointment: 22 September 2020

Qualifications:
Mr. O'Connor graduated from University College Dublin with a Bachelor of Science (1981) and an MBA (1994). He is a Fellow of the Society of Actuaries (2001), Member of the American Academy of Actuaries (2000), and Fellow of the Institute of Actuaries (1989).

Training:
He completed the Corporate Governance Course by the Institute of Corporate Directors in October 2020.

Relevant Experiences:
A highly experienced Chief Financial Officer with a proven record of delivery in Asia, he was a key member of two (2) Chief Executive Officers' inner cabinet offices that set strategy at Prudential Corporation Asia. He had previous roles with New York Life International, A.LG., Aviva (Ireland), and Zurich (Ireland) working in the US, Europe, and Asia. His experience is broad, with both local and global responsibilities as CFO and Chief Actuary.

Overview of the Board's Responsibilities

The Board is able to exercise discretionary powers and is accountable to our Shareholders. It is guided by the Corporation Code of the Philippines, the Company's by-laws, the Corporate Governance Manual, and all other relevant laws, rules, and regulations.

In the exercise of their functions, Directors act in good faith and with due care and diligence to ensure that they act in FWD Insurance's best interest. The Board meets regularly, at least once a quarter, to review the Company's performance, business objectives, and strategy. The Directors come to meetings prepared by having read the materials, which are made available at least five (5) business days prior to the meeting schedule. The Directors are likewise encouraged to ask questions and give recommendations prior to casting their votes on matters requiring approval. The Corporate Secretary records discussions in the minutes, including resolutions passed.

2020 Board Meetings and Attendance

The 2020 meetings were proposed, scheduled, and approved by the Board of Directors at its Regular Meeting on 10 December 2019.

Notices of these meetings, their Agenda and reference materials, plus minutes from the previous meeting and all other documents for discussion, were sent to the Directors one (1) week before the actual meeting.

The Directors' attendance at the Board meetings is as follows:

Director	Outgoing meeting 20 March 2020	Organizational meeting 20 March 2020	Regular meeting 19 June 2020	Regular meeting 22 September 2020	Regular meeting 03 December 2020	Non-Executive Directors' Meeting 03 Dec. 2020	% Attendance
Amb. Jose L. Cuisia, Jr.	✓	✓	✓	✓	✓	✓	100%
Arthur Lee	✓	✓	✓	✓ *	–	–	100%
Adrian T. O'Connor	–	–	–	✓ **	✓	✓	100%
Binayak Dutta	✓	✓	✓	✓	✓	–	100%
Atty. Leo G. Dominguez	✓	✓	✓	✓	✓	✓	100%
Li Hao Zhuang	✓	✓	✓	✓	✓	–	100%
Atty. Lilia B. de Lima	✓	✓	✓	✓	✓	✓	100%
Vicente B. Castillo	✓		✓	✓	✓	✓	83%
% Attendance	100%	86%	100%	100%	100%	100%	

*as outgoing Director
**as incoming Director
– not applicable

The Development of Our Directors

The Compliance Officer provides the orientation for Directors to explain the organizational profile, the Corporate Governance Manual, Committee Terms of Reference, and policies and procedures of the Company.

We also utilize online learning management systems, where Directors and Officers access annual development training and certification modules, such as the following:

- Code of Ethics and Business Conduct
- Gifts and Entertainment, Anti-Bribery, and Anti-Fraud
- Anti-Money Laundering and Counter-Terrorist Financing
- Whistleblower and Conflicts of Interest
- Information Security and Data Privacy

Within six (6) months of their election and/or appointment, all Directors and Officers are required to attend Corporate Governance training seminars conducted by organizations accredited by the Insurance Commission. This is in order to fully equip themselves with the latest updates on corporate governance and matters of best practice.

The Process of Our Directors' Evaluations and Appraisal

We established our own annual performance evaluation for our Directors, Committee members and chairpersons, and President and Chief Executive Officer. The assessment criteria are based on the Insurance Commission circulars on corporate governance, our Corporate Governance Manual, and each Committee Terms of Reference.

The Board and Committee Performance Assessments were distributed on 3 December 2020. The Office of the Corporate Secretary tallied and summarized the results. On 23 March 2021, the results of the assessments were presented to the Board and Committees, and recommendations were noted and considered.

Remuneration of Directors

Directors' remunerations are composed of fixed fees, which are based on the industry rate and fee structure within the FWD Group. They are entitled to remuneration upon their qualification and election and shall continue to be so until their retirement or cessation of their relationship with the Company for any reason. Directors receive compensation as members of the Board and of the Committees.

For 2020, the Company paid fees to the following Directors:

Director	Position	Remuneration (in PHP)
Jose L. Cuisia, Jr.	Chairman of the Board and Non-Executive Director	2,337,218.70
Adrian T. O'Connor*	Non-Executive Director	597,006.93
Leo G. Dominguez	Independent Director	2,762,744.81
Lilia B. de Lima	Independent Director	1,968,853.03
Vicente B. Castillo	Independent Director	2,845,309.40

* Elected on 22 September 2020

Directors Arthur Lee and Binayak Dutta, as executives of FWD Group, did not receive separate compensation as Directors of FWD Insurance. The compensation of Li Hao Zhuang, FWD Insurance President and Chief Executive Officer, is based on the Company's executive remuneration package consisting of fixed salary and allowances, short term variable incentives, and long-term incentives. He does not receive separate remuneration as Executive Director.

Board Committees

Together with the Board of Directors, the FWD Insurance Board Committees address relevant issues and offer strategic recommendations to ensure the delivery and achievement of business goals.

In 2020, we reorganized our Board Committees in line with the Insurance Commission's Revised Code of Corporate Governance and with the qualifications of our Directors. At all times, each Committee was composed of three (3) Directors. The percentage of attendance in these Committees for 2020 is as follows:

The Directors' attendance at the Board meetings is as follows:

Committee	20 March 2020	18 June 2020	21 September 2020	02 December 2020
Audit Committee	67%	100%	100%	100%
Related Party Transactions Committee	67%	100%	100%	100%
Risk Committee	100%	100%	100%	100%
Nomination Committee	100%	100%	100%	–
Remuneration Committee	100%	100%	100%	–
Corporate Governance Committee*	–	–	–	100%

* established on 22 September 2020 to replace the Nomination and Remuneration Committees.

Audit Committee

The Audit Committee performs the following functions among other tasks enumerated in our by-laws, the Committee Charter and Terms of Reference, and all other instructions of the Board:

- Review and approve financial reporting
- Review, approve, and make recommendations regarding internal audit
- Manage the external audit
- Review, approve, and evaluate our internal control standards, policies, and procedures

The Audit Committee also approves and oversees the engagement, removal, and fees of the external auditor as well as the appointment and removal of the Head of Internal Audit. The Committee reports significant matters to the Board of Directors.

Corporate Governance Committee

The Corporate Governance Committee oversees the implementation of our corporate governance practices and assists the Board in the formulation of our formal framework and internal policies. The Corporate Governance Committee is responsible for evaluating candidates for Directors and Company Officers in view of our business objectives and strategy. The Committee is likewise tasked with reviewing Executive remuneration as well as employee benefits and bonuses.

Related Party Transactions Committee

The Related Party Transactions Committee was constituted by the Board of Directors to assess all related party transactions on a quarterly and ongoing basis to ensure transactions with related parties are identified, monitored, and handled in commercially fair and reasonable terms, and that appropriate disclosures are made.

Risk Committee

The Risk Committee is responsible for providing direction, policy, and oversight on the Company's compliance and risk management. This includes the design and execution of a risk management and compliance infrastructure that provides reasonable assurance that all risks (strategic, financial, investment, insurance, and operational) are identified and properly managed.

Compliance Officer

The Compliance Officer acts as a corporate governance advocate and ensures that FWD Insurance is conducting business in full compliance with all laws, policies, and regulatory matters, and that employees are following internal procedures.

Roles and Responsibilities

The Compliance Officer shall ensure the timely submission of accurate reports and disclosures to the Insurance Commission, Securities and Exchange Commission, and such other concerned regulatory agency in accordance with their respective rules and regulations. The Compliance Officer performs the following responsibilities:

- Ensures proper onboarding of new Directors (i.e., orientation on the Company's business, articles of incorporation, and by-laws, among others)
- Monitors, reviews, evaluates, and ensures compliance by the Company, our Officers and Directors with the relevant laws, the Code of Corporate Governance of the IC, rules and regulations, and all governance issuances of regulatory agencies
- Reports the violations to the Board and recommends the imposition of appropriate disciplinary action
- Ensures the integrity and accuracy of all documentary submissions to regulators
- Appears before the IC when summoned in relation to compliance with the Code of Corporate Governance of the IC
- Collaborates with other departments to properly address compliance issues, which may be subject to investigation
- Identifies possible areas of compliance issues and works towards the resolution of the same
- Ensures the attendance of Board members and key Officers in relevant trainings
- Performs such other duties and responsibilities as may be prescribed by the IC

Atty. Juan Sotero Roman

Chief Compliance Officer, 51
Date of First Appointment: 25 July 2014

Qualifications:

Atty. Roman holds a Bachelor of Arts in Political Science from De La Salle University, Manila, Philippines. He earned his Bachelor of Laws from the San Beda College of Law in the Philippines. He was admitted to the Philippine Bar in 1999.

Trainings:

He completed the Orientation on Corporate Governance conducted by The Institute of Corporate Directors, Makati, Philippines in 2016 and 2020.

Relevant Experiences:

Atty. Roman has more than a decade of experience in the insurance industry. He currently holds the rank of Vice President, as General Counsel, Chief Compliance Officer, and Data Privacy Officer of the Company. Prior to joining FWD Insurance, he was with other insurance companies as Vice President – Legal and Compliance (2011 to 2014); Asst. Vice President, Officer-In-Charge (January to June 2011); Senior Compliance Officer (2010 to 2011); Claims Head (2007 to 2010); and Sales Compliance Manager (2006 to 2007).

Office of the Corporate Secretary

The Office of the Corporate Secretary commits to the integrity of the corporate governance framework and facilitates the resources needed for the Board and its Committees to diligently fulfill their duties.

Roles and Responsibilities

The Office of the Corporate Secretary (OCS) ensures the proper conduct of Shareholders', Board, and Committee meetings. The OCS also performs these functions:

- Coordinate with Shareholders and Directors for their availability
- Prepare and release the Notices and Agenda at least 21 days prior to Shareholders' meetings and at least seven (7) days prior to Directors' meetings
- Complete and circulate reference materials at least five (5) business days prior to meetings
- Prepare and safekeep the minutes recording the attendance (in person, through e-conferencing, or by proxy) of Shareholders, Directors, and Presenters; the discussions and voting on agenda items; and the resolutions passed
- Keep custody of Company records in compliance with internal and regulatory standards
- Other functions described in the Company's by-laws

Atty. Donna C. Duque-Pastoral

Corporate Secretary, 39
Date of First Appointment: 20 September 2019

Qualifications:

Atty. Duque-Pastoral graduated from the University of the Philippines with a Bachelor of Arts in Political Science (2000) and Bachelor of Laws (2006). She was called to the Philippine Bar in 2007.

Trainings:

She is an Associate in Life Management Institute (2017) and Associate in Insurance Regulatory Compliance (2015) of the Life Office Management Association (LOMA). She attended the Orientation on Corporate Governance conducted by The Institute of Corporate Directors, Makati, Philippines in 2018 and a refresher course in Corporate Governance in 2020. She has earned her Certificate on Trust Operations and Investment Management course (2018) conducted by the Trust Institute Foundation of the Philippines.

Relevant Experiences:

Prior to joining FWD Insurance, Atty. Duque-Pastoral was with other multinational insurance companies as Assistant Corporate Secretary (from 2017 to 2019); Legal Counsel; and Legal & Compliance Senior Manager and Assistant Corporate Secretary (from 2008 to 2013). She was an Associate at Soo Gutierrez Leogardo & Lee Law Offices from 2006 to 2008.

Atty. Jordan Zafra-Bernardo

Assistant Corporate Secretary, 33
Date of First Appointment: 22 September 2020

Qualifications:

Atty. Zafra-Bernardo graduated from De La Salle University, Manila, Philippines with a Bachelor of Science in Accountancy (2008) and is a certified public accountant. She completed her Juris Doctor degree from Ateneo Law School in the Philippines in 2013 and was admitted to the Philippine Bar in 2014.

Trainings:

She attended the Orientation on Corporate Governance conducted by The Institute of Corporate Directors, Makati, Philippines in August 2020.

Relevant Experiences:

Atty. Zafra-Bernardo begins her career in the insurance industry with FWD Insurance. Prior to joining the Company, she was a Senior Associate at Gerodias Suchianco Estrella Law Firm from 2014 to 2019 where she acted as Corporate Secretary for various clients.

A Strong Adherence to Compliance

FWD Insurance has long established a compliance framework that observes and implements the highest code of professional and corporate ethics, enabling us to "do the right things right."

Code of Conduct and Business Ethics

Our Code of Ethics and Business Conduct ("Code") reminds Directors, Officers, employees, and distributors that all actions and decisions should be measured against high ethical standards. We are also proud to be guided by the following principles: act with honesty and integrity; be informed and act responsibly; be open and clear; act with professionalism and respect for others; and be socially and environmentally responsible.

As a digital-first insurer, all our policies are made available online through iHR and are readily accessible to our Directors, Officers, and employees. A separate email is also sent to our Directors to inform them to accomplish our mandatory training on company policies in the platform.

Overview of Our Policies

- **Conflict of Interest Policy:** Our Conflict of Interest Policy seeks to identify, avoid, disclose, and manage actual, potential, or perceived conflicts of interest that can arise between and among employees, distributors, contractors, and customers. Wherever possible, our employees and distributors have a responsibility to act ethically, comply with relevant laws, and avoid potential, perceived, and actual conflicts of interest. Conflicts must be identified and declared so that necessary action is taken to manage and/or avoid the conflict altogether.
- **Related Party Transactions**: We ensure that Related Party Transactions (RPTs) are conducted in the regular course of business and not undertaken on more favorable economic terms in favor of related parties. In line with this, we established a Board-level RPT Committee to ensure that RPTs are handled with prudence and integrity and that they are fair, at arm's-length, and compliant with applicable laws and regulations. RPTs, and other applicable filings required by the Insurance Commission, are properly disclosed in our audited financial statements.
- **Gifts, Entertainment, and Anti-Bribery Policy:** We are against bribery and corruption as a way of building business, regardless of the identity or position of the originator or recipient of the bribe. We implemented a Gifts, Entertainment, and Anti-Bribery Policy (GEAB Policy) that provides guidance on what Gifts & Entertainment tokens are acceptable. This will help ensure that FWD Insurance and our employees live up to our business principles and comply with applicable regulatory requirements.

- **Whistleblower Policy:** It is important to have a culture of honesty, and this includes our ability to speak up when we feel or see that something is wrong. Should our employees observe or suspect a violation of our Code of Ethics and Business Conduct or anything that may pose a threat to our integrity and reputation, the Whistleblower Policy covers the confidential, secure, and, if necessary, anonymous way to report concerns so that management can take appropriate action.

  FWD Group has engaged an independent third-party service provider, Convercent, for an enterprise-wide platform. The platform enables our stakeholders, Directors, Officers, employees, financial advisers, business partners, third-party suppliers, and the public to report issues through these avenues:

  Calling the Whistleblower Hotline Number: (02) 8626 3210

  Submitting an online report through https://convercent.com/report (enter FWD in search bar).

- **Complaints Policy:** We believe that operating with high standards of conduct is central to our long-term success and underpins our ability to serve customers. The Complaints Policy shows our commitment to effective complaints management by presiding over complaints in an accountable, transparent, timely, and fair manner. Feedback received is taken as a means to enable service improvement.
- **Personal Insider Dealing Policy:** As we promote a culture of honesty and integrity, insider dealing is strictly prohibited. The Personal Insider Dealing (PID) Policy sets a guide of due care to our employees and individuals who have access to non-public material information that can compromise any deal or counsels or procures another to deal in our listed securities (or their derivatives) for unfair advantage or financial gain.
- **Data Privacy Policy:** Data subject's privacy is our priority. Our Data Privacy Policy outlines our commitment to collect, process, and use data subject's personal data in accordance with applicable laws and regulations on data privacy. In processing personal data, we adhere to the general privacy principles of transparency, legitimate purpose and proportionality, and such relevant principles as required by law.

  We created a Data Protection Office, called the Data Privacy Champions, to ensure proper management of personal data across the Company. It is composed of a Data Protection Officer, a Compliance Officer for Privacy, a Legal Officer for Privacy, an Information Security Team, and representatives from all departments.

Consolidated Awareness Week

The pandemic has not hindered us from creating fun, engaging, and rewarding learning activities for all our employees. Members of the Compliance, Risk, Data Governance, and Information Security departments hosted online learning activities inspired by famous TV games and talk shows, such as "Family Feud," "Jeopardy," and "Wheel of Fortune." The activities reinforced the Company's compliance program and taught employees its key concepts—from identifying compliance violations to investigating and reporting such incidents.

Proactive Approach to Risk Management

We ensure that our business is backed by a strong, diligent, and proactive risk culture that enables us to make smart, risk-based decisions.

Stronger Risk Committee Structure Comprised of Members of the Board of Directors and Group

The FWD Insurance Enterprise Risk Management (ERM) program was developed to help define our risk appetite along with our processes and culture and the reliable practices that support these. Our Board of Directors first approved our ERM in 2015 with subsequent annual review and updates. The Board is supported by the Risk Committee, a Board-level committee that discusses risk-related matters quarterly. The Risk Committee is briefed on the progress of the ERM program, with updates from the Investment, Compliance, and Operational Risk Management level committees.

PH Board of Directors

Risk Committee

Local Investment Committee | Compliance and Operational Risk Committee

3rd Line of Defense | 2nd Line of Defense | 1st Line of Defense

Our operations and business decisions are guided by a Board-approved risk appetite that outlines our tolerance level in relation to Value, Capital, Earnings, and Brand Value. These four (4) areas are monitored using a set of key risk indicators that are reported to the Executive Committee and Group office on a monthly basis, with any deviation from expected results escalated to the Board.

Our risk profile is split into two (2) sections:

1. Financial risk looks at the liability, asset, and product risk profiles of our business with metrics that include the SAA/TAA, target capital, investment restrictions, assumption setting, and financial metrics.
2. Non-financial risk covers business strategies, daily operations, technology, project management, and business continuity with subprograms, including risk register update, key control self-assessment, and incident or issue management. Risk management also includes, but is not limited to, business planning, claims, customer feedback handling, and product development.

Risk Ownership Retained at Management Level

The Risk Register Update Process is performed on an annual basis to identify, assess, monitor, review, and respond to key risks in the different areas of our business. The resulting top enterprise risks are then deliberated by the Executive Committee to allot resources for mitigation activities. Changes in our top risks and mitigation strategies are communicated to the Board on a quarterly basis for their agreement.

Effective Risk Management Strategies

Risk Management is embedded in all aspects of our business, such as project status reporting; handling and resolution of customer complaints, incidents, and issues; business planning and management reporting; and business continuity decisions.

Our Risk Management key performance indicator (KPI) is also part of our short-term incentives' (STI) computation. It is a multiplier to the Company's STI. So far, FWD Insurance has garnered a Risk and Compliance KPI rating of higher than expectation or more than 100% - which means our positive risk culture is rewarded by the Company! We also recorded a high Risk Culture survey score in terms of Tone from the Top, Accountability, Communication, and Incentive, with average scores ranging from 4.3 to 4.6 on a 5-point scale.

Stronger Internal Controls Review

Internal controls review through key control self-assessment (KCSA) is conducted by the first line and second line of defense. This ensure that controls in our business processes are existing and effective in mitigating inherent risk exposures, and that they yield a managed and residual risk that is aligned with our business' risk appetite.

With our business largely powered by digital assets, we also closely monitor all technological changes and potential threats. We are focused on continuously identifying cybercrime threats and endlessly fortifying our security posture, taking into considerations the regulatory impact of our actions.

Stronger Risk Culture

Risk management culture is an ongoing journey that embeds risk consideration in our day-to-day operations. We continually raise our employees' awareness on risk management discipline, transparent communications, strong tone at the top, and incentives that drive the right behavior through an integrated and holistic training approach reinforced with risk management awareness events.

Stronger Business Continuity Preparedness and Resiliency

Resiliency and readiness to respond to crisis that may impact our business, such as natural disasters and a pandemic, is also part of our risk management program. This is assessed and tested annually to ensure business continuity, system readiness, and our stakeholders' awareness to respond when such event arises.

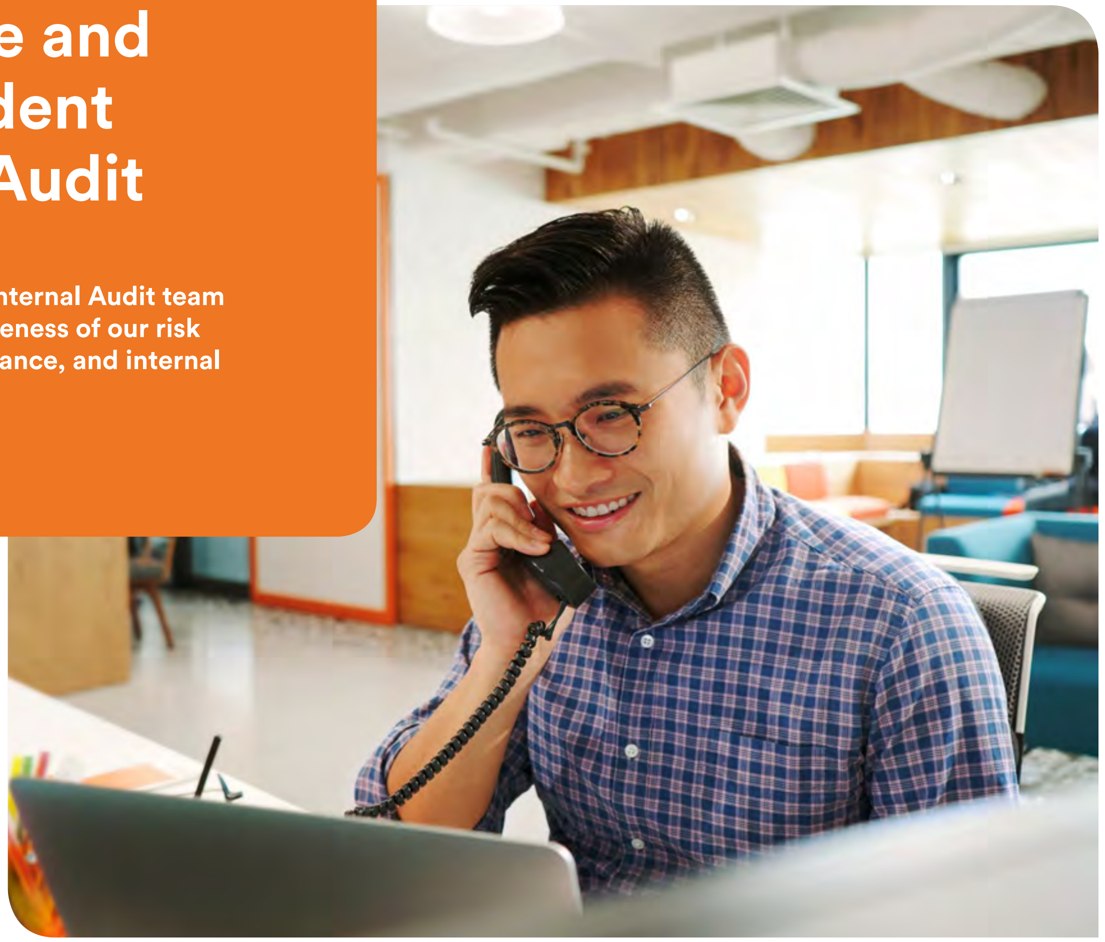
In 2020, when the Philippine government announced a nationwide lockdown, we were able to seamlessly transition to a 100% Work From Anywhere (WFA) setup, which enabled us to continue servicing our customers and working on our strategic objectives. Workplace safety practices were immediately implemented in line with the mandates of the Department of Labor and Employment (DOLE), Department of Trade and Industry (DTI), Department of Health (DOH), and the Inter-Agency Task Force (IATF).

In 2020, we closely monitored these specific key risk areas:

- Business performance risk brought upon by the pandemic and socio-political factors
- Significant regulatory changes in the industry that may impact our business
- Conduct risk and issues related to treating the customers fairly
- The Philippine market performance and its impact on our customer and company investments
- Data protection and cyber security
- Our general business and operational risks

Objective and Independent Internal Audit

The FWD Insurance Internal Audit team evaluates the effectiveness of our risk management, governance, and internal control processes.



The Audit Committee (AC) establishes the roles and responsibilities of the Internal Audit, whose primary purpose is to provide the Board of Directors and management with an independent and objective assurance on the effectiveness of our internal control system.

The Internal Audit function is performed in-house. The Head of Internal Audit (HIA), Glenn Mar Agduyeng, oversees and is responsible for the internal audit activity. To preserve objectivity and independence, the HIA reports functionally to the AC and administratively to the President and Chief Executive Officer, Li Hao Zhuang.

Likewise, the HIA conducts regular meetings with the AC without the presence of management. The appointment and removal of the HIA require the recommendation of the AC and approval of the Board.

On an annual basis, Internal Audit develops a flexible work plan using an appropriate risk-based methodology, including risk or control concerns identified by management. The implementation of the plan includes identifying and understanding key risk areas and testing of controls to address these risks. The audit results form the basis of all control improvements to be discussed with management. Internal Audit tracks and monitors the implementation of each action item and reports to senior management and the AC.

Internal Audit submits periodic—but no less than quarterly—reports to the AC and senior management. The reports contain the status and results of the internal audit program, significant control issues, and the overall adequacy of the control environment.

Audited Financial Statements

FWD Life Insurance Corporation
(A Wholly Owned Subsidiary of FWD Group Financial Services Pte. Ltd)

Financial Statements
December 31, 2020 and 2019

and

Independent Auditor's Report

C O V E R S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number
C S 2 0 1 3 2 0 7 3

COMPANY NAME
FWD LIFE INSURANCE CORPORATION

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*
19/F, W Fifth Avenue Building, 5th Avenue corner 32nd Street, Bonifacio Global City, Taguig City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
CustomerConnect.ph@fwd.com	**888-8393**	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
6	**March 4**	**12/31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jasper Hendrik Cheng	**jasper.cheng@fwd.com**	**888-8393**	

CONTACT PERSON's ADDRESS

19/F, W Fifth Avenue Building, 5th Avenue corner 32nd Street, Bonifacio Global City, Taguig City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

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

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

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Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
FWD Life Insurance Corporation
19/F, W Fifth Avenue Building,
5th Avenue corner 32nd Street,
Bonifacio Global City, Taguig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of FWD Life Insurance Corporation (the Company), which comprise the statements of financial position as at December 31, 2020 and 2019, 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, 2020 and 2019, 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 PFRSs, 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 27 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 FWD Life Insurance Corporation. 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.

Ray Francis C. Balagtas

Ray Francis C. Balagtas
Partner
CPA Certificate No. 108795
SEC Accreditation No. 1510-AR-1 (Group A),
September 18, 2018, valid until September 17, 2021
Tax Identification No. 216-950-288
BIR Accreditation No. 08-001998-107-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534218, January 4, 2021, Makati City

March 23, 2021

FWD LIFE INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION

		December 31		January 1
	Notes	2020	2019 (As restated – Note 2)	2019 (As restated – Note 2)
ASSETS				
Cash and cash equivalents	4, 24	₱1,206,155,440	₱863,025,139	₱852,632,294
Financial assets				
Financial assets at fair value through profit and loss (FVPL)	5, 6, 24	263,039,143	252,663,473	228,487,695
Available-for-sale (AFS) financial assets	5, 24	1,424,570,711	810,377,017	842,596,760
Assets held to cover unit-linked liabilities	6, 24	23,690,049,945	15,874,283,525	10,495,020,185
Loans and deposits	6, 24	124,667,298	54,645,052	30,124,699
Reinsurance assets	10	245,975,041	445,414,466	44,140,972
Property and equipment - net	7	153,875,767	177,222,862	175,688,654
Right-of-use assets – net	8	327,742,523	315,583,367	–
Intangible assets – net	9	251,598,569	263,381,061	283,013,979
Deferred tax assets	23	103,185,032	55,288,635	11,301,586
Insurance contract assets - net	12	175,151,619	679,792,529	289,402,706
Other assets	11, 24	1,216,457,391	1,279,445,196	1,432,363,914
TOTAL ASSETS		₱29,182,468,479	₱21,071,122,322	₱14,684,773,444
LIABILITIES AND EQUITY				
Liabilities				
Unit-linked liabilities	6	₱23,690,049,945	₱15,874,283,525	₱10,495,020,186
Retirement liability	21	9,142,884	14,907,115	5,732,525
Income tax liabilities		8,784,368	23,964,233	4,321,549
Other liabilities	13, 25	2,272,748,277	1,909,380,548	1,386,484,413
		25,980,725,474	17,822,535,421	11,891,558,673
Equity				
Capital stock	14	2,300,000,000	2,300,000,000	2,300,000,000
Additional paid-in capital	14	327,599,568	327,599,568	327,599,568
Contributed surplus	14	1,335,000,000	1,335,000,000	1,335,000,000
Contingency surplus	14	2,600,000,000	2,600,000,000	2,600,000,000
Defined benefit obligation revaluation reserve	21	23,102,616	13,041,231	20,645,880
Unrealized fair value gain (loss) on AFS financial assets	5	15,471,130	1,830,654	(48,442,734)
Other reserves				
Remeasurement gain (loss) on life insurance reserves	12	(372,472,400)	54,153,443	24,571,713
Reserve on share-based payment	20	49,725,851	30,741,949	–
Deficit	14	(3,076,683,760)	(3,413,779,944)	(3,766,159,656)
		3,201,743,005	3,248,586,901	2,793,214,771
TOTAL LIABILITIES AND EQUITY		₱29,182,468,479	₱21,071,122,322	₱14,684,773,444

See accompanying Notes to Financial Statements.

FWD LIFE INSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Years Ended December 31 2020	2019 (As restated – Note 2)
REVENUES			
Gross insurance premiums	**15**	**₱13,779,378,569**	₱9,601,519,694
Fees revenue	**15**	**49,591,946**	20,772,948
		13,828,970,515	9,622,292,642
Premiums ceded to reinsurers	**15**	**(124,671,716)**	(80,253,329)
Net insurance premiums and fees revenue	**15**	**13,704,298,799**	9,542,039,313
Investment returns	**16**	**(116,993,084)**	632,973,492
Non-operating investment return	**17**	**(92,416,205)**	(38,124,826)
Other operating revenue	**18**	**934,649,524**	890,966,167
Total revenues		**14,429,539,034**	11,027,854,146
BENEFITS, CLAIMS, EXPENSES AND LOSSES			
Gross benefits and claims	**19**	**1,659,961,311**	1,012,508,700
Gross change in insurance contract assets		**(165,528,059)**	(370,189,892)
Increase in unit-linked liabilities		**7,950,798,437**	5,379,263,339
Gross insurance contract benefits		**9,445,231,689**	6,021,582,147
Reinsurers' share on benefits and claims incurred	**19**	**(34,138,999)**	(18,564,620)
Reinsurers' share of gross change in insurance contract liabilities		**(6,925,379)**	(10,528,380)
Net insurance contract benefits		**9,404,167,311**	5,992,489,147
General and administrative expenses	**20**	**2,016,998,541**	1,867,393,713
Commission expense and commission-related expenses	**20**	**2,628,418,509**	2,783,451,389
Interest expense on lease liabilities	**8**	**33,203,721**	23,062,258
Other expenses		**226,550**	22,775
Total expenses		**14,083,014,632**	10,666,419,282
INCOME BEFORE INCOME TAX		**346,524,402**	361,434,864
Provision for income tax	**23**	**9,428,218**	9,055,152
NET INCOME		**337,096,184**	352,379,712
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will be reclassified to profit or loss in subsequent periods:			
Unrealized fair value gain on AFS financial assets	**5**	**13,640,476**	50,273,388
Remeasurement gain (loss) on life insurance reserves	**12**	**(426,625,843)**	29,581,730
Item that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on pension obligation	**21**	**10,061,385**	(7,604,649)
		(402,923,982)	72,250,469
TOTAL COMPREHENSIVE INCOME (LOSS)		**(₱65,827,798)**	₱424,630,181

See accompanying Notes to Financial Statements.

FWD LIFE INSURANCE CORPORATION
STATEMENTS OF CHANGES EQUITY

	Capital Stock (Note 14)	Additional Paid-in Capital (Note 14)	Contributed Surplus (Note 14)	Contingency Surplus (Note 14)	Reserve on Share-Based Payment (Note 20)	Remeasurement Gain on Pension Obligation (Note 21)	Remeasurement Gains (Losses) on Life Insurance Reserves (Note 12)	Deficit (Note 20)	Unrealized Fair Value Gain (Loss) on AFS Financial Assets (Note 5)	Total Equity
Balances at January 1, 2020	**₱2,300,000,000**	**₱327,599,568**	**₱1,335,000,000**	**₱2,600,000,000**	**₱30,741,949**	**₱13,041,231**	**₱54,153,443**	**(₱3,413,779,944)**	**₱1,830,654**	**₱3,248,586,901**
Unrealized fair value gain on AFS financial assets	–	–	–	–	–	–	–	–	**13,640,476**	**13,640,476**
Remeasurement gain on pension obligation	–	–	–	–	–	**10,061,385**	–	–	–	**10,061,385**
Impact of Gross Premium Valuation (GPV) reserves	–	–	–	–	–	–	**(426,625,843)**	–	–	**(426,625,843)**
Net income	–	–	–	–	–	–	–	**337,096,184**	–	**337,096,184**
Total comprehensive income (loss)	–	–	–	–	–	**10,061,385**	**(426,625,843)**	**337,096,184**	**13,640,476**	**(65,827,798)**
Reserve on share-based payment	–	–	–	–	**18,983,902**	–	–	–	–	**18,983,902**
Balances at December 31, 2020	**₱2,300,000,000**	**₱327,599,568**	**₱1,335,000,000**	**₱2,600,000,000**	**₱49,725,851**	**₱23,102,616**	**(₱372,472,400)**	**(₱3,076,683,760)**	**₱15,471,130**	**₱3,201,743,005**
Balances at January 1, 2019	₱2,300,000,000	₱327,599,568	₱1,335,000,000	₱2,600,000,000	₱–	₱20,645,880	₱24,571,713	(₱3,766,159,656)	(₱48,442,734)	₱2,793,214,771
Unrealized fair value loss on AFS financial assets	–	–	–	–	–	–	–	–	50,273,388	50,273,388
Remeasurement loss on pension obligation	–	–	–	–	–	(7,604,649)	–	–	–	(7,604,649)
Impact of Gross Premium Valuation (GPV) reserves	–	–	–	–	–	–	29,581,730	–	–	29,581,730
Net income	–	–	–	–	–	–	–	352,379,712	–	352,379,712
Total comprehensive income (loss)	–	–	–	–	–	(7,604,649)	29,581,730	352,379,712	50,273,388	424,630,181
Reserve on share-based payment	–	–	–	–	30,741,949	–	–	–	–	30,741,949
Balances at December 31, 2019	₱2,300,000,000	₱327,599,568	₱1,335,000,000	₱2,600,000,000	₱30,741,949	₱13,041,231	₱54,153,443	(₱3,413,779,944)	₱1,830,654	₱3,248,586,901

See accompanying Notes to Financial Statements.

FWD LIFE INSURANCE CORPORATION
STATEMENTS OF CASH FLOWS

	Notes	2020	2019 (as restated – Note 2)
		Years Ended December 31	
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱346,524,402**	₱361,434,864
Adjustments for:			
Net change in insurance contract assets	12	**78,015,067**	(360,808,094)
Increase in unit-linked liabilities	5	**7,815,766,420**	5,379,263,339
Depreciation of property and equipment	7	**83,639,178**	82,235,337
Depreciation of right-of-use assets	8	**116,652,145**	95,475,506
Amortization of prepaid assets	11	**526,873,271**	643,893,474
Amortization of intangible assets	9	**64,449,590**	63,393,639
Provision for bad debts	11	**15,913,003**	1,703,733
Gain on sale and exchange of property and equipment	7	**–**	(653,745)
Fair value loss (gain) on fair value through profit or loss asset and assets held to cover unit-linked liabilities	5, 6	**148,909,011**	(614,842,324)
Interest expense on lease liability	8	**33,203,721**	23,062,258
Share-based payment	20	**18,983,901**	30,741,949
Interest income	16	**(43,590,719)**	(43,251,886)
Operating income before working capital changes		**9,205,338,990**	5,661,648,050
Decrease (increase) in:			
Loans and deposits	6	**(70,022,245)**	(24,520,354)
Financial assets at fair value through profit and loss	5, 6, 24	**(10,375,670)**	(24,175,778)
Assets held to cover unit-linked liabilities	5, 24	**(7,964,675,431)**	(4,764,421,015)
Reinsurance assets	10	**199,439,425**	(401,273,494)
Other assets	11	**(472,588,011)**	(520,414,388)
Increase (decrease) in:			
Pension liability	21	**4,297,154**	1,569,941
Other liabilities	13	**328,552,326**	209,895,159
Net cash generated from operations		**1,219,966,538**	138,308,121
Income taxes paid		**(61,881,161)**	(18,210,400)
Net cash provided by operating activities		**1,158,085,377**	120,097,721
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Available-for-sale financial assets	5, 24	**(1,119,144,825)**	(125,652,933)
Property and equipment	7	**(60,292,083)**	(84,471,160)
Intangible assets	9	**(52,667,098)**	(43,760,721)
Proceeds from maturity, disposal or exchange of:			
Available-for-sale financial assets	5, 24	**514,055,071**	206,114,000
Property and equipment		**-**	1,355,359
Interest received		**45,861,460**	45,900,701
Net cash used in investing activities		**(672,187,475)**	(514,754)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities	8	**(142,767,601)**	(109,190,122)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**343,130,301**	10,392,845
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	**863,025,139**	852,632,294
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱1,206,155,440**	₱863,025,139

See accompanying Notes to Financial Statements.

FWD LIFE INSURANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. **Corporate Information**

FWD Life Insurance Corporation (the "Company") was incorporated and domiciled in the Philippines and is registered with the Securities and Exchange Commission (SEC) on November 19, 2013. The registered principal office of the Company is at 19th floor W Fifth Avenue Bldg., 5th Avenue, Corner 32nd Street, Bonifacio Global City, Taguig City. The Company is a wholly-owned subsidiary of FWD Group Financial Services Pte. Ltd (the Parent Company), a company domiciled in Singapore engaged in private investment activities.

The Company was organized to primarily engage in and carry on the business of life insurance and to undertake and write insurance upon lives of individuals and every insurance appertaining thereto or connected therewith, including reinsurance; to make contracts for insurance and re-insurance for all risks, hazards, guarantees and contingencies to which life, accident or health insurance is applicable, to indemnify against legal liability, to compute endowments and grant, purchase or dispose annuities; to procure or acquire re-insurance of its risks; to issue policies stipulated to be with or without participation in profits and to purchase for its own benefit or for its obligations any policy of insurance, and perform such other powers related to or incidental to the business of life insurance.

On April 2, 2014, the Company was granted a Certificate of Authority by the Insurance Commission (IC) to operate as a life insurance company. The Company started its commercial operations on September 15, 2014.

On July 17, 2014, the Company received IC approval to sell variable unit-linked (VUL) products. On April 6, 2015, the Company received IC approval to sell traditional products, on which the first policy was issued on April 23, 2015. The Company currently sells both variable life and traditional life products.

On September 15, 2014, the Company and Security Bank Corporation (SBC) signed an agreement which appoints SBC to sell exclusively the life insurance products of the Company. The agreement was filed on November 11, 2014 with the Bangko Sentral ng Pilipinas (BSP) and the IC for their respective approvals. On December 22, 2014, SBC received the approval of BSP through its Resolution No. 2073. On January 12, 2015, the Company received the approval of the agreement from IC.

The financial statements of the Company were approved and authorized for issuance by the Board of Directors (BOD) on March 23, 2021.

2. **Significant Accounting Policies**

Basis of Preparation and Presentation
The financial statements of the Company have been prepared on the historical cost basis, except for available-for-sale (AFS) financial assets and financial assets at fair value through profit or loss (FVPL), which have been measured at fair value. The financial statements are presented in Philippine Peso (₱), which is the Company's presentation and functional currency. All amounts are rounded to the nearest Peso unless otherwise indicated.

Changes in presentation of financial statements

On June 30, 2020, the Company migrated to the Oracle Financials Cloud (Oracle GL) for reporting to its Parent Company. The objective of the migration is to give greater uniformity to the structure and presentation of the financial statements through a new classification of the chart of accounts across the FWD Group, which is prepared under Hong Kong International Financial Reporting Standards (IFRS). The standardization also allows for better consolidation and generation of FWD Group financial statements.

This new classification of the chart of accounts resulted in the reclassification of certain lines in the statement of financial position and the statement of comprehensive income, which the Company has also adopted for its statutory financial statements effective January 1, 2020 to ensure alignment of reporting to the Parent Company. The change in presentation aims at simplifying and giving prominence to insurance related accounts in the statement of financial position and grouping items to relevant functions in the statement of comprehensive income. As required under Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*, reason for the change in presentation including restatement of prior period financial information to give effect to the new classification and ensure comparability of the comparative financial statements is disclosed in this note.

The Company does not believe these reclassifications significantly affected its previously reported financial analysis and interpretations. The supplemental information set forth below is presented solely for the convenience of analysts and investors to facilitate an understanding of the effect of the reclassification on prior periods.

	As at December 31, 2019		
Statements of Financial Position	**As previously reported**	**Effect of change in presentation**	**As restated**
Assets			
Financial assets			
Loans and deposits	₱712,618,588	(₱657,973,536)	₱54,645,052
Reinsurance assets	–	445,414,466	445,414,466
Insurance contract assets – net	702,004,187	(22,211,658)	679,792,529
Other assets	1,044,674,468	234,770,728	1,279,445,194
Liabilities			
Other liabilities	1,933,344,781	(23,964,234)	1,909,380,547
Income tax liabilities	–	23,964,233	23,964,233

	As at Jan 1, 2019		
Statements of Financial Position	**As previously reported**	**Effect of change in presentation**	**As restated**
Financial assets			
Loans and deposits	₱193,180,903	(₱163,056,204)	₱30,124,699
Reinsurance assets	–	44,140,972	44,140,972
Insurance contract assets – net	301,085,984	(11,683,278)	289,402,706
Other assets	1,301,765,402	130,598,512	1,432,363,914
Liabilities			
Other liabilities	1,390,805,961	(4,321,548)	1,386,484,413
Income tax liabilities	–	4,321,549	4,321,549

	For the year ended December 31, 2019		
Statements of Comprehensive Income	As previously reported	Effect of change in presentation	As restated
Revenues			
Gross insurance premiums	₱9,551,928,764	₱49,590,930	₱9,601,519,694
Fees revenue	–	20,772,948	20,772,948
Investment returns	658,094,210	(25,120,718)	632,973,492
Non-operating investment return	(63,245,544)	25,120,718	(38,124,826)
Other operating revenue			
Other income	21,972,650	(20,626,886)	1,345,764
Benefits, claims, expenses and losses			
Gross benefits and claims	1,062,600,448	(50,091,748)	1,012,508,700
Gross change in insurance contract assets	(420,281,640)	50,091,748	(370,189,892)
General and administrative expenses	2,099,431,758	(232,038,045)	1,867,393,713
Commission expense and commission-related expenses	2,524,738,610	258,712,779	2,783,451,389
Interest expense on lease liabilities	–	23,062,258	23,062,258

	As at December 31, 2019		
Statements of Cash Flow	**As previously reported**	**Effect of change in presentation**	**As restated**
CASH FLOWS FROM OPERATING ACTIVITIES			
Adjustments for:			
Net change in insurance contract assets	(₱371,336,473)	₱ 10,528,379	(₱360,808,094)
Decrease (increase) in:			
Loans and deposits	(521,141,418)	496,621,065	(24,520,353)
Reinsurance asset	–	(401,273,494)	(401,273,494)
Other assets	(414,538,440)	(105,875,948)	(520,414,388)

Going Concern

In late 2019, a cluster of cases displaying the symptoms of a ‘pneumonia of unknown cause’ were identified in Wuhan, the capital of China’s Hubei province. On December 31, 2019, China alerted the World Health Organization (WHO) of the coronavirus disease 2019 (COVID-19) or coronavirus outbreak. On January 30, 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a ‘Public Health Emergency of International Concern’. Since then, the virus has spread worldwide. On March 11, 2020, the WHO announced that the coronavirus outbreak can be characterized as a pandemic. The virus has greatly impacted the economic activities.

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020 and was extended up to May 15, 2020 unless earlier lifted or extended. On May 13, 2020, upon recommendation of the Inter-Agency Task Force (IATF) on Emerging Infectious Diseases under Resolution No. 35, Metro Manila was placed under Modified Enhanced Community Quarantine (MECQ). On May 29, 2020, the President of the Republic of the Philippines announced that Metro Manila transitioned from the MECQ to General Community Quarantine after May 31. These measures have caused disruptions to businesses and economic activities, and its impact Metro Manila on businesses continue to evolve.

In order to comply with the government's measures to monitor and mitigate the effects of COVID-19, the Company provided for safety and health measures for our employees, such as social distancing and telecommuting work set-up. The resulting impact of the virus on the operations and measures taken by the government to contain the virus is not expected to have a significant impact on the Company. Management has determined that there is no material uncertainty that casts doubt on the entity's ability to continue as a going concern. It expects that COVID-19 might have some impact, though not significant, in relation to expected future performance.

Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Company adopted the following new accounting pronouncements beginning January 1, 2020. Unless otherwise indicated, the adoption of these pronouncements did not have any significant impact on the Company's financial position or performance.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
- Amendments to PFRS 16, *COVID-19-related Rent Concessions* (see Note 8)
- Amendments to PFRS 3, *Business Combinations, Definition of a Business*
- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments*, *Interest Rate Benchmark Reform*
- Conceptual Framework for Financial Reporting issued on March 29, 2018

Accounting Standard Effective but not yet Adopted

Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's financial statements, unless otherwise indicated.

Effective beginning on or after January 1, 2021

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

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 1*, Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

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

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

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*

Accounting Standard Effective but not yet Adopted

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted.
  Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities.

- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard, before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  Qualifying for temporary exemption from PFRS 9
  The Company applied the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4 *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts* issued in September 2016. The temporary exemption permits entities whose activities are predominantly connected with insurance to continue applying PAS 39 rather than PFRS 9 for annual periods beginning before January 1, 2022.

  The assessment for whether a reporting entity's activities are predominantly connected with insurance is based on the liabilities connected with insurance in proportion to the entity's total liabilities. An entity may elect the temporary exemption if, and only if:

  – The carrying amount of its liabilities arising from contracts within the scope of PFRS 4 is significant compared to the total carrying amount of all its liabilities; and
  – The percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all of its liabilities is:
    - Greater than 90 percent; or
    - Less than or equal to 90 percent but greater than 80 percent, and the insurer does not engage in a significant activity unconnected with insurance.

  The predominance assessment is performed using the carrying amounts of liabilities reported on the statement of financial position at the annual reporting date December 31, 2015. Applying the requirements, the Company performed the predominance assessment using the Company's statement of financial position as of December 31, 2015.

  The Company concluded that it qualified for the temporary exemption from PFRS 9 because its activities are predominantly connected with insurance. As at December 31, 2015, the Company's gross liabilities arising from contracts within the scope of PFRS 4 represented 88% of the total carrying amount of all its liabilities, and the Company did not engage in any significant activities not connected with insurance. Since December 31, 2015, there has been no change in the activities of the Company that requires reassessment of the use of the temporary exemption.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments*, *Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

Fair value disclosures
The table below presents an analysis of the fair value of classes of financial assets as of December 31, 2020 and 2019, as well as the corresponding change in fair value for the year ended December 31, 2020 and 2019, respectively. In the table, the amortized cost of cash and cash equivalents and short-term receivables has been used as a reasonable approximation to fair value. The financial assets are divided into two categories:

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

Non-linked

	2020			
	SPPI financial assets		**Other financial assets**	
	Fair value	**Fair value change**	**Fair value**	**Fair value change**
Cash and cash equivalents		**₱–**	**₱1,206,155,440**	**₱–**
Loans and deposits	**124,667,298**	**–**	**–**	**–**
AFS financial assets:				
Government and corporate debt securities	**1,424,570,711**	**13,640,476**	**–**	**–**
Reinsurance assets	**–**	**–**	**216,838,004**	**–**
Other assets	**–**	**–**	**273,289,830**	
	₱1,549,238,009	**₱13,640,476**	**₱1,696,283,274**	**₱–**

Unit-linked

	2020			
	SPPI financial assets		**Other financial assets**	
	Fair value	**Fair value change**	**Fair value**	**Fair value change**
Cash and cash equivalents	₱–	₱–	₱415,486,419	₱–
Other assets				
Receivables	–	–	254,030,421	–
Accrued income	–	–	12,966,360	–
Financial assets at FVPL:				
Debt securities	–	–	1,066,556,061	68,107,132
Equity securities	–	–	7,255,456,973	(54,905,036)
Unit investment trust fund	–	–	15,336,338,447	(162,111,108)
	₱–	₱–	₱24,340,834,681	(₱148,909,012)

Non-linked

	2019			
	SPPI financial assets		Other financial assets	
	Fair value	Fair value change	Fair value	Fair value change
Cash and cash equivalents	₱–	₱–	₱863,025,139	₱–
Loans and deposits	54,645,052	–	–	–
AFS financial assets:				
Government and corporate debt securities	810,377,017	50,273,388	–	–
Reinsurance assets	-	–	423,202,808	–
Other assets	–		242,149,068	–
	₱865,022,069	₱50,273,388	₱1,528,377,015	₱–

Unit-linked

	2019			
	SPPI financial assets		Other financial assets	
	Fair value	Fair value change	Fair value	Fair value change
Cash and cash equivalents	₱–	₱–	₱169,890,083	₱–
Other assets				
Receivables	–	–	127,838,890	–
Accrued income	–	–	12,429,530	–
Financial assets at FVPL:				
Debt securities	–	–	807,474,827	–
Equity securities	–	–	4,008,623,355	–
Unit investment trust fund	–	–	11,101,566,942	614,842,324
	₱–	₱–	₱16,227,823,627	₱614,842,324

Credit risk disclosures
The following table shows the carrying amounts of the SPPI assets in accordance with PAS 39 categories by credit risk rating grades reported to key management personnel (with credit risk rating conventions detailed in Note 24) and non-SPPI assets. The carrying amounts are measured in accordance with PAS 39. For assets measured at amortized cost, the carrying amount shown is before any allowance for impairment losses.

Non-linked

	A	BBB	BB	Not rated	Total
Cash and cash equivalents	₱83,385,969	₱1,120,826,222	₱–	₱1,943,249	₱1,206,155,440
Loans and deposits	–	–	–	124,667,298	124,667,298
AFS financial assets:					
Government and corporate debt securities	–	1,424,570,711	–	–	1,424,570,711
Reinsurance assets	–	–	–	216,838,004	216,838,004
Other assets				273,289,830	273,289,830
	₱83,385,969	₱2,545,396,933	₱–	₱616,738,381	₱3,245,521,283

Unit-linked

	A	BBB	BB	Unrated	Total
Cash and cash equivalents	₱169,404,621	246,081,798	₱–	₱–	415,486,419
Loans and receivables:					
Receivables	–	–	–	254,030,421	254,030,421
Accrued income	–	–	–	12,966,360	12,966,360
Financial assets at FVPL:					
Debt securities	–	966,165,866	–	100,390,195	1,066,556,061
Equity securities	–	–	–	7,255,456,973	7,255,456,973
Unit investment trust fund	–	–	–	15,336,338,447	15,336,338,447
	₱169,404,621	1,212,247,664	₱–	₱22,959,182,396	₱24,340,834,681

The following table provides information on the fair value and carrying amount under PAS 39 for those SPPI assets that do not have low credit risk as determined by the Company. The carrying amounts are measured in accordance with PAS 39. For assets measured at amortized cost, the carrying amount shown is before any allowance for impairment loss.

	Non-linked		Unit-linked	
	Fair value	Carrying amount	Fair value	Carrying amount
Cash and cash equivalents	₱1,206,155,440	₱1,206,155,440	₱415,486,419	₱415,486,419
Loans and deposits	124,667,298	124,667,298	–	–
AFS financial assets:				
Government and corporate debt securities	1,424,570,711	1,424,570,711	–	–
Financial assets at FVPL:				
Debt securities	–	–	1,066,556,061	1,066,556,061
Reinsurance assets	216,838,004	216,838,004	–	–
Other assets	273,289,830	273,289,830	266,996,781	266,996,781
	₱3,245,521,283	₱3,245,521,283	₱1,749,039,261	₱1,749,039,261

Product Classification
Insurance contracts are defined as those contracts under which the Company (the insurer) accepts significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk and insignificant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

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

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

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

For financial options and guarantees which are not closely related to the host insurance contract, bifurcation is required to measure these embedded financial derivatives separately at FVPL. Bifurcation is not required if the embedded derivative is itself an insurance contract or when the host insurance contract itself is measured as financial assets or liabilities at FVPL. As such, the Company does not separately measure options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate). Likewise, the embedded derivative in unit-linked insurance contracts linking the payments on the contract to units of an internal investment fund meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract.

Based on the Company guidelines, all products in its portfolio meet the definition of insurance contracts, including unit-linked products which have certain features that make use of funds specifically segregated for the benefit of unit-linked policyholders.

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 from date of placement and that are subject to an insignificant risk of changes in value.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and in banks, including time deposits, which are not restricted as to use.

Financial Instruments

Date of recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. The Company follows the trade accounting where an asset to be received and liability to be paid are recognized on the trade date and derecognition of an asset that is sold and the recognition of a receivable from the buyer is recognized on the trade date.

Initial Recognition and Measurement

Financial assets

Financial assets within the scope of PAS 39 are classified into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets and loans and receivables. The Company determines the classification of its financial assets at initial recognition. Financial assets designated upon initial recognition as at FVPL are designated at the date of initial recognition only if the criteria under PAS 39 are satisfied. When financial assets are recognized initially, they are measured at fair value including transaction costs, except in the case of financial assets recorded at FVPL.

The Company's financial assets include loans and deposits, AFS financial assets, financial assets at FVPL, and assets held to cover unit-linked liabilities.

Financial liabilities

Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVPL and other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition. Financial liabilities at FVPL are designated at the date of initial recognition and only if the criteria of PAS 39 are satisfied. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, include directly attributable transaction costs.

The Company's financial liabilities include unit-linked liabilities and other financial liabilities.

'Day 1' profit or loss

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

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets

Financial assets at FVPL and assets held to cover unit-linked liabilities

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Financial assets designated upon initial recognition at FVPL are designated only if the criteria under PAS 39 are satisfied.

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

The Company evaluates its financial assets at FVPL (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Company may elect to reclassify them. The reclassification from financial assets at FVPL to loans and receivables, AFS financial assets or HTM investments depends on the nature of the assets.

This evaluation does not affect any financial assets designated at FVPL using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

The Company's financial assets at FVPL pertains to the Company's seed capital on its unit-linked investment funds. The unit-linked investment funds set by the Company underlying the unit-linked insurance contracts are designated as financial assets at FVPL. This is consistent with the valuation basis of the reserve for variable units held by policyholders.

AFS financial assets

AFS financial assets are debt securities which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, AFS financial assets are subsequently measured at fair value, with unrealized gains or losses recognized in other comprehensive income in the "Unrealized fair value gain or loss on AFS financial assets" in equity until the investment is de-recognized, at which time the cumulative gain or loss is recognized in profit or loss, or until the investment is determined to be impaired, where the cumulative loss is reclassified to profit or loss. For AFS financial debt securities, the difference between their cost and par value is amortized using the effective interest rate method.

Interest and dividends earned while holding the AFS financial assets are reported as interest income and dividend income, respectively, in profit or loss as part of investment income.

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term are still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets and management's intent to do so in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Company has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the HTM category is permitted only when the Company has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the AFS category, the fair value amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in other comprehensive income is amortized to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in other comprehensive income is reclassified to profit or loss.

The Company's AFS financial assets pertain to government and corporate debt securities.

Loans and deposits
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization and the loss arising from impairment are included in "Interest income" in profit or loss.

<u>Financial liabilities</u>
Financial liabilities at FVPL
Financial liabilities at FVPL includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Financial liabilities designated upon initial recognition at fair value through profit or loss are so designated only if the criteria of PAS 39 are satisfied. Gains or losses on liabilities held for trading are recognized in profit or loss.

The net fair value gain or loss recognized in profit or loss does not include any interest charged on these financial liabilities.

The Company's financial liabilities at FVPL pertain to its unit-linked liabilities.

Other financial liabilities
Other financial liabilities are stated at amortized cost, with any difference between net proceeds and redemption value recognized in the profit or loss over the period using the effective interest method.

The Company's other financial liabilities include insurance payables, accounts payables and accrued expenses (which also includes amounts payable on redemption) and payable to related parties.

<u>Reinsurance Assets</u>
The Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

The impairment loss is recorded in the profit or loss under "General and administrative expenses". The impairment loss is calculated following the same method used for these financial assets.

In modified coinsurance (quota share) treaties, the Company records as reinsurance premiums the reinsurer's proportionate share in benefits reinsured for the covered policies. Reinsurance allowances due from the reinsurers, on the other hand, are recorded as a separate line item in the statements of comprehensive income in accordance with the Company's reinsurance policy.

<u>Fair Value Measurement</u>
The Company measures its debt and equity instruments classified as AFS financial assets and financial assets at FVPL at the end of each reporting period. Fair value is the price that would be received in the sale of an asset or the price 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 by 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 - based on quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly.
Level 3 - based on 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.

The Company's management determines the policies and procedures for both the recurring fair value measurement and for non-recurring measurement. At each reporting date, the management analyses the movement in the value of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policy. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

Derecognition of Financial Instruments

Financial assets

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

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

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it 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. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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 repay.

Financial liabilities

Financial liabilities are derecognized when the obligation under the liability is discharged or cancelled, or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Offsetting of Financial Instruments

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

Impairment of Financial Assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through direct write off or through the use of an allowance and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been realized.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other income in profit or loss.

AFS financial assets carried at fair value

For AFS financial assets, the Company assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

Impairments are recorded when an issuer fails to make interest and/or principal payments ("payment default") or if, based on an evaluation of all relevant available current evidence, it is likely that the issuer is unlikely to pay (more than 50% chance) interest and/or principal payments when due under the terms of the instrument.

If an AFS financial asset is impaired, the amount of cumulative loss that is removed from equity and recognized in net profit is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in net profit. The fact that the impairment amount is measured using current fair value means that it reflects both adverse changes in the interest rate environment and any deterioration of the asset's credit quality. Accordingly, the impairment charge also reflects both the interest risk and credit risk components of the impairment. As of December 31, 2020 and 2019, the Company only has AFS debt instruments.

If in subsequent period, the amount of impairment loss relating to debt instrument carried as AFS decreases due to an event occurring after the impairment was originally recognized, the previously recognised impairment loss is reversed through profit and loss

Impairment of AFS debt securities are assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of investment income. Impairment losses on debt instruments are reversed through profit or loss if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognized in the profit or loss.

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

Prepayments
Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as these are consumed in operations or expire with the passage of time depending on the terms of the related agreements, if covered by a contract.

Property and Equipment
Property and equipment are measured at cost less any subsequent accumulated depreciation, amortization and impairment losses. The cost of an asset consists of its purchase price, restoration cost and costs directly attributable to bringing the asset to its working condition for its intended use.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Depreciation and amortization are computed using straight-line method over the estimated useful live (EUL) of the assets. Leasehold improvements are amortized over the term of the lease or the EUL of five (5) years of the improvement, whichever is shorter. The EUL of the different categories of property and equipment are as follows:

	Years
Motor vehicles	5
Electronic data processing equipment	3
Office equipment	3
Furniture and fixtures	3

The useful life and depreciation and amortization methods are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from these assets.

An item of property and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognized in the profit or loss.

Intangible Assets
Intangible assets are carried at cost less accumulated amortization and impairment in value, if any. Intangible assets, consisting mainly of access rights, and software (not an integral part of its related hardware), are capitalized at cost. These costs are amortized on a straight-line basis over their estimated useful lives ranging from three (3) to fifteen (15) years. Periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier when an indicator of impairment exists.

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

Impairment of Non-financial Assets
Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated formally by the Company. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value, less costs to dispose, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated.
A previously recognized impairment loss on an asset is reversed only if there has been a change in the estimate used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation and amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Insurance Contract Liabilities
Life insurance contract liabilities
Life insurance contract liabilities represent the accumulated total liability for policies in force as of the reporting date. Such reserves are established at amounts adequate to meet the estimated future obligations of all life insurance policies in force. These are recognized when the contracts are entered into and the premiums are recognized. The provision for life insurance contracts, other than investment linked contracts, is calculated on the basis of a prudent prospective actuarial valuation method where the assumptions used depend on the circumstances prevailing at the valuation date.

Assumptions and actuarial valuation methods are also subject to provisions of the Insurance Code (the Code) and guidelines set by IC under Circular Letter No. 2016-66 (Valuation of Life Insurance Policy Reserves).

For investment linked contracts, contract liabilities are directly linked to the underlying investment assets, which are portfolios maintained to meet specific investment objectives of policyholders who generally bear the credit and market risks on those investments. The liabilities are carried at fair value determined with reference to the accumulation value (current unit value). The costs of asset management fee inclusive of applicable taxes assessed against customers' account balances are presented in the profit or loss as part of "Management fee income".

Life insurance contract with fixed and guaranteed terms
A liability for contractual benefits that are expected to be incurred in the future is recorded under "Insurance contract liabilities" in the statement of financial position when the premiums are recognized. The liability is determined as the expected discounted value of the benefit payments and expenses less the expected discounted value of the gross premiums based on the best estimate assumptions with provision for adverse deviations.

The liability is based on mortality, morbidity, lapse and expense assumptions with due regard to the company's recent experience studies. However, liabilities for contractual benefits are computed to comply with statutory requirements, which require discount rates to be compliant with the approved rate issued by IC. Reserves are computed on a seriatim basis and depend on the issue age and policy duration.

<u>Unit-linked insurance contracts</u>
The Company issues unit-linked insurance contracts. In addition to providing life insurance coverage, a unit-linked contract links payment to units of internal investment funds (unit-linked funds) set up by the Company with the consideration received from the policyholders. As allowed by PFRS 4, the Company chose not to unbundle the investment portion of its unit-linked products.

Premiums received from the issuance of unit-linked insurance contracts are recognized as premium revenue. These are separated to fund assets from which the Company withdraws administrative and cost of insurance charges in accordance with the policy provisions of the unit-linked insurance contracts. After deduction of these charges together with applicable surrender fees, the remaining amounts in the fund assets are equal to the surrender value of the unit-linked policies, and could be withdrawn anytime.

The assets and liabilities of the unit-linked funds have been segregated and reflected in "Assets held to cover unit-linked liabilities" and "Unit-linked liabilities" in the statement of financial position. Income or loss arising from the unit-linked funds are classified under "Fair value gain (loss) on FVPL and assets held to cover unit-linked liabilities" in the profit or loss.
Investments under assets held to cover unit-linked liabilities are valued at market price. Changes in the assets held to cover unit-linked liabilities due to investment earnings or market value fluctuations result to the same corresponding change in the unit-linked liabilities. Such changes in fund value are presented as part of "Fair value gain (loss) on FVPL and assets held to cover unit-linked liabilities" in the Company's profit or loss. As of end of the reporting period, unit-linked liabilities are computed on the basis of the number of units allocated to the policyholders multiplied by the unit price of the underlying funds.

The account value of each unit-linked policyholder in the fund is monitored through the designation of outstanding units for each policy. Hence, the account value of each unit-linked insurance contract in the fund is equal to the 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 the total number of outstanding units.

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

Additional paid-in capital
When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account.

Contributed surplus
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.

Contingency surplus
Contingency surplus represents contributions of the stockholders to cover any unexpected deficiency in the Margin of Solvency (MOS) as required under the Code.
Deficit
Deficit represent accumulated net losses of the Company.

<u>Revenue Recognition (within the scope of PFRS 15)</u>
Upon adoption of PFRS 15, revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The following specific recognition criteria must also be met before income is recognized:

Management fee income
Unit-linked funds are charged for fund management and administration. These fees are recognized as revenue in the period in which the performance obligation of pooling together into a fund by the Company's designated fund manager of the investment portion of premium payments of policyholders based on its respective insurance contracts, and deduction of the management fees from the policyholders' premium payments are simultaneously completed.

Other income
Other income is recognized in the profit or loss as it is earned.

<u>Revenue Recognition (outside the scope of PFRS 15)</u>
Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

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

Interest income
Investment income which pertains to interest income is recognized in profit or loss as it accrues, taking into account the effective yield of the asset. Interest income includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated using the effective interest rate.

Reinsurance allowance
Reinsurance allowance due from the reinsurer is computed based on the quota share that was agreed upon by the Company and its reinsurer, including any reinsurance recovery, profit share, loss carried forward balances and interest. This is recorded as income in accordance with the Company's reinsurance policy.

<u>Benefits and Expenses</u>
Expenses, in general, are recognized in the profit or loss in the period these are incurred.

Benefits and claims
Life insurance benefit claims reflect the cost of all claims arising during the year. Death claims and surrenders are recorded on the basis of notifications received. Benefits recorded are then accrued as liabilities.

For unpaid benefits, a provision is made for the estimated cost of all claims but not settled at the reporting date, net of reinsurance recoveries, using the information available at the time. Provision is also made for the cost of claims incurred but not reported (IBNR) until after the reporting date based on the Company's experience and historical data. These actual claims are those reported immediately following the reporting date, whether paid or unpaid, but wherein the date of loss occurred on or before the reporting date.

General and administrative expenses
General and administrative expenses are costs attributable to administrative and other business activities of the Company. These are recognized as expense in the period these are incurred.

Commission and agency related expenses
Commission and agency related expenses are charged against operations when the insurance contracts are entered into and related premiums are recognized. Commissions are paid to agents and financial executives for selling individual and group policies. Rates applied on collected premiums vary depending on the type of product and payment terms, and policy year of the contract.

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

Right-of-use assets
The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the lease term.

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of non-financial assets.

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 remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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 that are considered of low value. 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.

<u>Foreign Currency-denominated Exchange Transactions and Translations</u>
Transactions in currencies other than Philippine Peso are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rate prevailing at the end of each reporting period. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rate prevailing at the date the fair value was determined. Gains and losses arising on retranslation are included in profit or loss for the year.

Nonmonetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of transaction and are not subsequently restated.

Foreign exchange gains or losses are considered as taxable income or deductible expense, respectively, only upon realization.

<u>Income Tax</u>
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carry forward of NOLCO can be utilized.

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

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

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

Movements in the deferred tax assets and liabilities arising from changes in the rates are charged or credited to profit or loss for the period.

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

<u>Provisions and Contingencies</u>
A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Where the Company expects a provision to be reimbursed, for example under an insurance contract held, the reimbursement is recognized as a separate asset only when the reimbursement is probable. The Company recognizes a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract. Provision are reviewed at each reporting date and adjusted to reflect the current best estimates.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the expected future expenditures required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit or loss.

Contingencies are disclosed if material and if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event, but either a payment is not probable or the amount cannot be reliably estimated.

<u>Related Party Transactions</u>
A related party transaction is a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

<u>Employee Benefits</u>
Long-term employee incentives
Certain employees of the Company are eligible for long-term incentives based on the duration of their service to the Company as defined in their employment contracts. The Company is liable to make such payments in the event that the employee meets the circumstances specified in those employment contracts. Long-term employee benefits are recognized when the services are rendered and the measurement of the obligation reflects the probability that payment will be required and the length of time for which payment is expected to be made.

Short-term employee benefits
Short-term employee benefits include items such as salaries and wages, social security contributions, incentives and nonmonetary benefits, that are expected to be settled wholly within twelve months after the end of the reporting period in which the employees rendered the related services. Short-term employee benefits are recognized as expense as incurred. When an employee has rendered service to the Company during the reporting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability (accrued expense), after deducting any amount already paid.

Share-based compensation
FWD Group Management Holdings Pte. Ltd., (hereinafter referred to as “FWD Group”), an affiliate of the Company, offers a share-option award plan for the Company’s certain key employees as part of a compensation plan aligned with services provided in achieving shareholder value targets. This share-based compensation plan is an equity-settled plan and the compensation expense being re-charged by FWD Group to the Company is based on the fair value of the shares granted, the vesting period and the vesting conditions. The cost of the plans is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in the Company’s equity as reserve.

At each period end, FWD Group assesses the number of shares and share-options that are expected to vest from those so far granted. Any impact arising from revisions to original estimates is recognised in profit or loss with a corresponding adjustment to equity. Where awards of share-based payment arrangements have graded vesting terms, each tranche is recognised as a separate award, and the fair value of each tranche is recognised over the applicable vesting period.

FWD Group estimates the fair value of share options using the Black-Scholes model and an assessment of performance of conditions (internal rate of return or IRR achievement) to calculate the fair value of the share-option awards, taking into account the terms and conditions upon which the awards were granted.

Pension obligation
The Company operates a funded, defined contribution (DC) plan, which requires contributions to be made to a separately administered fund. Under its DC plan, the Company pays fixed contributions based on the employees‘ monthly salaries. The Company, however, is covered under Republic Act (RA) No. 7641, The Philippine Retirement Law, which provides for its qualified employees a defined benefit (DB) minimum guarantee. The DB minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA 7641.

Accordingly, the Company accounts for its retirement obligation at each reporting date under the higher of the DB obligation relating to the minimum guarantee and the sum of DC liability and the present value of the excess of the projected DB obligation over projected DC obligation.

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

The net defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate) less the fair value of plan assets out of which the obligations are to be settled directly. Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to creditors of the Company nor can they be paid directly to the Company. Fair value is based on market price information and, in the case of quoted securities, it is the published bid price. The value of any net defined benefit asset is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment or the date that the Company recognizes related restructuring costs or termination benefits.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Remeasurements, comprising actuarial gains and losses and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Events after the Reporting Date

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

3. Significant Accounting Judgments, Estimates and Assumptions

The Company makes judgments, estimates and assumptions that affect the reported amounts of assets and liabilities. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the financial statements of the Company.

Product classification

The Company has determined that the traditional and unit-linked insurance policies (that link the payments on the contract to units of insurance investment fund) have significant insurance risk and, therefore meet the definition of an insurance contract and should be accounted for as such.

Recognition of income taxes

Significant management judgment on the future tax treatment of certain transactions is required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account developments in tax laws. Tax laws evolve over time, and in some cases taxation positions are uncertain because the tax laws are subject to varied interpretation. When this is the case, management seeks to adopt a supportable and prudent tax treatment after consultation with professional tax advisers. However, as judicial and non-judicial interpretations develop, these taxation positions may change in the future.

Impairment of nonfinancial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

There were no impairment indicators identified on the Company's property and equipment, right-of use-asset and intangible assets as of December 31, 2020 and 2019. The carrying values of property and equipment, right-of-use assets, intangible assets, and prepaid assets under other assets are disclosed in Notes 7, 8, 9, and 11, respectively.

Determination of lease term of contracts with renewal and termination options - Company as a lessee

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

Refer to Note 8 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

Share-based compensation - share-option award plan

FWD Group has adopted a share-option award plan to retain, motivate and align the interests of eligible officers of the Company. This share-based compensation plan is accounted for as equity-settled plans under which share-options are awarded.

FWD Group estimates the fair value of share options using the Black-Scholes model and an assessment of performance of conditions (IRR achievement) to calculate the fair value of the share-option awards, taking into account the terms and conditions upon which the awards were granted.

FWD Group determines the fair value of share options by following inputs:

- Dividend yield
- Expected share price volatility
- Risk-free interest rate
- Expected life of the share options
- Appraisal value per share, using the same valuation methodology as is used in the share award plan

The judgments exercised in the determination of share-option fair value and the assessment of IRR achievement affect the amounts recognised in the financial statements as share-based payment expense and share-based payment reserve.

Estimates and Assumptions

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

Claims liability arising from insurance contracts

The components of the claims liability (claims due and unpaid, claims in course of settlement, resisted claims, and IBNR) are based on the company's claims inventory report. In 2020, the company shifted its IBNR methodology to using Claims Development method wherein projected ultimate claims are computed based on actual reported claims. Prior to this, estimates of IBNR are made as to the expected number of deaths, illnesses and injuries for each of the years in which the Company is exposed to risk..

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments. The carrying value of the claims liabilities amounted to ₱334.97 million and ₱142.54 million as of December 31, 2020 and 2019, respectively (see Note 12).

Estimation of allowance for impairment losses

The Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts.

These factors include, but are not limited to, the length of the Company's relationship with the debtors, the debtor's payment behaviour and known market factors. The Company reviews the age and status of receivables and identifies accounts that are to be provided with allowance on a continuous basis.

In addition to specific allowance against individually significant loans and receivables, the Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the internal rating of the loan or investment since it was granted or acquired.

Allowance for doubtful accounts amounted to ₱20.00 million and ₱4.09 million as of December 31, 2020 and 2019, respectively (see Note 11). The carrying value of loans and deposits amounted to ₱124.67 million and ₱54.65 million as of December 31, 2020 and 2019, respectively (see Note 5). The carrying value of insurance receivables under 'Other Assets' amounted to ₱198.79 million and ₱176.83 million as of December 31, 2020 and 2019, respectively (see Note 11). The carrying value of accounts receivable under 'Other Assets' amounted to ₱30.04 million and ₱29.30 million as of December 31, 2020 and 2019, respectively (see Note 11).

Estimated useful lives of property and equipment and intangible assets and prepaid assets

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

The depreciable amount of intangible assets and prepaid assets are allocated on a systematic basis over their useful lives. The amortization method shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the Company. These methods include the straight-line method and the unit of production method (UOP). On the other hand, software (not an integral part of its related hardware) which is included as part of intangible assets, are capitalized at cost and amortized over their estimated useful lives of three (3) years.

In this regard, UOP method of amortization which is based on quantifiable and reliable source (Actual over Target production) will be used for the subsequent measurements of the prepaid Expense asset, while intangible assets will be amortized using a straight-line method on its economic life of fifteen (15) years.

As of December 31, 2020 and 2019, the carrying values of property and equipment amounted to ₱153.88 million and ₱177.22 million, respectively (see Note 7), the carrying values of intangible assets amounted to ₱251.60 million and ₱263.38 million, respectively (see Note 9) and the carrying values of prepaid assets under other assets amounted to ₱808.07 million and ₱990.95 million, respectively (see Note 11).

Leases - Estimating the incremental borrowing rate

When the Company cannot readily determine the interest rate implicit in the lease, 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 entities 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 entity'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 entity's stand-alone credit rating).

The Company's lease liabilities under other payables amounted to ₱322.00 million and ₱297.81 million as of December 31, 2020 and 2019, respectively (see Note 8).

Employee benefits

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

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

While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligation. All assumptions are reviewed at each reporting date.

As of December 31, 2020 and 2019, the carrying amount of retirement obligation amounted to ₱9.14 million and ₱14.91 million, respectively (see Note 21).

Deferred tax assets
Deferred tax assets are computed for all deductible temporary difference to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The Company did not recognize deferred tax assets on NOLCO as of December 31, 2020 and 2019 since management believes that the benefits will not be realized prior to their expiry dates.

As of December 31, 2020 and 2019, the Company recognized accumulated deferred tax assets on minimum corporate income (MCIT) amounting to ₱103.19 million and ₱55.29 million, respectively (see Note 23).

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

4. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	**₱1,943,252**	₱2,018,540
Cash in banks	**1,204,212,188**	575,506,599
Cash equivalents	–	285,500,000
	₱1,206,155,440	₱863,025,139

Cash in banks earn annual interest at the prevailing bank deposit rates ranging from 0.125% to 5.0% in 2020 and from 0.10% to 2.50% in 2019. Cash equivalents are made for varying periods not exceeding three (3) months depending on the immediate cash requirements of the Company and earn annual interest at the prevailing short-term deposit rates ranging from 0.13% to 3.25% in 2020 and from 0.25% to 6.13% in 2019.

Interest income earned on cash and cash equivalents in 2020 and 2019 amounted to ₱5.51 million and ₱10.42 million, respectively (see Note 16). Interest accrued on cash and cash equivalents amounted to nil and ₱0.53 million as of December 31, 2020 and 2019, respectively (see Note 11).

5. Financial Assets

The Company's financial assets (other than receivables under other assets) are summarized as follows:

	2020	2019 (As restated – Note 2)
AFS financial assets	**₱1,424,570,711**	₱810,377,017
Financial assets at FVPL (Note 6)	**263,039,143**	252,663,473
Assets held to cover unit-linked liabilities (Note 6)	**23,690,049,945**	15,874,283,525
Loans and deposits	**124,667,298**	54,645,052
	₱25,502,327,097	₱16,991,969,067

AFS financial assets
This account consists of:

	At Amortized Cost		At Fair value	
	2020	2019	**2020**	2019
Government debt securities	**₱1,265,016,637**	₱720,210,169	**₱1,281,214,702**	₱723,189,774
Corporate debt securities	**144,082,944**	88,336,194	**143,356,009**	87,187,243
	₱1,409,099,581	₱808,546,363	**₱1,424,570,711**	₱810,377,017

Movements in AFS financial assets follow:

	2020	2019
At January 1	**₱810,377,017**	₱842,596,760
Additions	**1,119,144,825**	125,652,933
Disposals/maturities	**(514,055,071)**	(206,114,000)
Fair value gains (losses)	**13,640,476**	50,273,388
Amortization of discount	**(4,536,536)**	(2,032,064)
At December 31	**₱1,424,570,711**	₱810,377,017

AFS debt securities bear annual interest ranging from 2.38% to 6.80% in 2020 and 3.38% to 6.80% 2019. Interest earned amounted to ₱37.11 million and ₱32.83 million in 2020 and 2019, respectively (see Note 16). Interest accrued amounted to ₱9.63 million and ₱6.85 million as of December 31, 2020 and 2019, respectively (see Note 11).

As of December 31, 2020 and 2019, AFS financial assets amounting to ₱250.00 million are deposited with the IC in accordance with the provisions of the Code as security for the benefit of policyholders and creditors of the Company.

The rollforward analyses of unrealized fair value gain on AFS financial assets follow:

	2020	2019
At January 1	**₱1,830,654**	(₱48,442,734)
Unrealized fair value gain	**13,640,476**	50,273,388
At December 31	**₱15,471,130**	₱1,830,654

"Unrealized fair value gain on AFS financial assets" pertains to the difference between the amortized cost and fair value of AFS debt securities.

Loans and deposits
This account consists of:

	2020	2019 (As restated – Note 2)
Receivable from VUL funds	**₱75,601,799**	₱20,487,486
Agency loans	**33,483,790**	17,279,806
Employee loans	**14,621,016**	16,877,760
Policy loans	**960,693**	–
	₱124,667,298	₱54,645,052

Receivable from VUL funds consist of uncollected proceeds from surrenders and withdrawals of cost of insurance (COI) and cost of rider (COR).

Agency loans are interest-bearing loans granted to agents and settled through deduction against agency compensation and with interest of 6% per annum. Interest income earned on agency loans amounted to ₱0.68 million and ₱1.33 million in 2020 and 2019, respectively.

Employee loans and advances are non-interest bearing and are settled through payroll deductions.

Policy loans bearing interest of 8% per annum are those granted by the Company as a loan to policyholders in an amount no greater than the cash value of the policy.

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

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets measured at fair value:				
AFS financial assets	**₱1,424,570,711**	**₱–**	**₱–**	**₱1,424,570,711**
Financial assets at FVPL (Note 6)	**263,039,143**	**–**	**–**	**263,039,143**
Assets held to cover unit-linked liabilities (Note 6)	**23,690,049,945**	**–**	**–**	**23,690,049,945**
	₱25,377,659,799	**₱–**	**₱–**	**₱25,377,659,799**

	2019			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
AFS financial assets	₱810,377,017	₱–	₱–	₱810,377,017
Financial assets at FVPL (Note 7)	252,663,473	–	–	252,663,473
Assets held to cover unit-linked liabilities (Note 7)	15,874,283,525	–	–	15,874,283,525
	₱16,937,324,015	₱–	₱–	₱16,937,324,015

As of December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

6. Unit-Linked Funds

The total unit-linked funds of the Company are allocated as follows:

BPI Funds

	2020			
	Balanced Fund	**Equity Fund**	**Fixed Income**	**Total**
Financial assets at FVPL (Note 5)	**₱90,547,100**	**₱–**	**₱96,812,450**	**₱187,359,550**
Assets held to cover unit-linked liabilities (Note 5)	**881,088,618**	**3,302,186,033**	**288,558,963**	**4,471,833,614**
	₱971,635,718	**₱3,302,186,033**	**₱385,371,413**	**₱4,659,193,164**

SBC Funds

	2020					
	FWD Peso Stable Fund	**FWD Peso Bond Fund**	**FWD Peso Growth Fund**	**FWD Peso High Dividend Equity**	**FWD Equity Index Fund**	**Total**
Financial assets at FVPL (Note 5)	**₱–**	**₱–**	**₱–**	**₱–**	**₱43,971,500**	**₱43,971,500**
Assets held to cover unit-linked liabilities (Note 5)	**1,081,292,332**	**1,030,520,632**	**5,754,216,776**	**3,790,397,102**	**3,877,329,415**	**15,533,756,257**
	₱1,081,292,332	**₱1,030,520,632**	**₱5,754,216,776**	**₱3,790,397,102**	**₱3,921,300,915**	**₱15,577,727,757**

HSBC Fund

	2020
	FWD Global Dollar Equity Index Fund
Financial assets at FVPL (Note 5)	**₱31,708,093**
Assets held to cover unit-linked liabilities (Note 5)	**3,684,460,074**
	₱3,716,168,167

BPI Funds

	2019			
	Balanced Fund	Equity Fund	Fixed Income	Total
Financial assets at FVPL (Note 5)	₱85,289,000	₱–	₱89,573,000	₱174,862,000
Assets held to cover unit-linked liabilities (Note 5)	602,072,234	2,436,660,924	204,562,485	3,243,295,643
	₱687,361,234	₱2,436,660,924	₱294,135,485	₱3,418,157,643

SBC Funds

	2019					
	FWD Peso Stable Fund	FWD Peso Bond Fund	FWD Peso Growth Fund	FWD Peso High Dividend Equity	FWD Equity Index Fund	Total
Financial assets at FVPL (Note 5)	₱–	₱–	₱–	₱–	₱48,357,500	₱48,357,500
Assets held to cover unit-linked liabilities (Note 5)	810,882,775	570,416,442	4,687,561,830	2,891,409,102	1,498,621,849	10,458,891,998
	₱810,882,775	₱570,416,442	₱4,687,561,830	₱2,891,409,102	₱1,546,979,349	₱10,507,249,498

HSBC Fund

	2019 FWD Global Dollar Equity Index Fund
Financial assets at FVPL (Note 5)	₱29,443,973
Assets held to cover unit-linked liabilities (Note 5)	2,172,095,884
	₱2,201,539,857

The unit-linked funds' net asset values consist of the following:

	2020			
BPI Funds	**Balanced Fund**	**Equity Fund**	**Fixed Income**	**TOTAL**
Asset				
Cash and cash equivalents	**₱19,426,069**	**₱109,003,395**	**₱4,402,462**	**₱132,831,926**
Debt securities	**689,331,549**	**-**	**377,224,512**	**1,066,556,061**
Equity securities	**256,183,030**	**3,214,010,935**	**-**	**3,470,193,965**
Accrued income	**7,558,833**	**1,579,275**	**3,826,637**	**12,964,745**
Other receivables	**6,963,992**	**28,704,879**	**819,609**	**36,488,480**
Total Assets	**979,463,473**	**3,353,298,484**	**386,273,220**	**4,719,035,177**
Liabilities				
Amounts payable on redemption of units	**5,216,814**	**40,310,513**	**60,561**	**45,587,888**
Other payables	**2,610,941**	**10,801,938**	**841,246**	**14,254,125**
Total Liabilities	**7,827,755**	**51,112,451**	**901,807**	**59,842,013**
Net Asset Value	**₱971,635,718**	**₱3,302,186,033**	**₱385,371,413**	**₱4,659,193,164**

	2020					
SBC Funds	**FWD Peso Stable Fund**	**FWD Peso Bond Fund**	**FWD Peso Growth Fund**	**FWD Peso High Dividend Equity**	**FWD Equity Index Fund**	**TOTAL**
ASSET						
Cash and cash equivalents	**₱–**	**₱–**	**₱–**	**₱–**	**₱246,081,798**	**₱246,081,798**
Other investments - feeder fund	**1,078,177,600**	**1,029,876,839**	**5,745,124,249**	**3,777,780,822**	**–**	**11,630,959,510**
Equity securities	**–**	**–**	**–**	**–**	**3,785,263,008**	**3,785,263,008**
Accrued income	**–**	**–**	**–**	**–**	**1,615**	**1,615**
Other receivables	**5,547,568**	**1,871,649**	**20,039,336**	**20,249,620**	**140,267,618**	**187,975,791**
Total Assets	**₱1,083,725,168**	**₱1,031,748,488**	**₱5,765,163,585**	**₱3,798,030,442**	**4,171,614,039**	**15,850,281,722**
Liabilities						
Amounts payable on redemption of units	**1,561,764**	**187,426**	**5,378,803**	**3,685,456**	**4,311,906**	**15,125,355**
Other payables	**871,072**	**1,040,430**	**5,568,006**	**3,947,884**	**246,001,218**	**257,428,610**
Total Liabilities	**2,432,836**	**1,227,856**	**10,946,809**	**7,633,340**	**250,313,124**	**272,553,965**
Net Asset Value	**₱1,081,292,332**	**₱1,030,520,632**	**₱5,754,216,776**	**₱3,790,397,102**	**₱3,921,300,915**	**₱15,577,727,757**

	2020 **FWD Global Dollar Equity Index Fund**
Dollar Equity Funds	
Asset	
Cash and cash equivalents	**₱36,572,695**
Other investments - feeder fund	**3,705,378,937**
Other receivables	**29,566,151**
Total Assets	**3,771,517,783**
Liabilities	
Amounts payable on redemption of units	**49,427,338**
Other payables	**5,922,278**
Total Liabilities	**55,349,616**
Net Asset Value	**₱3,716,168,167**

	2019			
BPI Funds	Balanced Fund	Equity Fund	Fixed Income	TOTAL
Asset				
Cash and cash equivalents	₱11,873,030	₱112,480,809	₱3,745,548	₱128,099,387
Debt securities	525,871,856	–	281,602,971	807,474,827
Equity securities	130,453,814	2,344,066,516	–	2,474,520,330
Accrued income	7,503,469	1,196,162	3,723,919	12,423,550
Other receivables	14,116,404	13,453,010	5,921,710	33,491,124
Total Assets	689,818,573	2,471,196,497	294,994,148	3,456,009,218
Liabilities				
Amounts payable on redemption of units	304,772	26,888,673	22,651	27,216,096
Other payables	2,152,567	7,646,900	836,012	10,635,479
Total Liabilities	2,457,339	34,535,573	858,663	37,851,575
Net Asset Value	₱687,361,234	2,436,660,924	294,135,485	₱3,418,157,643

	2019					
SBC Funds	FWD Peso Stable Fund	FWD Peso Bond Fund	FWD Peso Growth Fund	FWD Peso High Dividend Equity	FWD Equity Index Fund	TOTAL
ASSET						
Cash and cash equivalents	₱–	₱–	₱–	₱–	₱30,129,408	₱30,129,408
Other investments - feeder fund	802,239,563	561,452,664	4,675,152,300	2,872,312,076	–	8,911,156,603
Equity securities	–	–	–	–	1,534,103,025	1,534,103,025
Accrued income	–	–	–	–	5,980	5,980
Other receivables	9,647,632	9,658,510	22,912,434	22,808,510	16,754,740	81,781,826
Total Assets	₱811,887,195	₱571,111,174	₱4,698,064,734	₱2,895,120,586	₱1,580,993,153	₱10,557,176,842
Liabilities						
Amounts payable on redemption of units	₱389,500	₱216,001	₱7,050,652	₱1,440,255	₱678,645	₱9,775,053
Other payables	614,920	478,733	3,452,252	2,271,229	33,335,158	40,152,292
Total Liabilities	1,004,420	694,734	10,502,904	3,711,484	34,013,803	49,927,345
Net Asset Value	₱810,882,775	₱570,416,440	₱4,687,561,830	₱2,891,409,102	₱1,546,979,350	₱10,507,249,498

	2019 FWD Global Dollar Equity Index Fund
Dollar Equity Funds	
Asset	
Cash and cash equivalents	₱11,661,288
Other investments - feeder fund	2,190,410,339
Other receivables	12,565,940
Total Assets	₱2,214,637,567
Liabilities	
Amounts payable on redemption of units	₱3,416,171
Other payables	9,681,539
Total Liabilities	13,097,710
Net Asset Value	₱2,201,539,857

The movements in the unit-linked fund's net assets follow:

	2020	2019
At January 1	**₱16,126,946,998**	₱10,723,507,881
Contributions	**10,068,552,688**	5,944,279,310
Redemptions	**(2,093,501,587)**	(1,155,682,517)
Fair value gain (loss)	**(148,909,011)**	614,842,324
At December 31	**₱23,953,089,088**	₱16,126,946,998

Investment in debt securities in the unit-linked funds bear an annual interest ranging from 2.63% to 15.00% in 2020 and 3.92% to 15.00% in 2019.

Financial assets at FVPL
Financial assets at FVPL represent the seed capital of the Company in its three (3) Peso VUL Funds and one (1) USD VUL Fund at initial amount of ₱220.00 million and USD0.50 million respectively.

Assets held to cover unit-linked liabilities represent policyholders' money invested into these funds.

Breakdown of the fair value gain (loss) pertaining to net income (loss) of unit-linked funds in 2020 and 2019 are as follow:

	2020	2019
Dividend income	**₱78,557,114**	₱49,000,589
Interest income	**57,177,716**	46,341,528
Unrealized gain (loss) on investments	**(53,461,681)**	647,640,030
Realized loss on investments	**(61,336,127)**	(4,609,227)
Total gain	**20,937,022**	738,372,920
Management fees	**(141,153,899)**	(113,833,872)
Other operating expenses	**(17,546,642)**	(376,215)
Total expenses	**(158,700,541)**	(114,210,087)
Net income (loss) before final tax	**(₱137,763,520)**	₱624,162,833
Provision for final tax	**(11,145,492)**	(9,320,509)
Net income (loss) after final tax	**(₱148,909,012)**	₱614,842,324

The breakdown of fair value gain (loss) pertaining to net income (loss) of unit-linked funds included in "Investment returns" and "Non-operating investment returns" follows:

	2020	2019
Investment returns (Note 16)	**(₱160,583,803)**	₱589,721,606
Non-operating investment returns (Note 17)	**11,674,791**	25,120,718
	(₱148,909,012)	₱614,842,324

7. Property and Equipment

The rollforward analysis of this account follow:

2020

	EDP Equipment	**Office Equipment**	**Motor Vehicles**	**Leasehold Improvements**	**Furniture and Fixtures**	**Total**
Cost						
At January 1	**₱225,920,437**	**₱20,868,415**	**₱8,582,895**	**₱245,193,882**	**₱34,090,783**	**₱534,656,412**
Additions	**37,861,815**	**200,786**	**–**	**19,814,179**	**2,415,303**	**60,292,083**
At December 31	**263,782,252**	**21,069,201**	**8,582,895**	**265,008,061**	**36,506,086**	**594,948,495**
Accumulated depreciation						
At January 1	**176,953,182**	**12,572,283**	**1,805,899**	**142,296,064**	**23,806,122**	**357,433,550**
Depreciation (Note 20)	**32,107,847**	**4,061,133**	**1,804,482**	**38,986,673**	**6,679,043**	**83,639,178**
At December 31	**209,061,029**	**16,633,416**	**3,610,381**	**181,282,737**	**30,485,165**	**441,072,728**
Net Book Values	**₱54,721,223**	**₱4,435,785**	**₱4,972,514**	**₱83,725,324**	**₱6,020,921**	**₱153,875,767**

2019

	EDP Equipment	Office Equipment	Motor Vehicles	Leasehold Improvements	Furniture and Fixtures	Construction in Progress	Total
Cost							
At January 1	₱188,036,430	₱11,389,540	₱11,347,725	₱218,326,041	₱28,544,680	₱253,666	457,898,082
Additions	37,884,007	9,478,875	4,948,000	26,614,175	5,546,103	–	84,471,160
Transfers	–	–	–	253,666	–	(253,666)	–
Disposals and exchanges	–	–	(7,712,830)	–	–	–	(7,712,830)
At December 31	225,920,437	20,868,415	8,582,895	245,193,882	34,090,783	–	534,656,412
Accumulated depreciation							
At January 1	150,215,563	8,349,884	7,003,496	100,962,647	15,677,838	–	282,209,428
Depreciation (Note 20)	26,737,619	4,222,399	1,813,618	41,333,417	8,128,284	–	82,235,337
Disposals and exchanges	–	–	(7,011,215)	–	–	–	(7,011,215)
At December 31	176,953,182	12,572,283	1,805,899	142,296,064	23,806,122	–	357,433,550
Net Book Value	₱48,967,255	₱8,296,132	₱6,776,996	₱102,897,818	₱10,284,661	₱–	₱177,222,862

The costs of fully depreciated property and equipment that are still being used as of December 31, 2020 and 2019 amounted to ₱260.13 million and ₱211.12 million, respectively.

In 2019, various property and equipment with carrying amount of ₱0.22 million were sold for ₱0.26 million resulting to a gain on disposal of₱0.04 million.

A motor vehicle with a carrying amount of ₱0.48 million and was assessed by the buyer with a trade-in value of ₱1.10 million was exchanged with cash payment difference for another vehicle with an acquisition cost of ₱4.95 million in 2019. Recognized gain on exchange of property and equipment amounted to ₱0.65 million in 2019.

8. Lease

Company as a lessee

The Company entered into commercial leases on certain offices for its head office and branches. These leases have terms ranging between one (1) to five (5) years with renewal terms included in some of these contracts. Certain lease contracts also include escalation clauses. Renewals are at the option of the Company. There are no restrictions placed upon the lessee by entering into these leases.

The Company had an existing five (5) year lease term agreement for its head office on the 19th Floor W Fifth Building, commencing on June 1, 2014 to May 31, 2019, renewable at the option of the Company subject to mutually agreeable terms by parties. The rental charges shall be subject to 6% escalation each year over the five-year term of the lease.

The Company exercised its renewal option on May 31, 2019, with the extended lease term to commence on June 1, 2019 to May 31, 2024. In addition, the Company started to lease an office space on the 9th Floor of W Fifth Building covering the period March 1, 2017 to February 28, 2022, renewable at the option of the Company subject to mutually agreeable terms by parties. The rental charges shall be subject to 6% escalation each year over the five-year term of the lease.

The Company also entered into lease agreements pertaining to its branch offices in the following locations, with terms ranging between one (1) to five (5) years with renewal terms included in some of these contracts. Some of the leases entered by the Company include parking spaces within the office buildings. Lease term of these parking spaces are usually parallel with the lease term of their counterpart office premises and have similar escalation rates. These, however, has separate parking rental rates from their counterpart office premises, and hence, accounted for separately.

The Company has also entered into leases contracts on various motor vehicles for use of qualified employees under the Company's executive car program, generally with a total lease term of five (5) years.

The Company has also entered into an expressway partnership agreement with Ayala Corporation, the concessionaire of Daang Hari-South Luzon Expressway Link Road Project, also known as the Muntinlupa-Cavite Expressway (MCX), which grants the Company, on an exclusive, non-transferrable, and revocable basis use of advertising space and all marketing rights and entitlements within MCX for a period of eight (8) years, subject to a renewal option of another 8 years to be mutually agreement by both parties.

The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options, which are further discussed below.

The Company also has certain leases of office premises and parking spaces with lease terms of 12 months or less and/or with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

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

	2020					
	Head Office & Branch Premises	**Parking Spaces**	**Office Equipment**	**Motor Vehicles**	**Advertising Spaces**	**Total**
Cost						
At January 1	**₱344,492,152**	**₱21,749,063**	**₱4,085,675**	**₱40,731,983**	**₱–**	**₱411,058,873**
Additions	**19,920,673**	**741,219**	**–**	**12,807,240**	**99,760,726**	**133,229,858**
Termination/expiration	**(7,877,656)**	**–**	**(3,098,867)**	**(3,459,807)**	**–**	**(14,436,330)**
At December 31	**356,535,169**	**22,490,282**	**986,808**	**50,079,416**	**99,760,726**	**529,852,401**
Accumulated amortization						
At January 1	**79,853,808**	**3,998,651**	**1,984,051**	**9,638,996**	**–**	**95,475,506**
Depreciation (Note 20)	**85,932,642**	**4,676,926**	**1,811,387**	**10,929,760**	**13,301,430**	**116,652,145**
Termination/expiration	**(3,635,074)**	**175,975**	**(3,098,867)**	**(3,459,807)**	**–**	**(10,017,773)**
At December 31	**162,151,376**	**8,851,552**	**696,571**	**17,108,949**	**13,301,430**	**202,109,879**
Net Book Values	**₱194,383,793**	**₱13,638,730**	**₱290,237**	**₱ 32,970,467**	**₱86,459,296**	**₱327,742,523**

	2019				
	Head Office & Branch Premises	Parking Spaces	Office Equipment	Motor Vehicles	Total
Cost					
At January 1	307,508,326	18,553,984	4,085,675	22,259,705	352,407,690
Additions	36,983,826	3,195,079	–	18,472,278	58,651,183
At December 31	344,492,152	21,749,063	4,085,675	40,731,983	411,058,873
Accumulated amortization					
At January 1	–	–	–	–	–
Depreciation (Note 20)	79,853,808	3,998,651	1,984,051	9,638,996	95,475,506
At December 31	79,853,808	3,998,651	1,984,051	9,638,996	95,475,506
Net Book Value	₱264,638,344	₱17,750,412	₱2,101,624	₱31,092,987	₱315,583,367

The following are the amounts recognized in statement of income:

	2020	2019
Depreciation expense of right-of-use assets (Note 20)	**₱116,652,145**	₱95,475,506
Interest expense on lease liabilities	**33,203,721**	23,062,258
Operating lease rentals considered 'short-term lease' and 'lease of low-value assets' (Note 20)	**2,150,424**	6,169,736
Total amount recognized in statement of income	**₱152,006,290**	₱124,707,500

The rollforward analysis of lease liabilities follows:

	2020	2019
At January 1	**₱297,811,860**	₱325,349,100
Additions	**134,304,798**	58,590,624
Interest expense	**33,203,721**	23,062,258
Payments	**(142,767,601)**	(109,190,122)
Termination/expiration	**(548,832)**	–
At December 31	**₱322,003,946**	₱297,811,860

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised (see Note 3).

Shown below is the maturity analysis of the undiscounted lease payments:

	2020	2019
Within one year	**₱134,414,072**	₱118,739,987
After one year but not more than five years	**218,914,417**	235,356,850
After five years but not more than ten years	**36,705,169**	–
	₱390,033,658	₱354,096,837

Rent concessions due to COVID-19

On May 28, 2020, the International Accounting Standards Board issued an Amendment to IFRS 16: *COVID-19-Related Rent Concessions*, which provides relief to lessees from assessing whether a rent concession related to COVID-19 is a lease modification. The Company has received rent concessions from its lessors as a result of the COVID-19 pandemic. Rent concessions include rent holidays and rent reductions.

According to the amendment, the practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

a. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b. Any reduction in lease payments affects only payments due on or before 30 June 2021; and
c. There is no substantive change to other terms and conditions of the lease.

Under this practical expedient, the impact of COVID-19-Related-Rent Concession is recognized through profit or loss. The gain on re-measurement of lease amounting to ₱0.93 million is reported as part of "Other income" under "Other operating revenue" in the statement of comprehensive income (see Note 18).

9. Intangible Assets

The rollforward analyses of this account as of December 31 follow:

	2020		
	SBC Access fee	**Software**	**Total**
Cost			
At January 1	**₱300,000,000**	**₱221,933,602**	**₱521,933,602**
Additions	**–**	**52,667,098**	**52,667,098**
At December 31	**300,000,000**	**274,600,700**	**574,600,700**
Accumulated Amortization			
At January 1	**100,000,000**	**158,552,541**	**258,552,541**
Amortization (Note 20)	**20,000,000**	**44,449,590**	**64,449,590**
At December 31	**120,000,000**	**203,002,131**	**323,002,131**
Net book values	**₱180,000,000**	**₱71,598,569**	**₱251,598,569**

	2019		
	SBC Access fee	Software	Total
Cost			
At January 1	₱300,000,000	₱178,172,881	₱478,172,881
Additions	–	43,760,721	43,760,721
At December 31	300,000,000	221,933,602	521,933,602
Accumulated Amortization			
At January 1	80,000,000	115,158,902	195,158,902
Amortization (Note 20)	20,000,000	43,393,639	63,393,639
At December 31	100,000,000	158,552,541	258,552,541
Net book values	₱200,000,000	₱63,381,061	₱263,381,061

SBC access fee pertains to the non-refundable portion of Exclusive Access Fees paid to SBC on January 22, 2015. This is not a direct compensation for the production, but rather a purchase of a right and amortized until the estimated economic life of DA which is fifteen (15) years. Amortization expense is reported under "Commission expense and commission-related expenses" in the statement of income (see Note 20).

10. Reinsurance Assets

This account consists of:

	2020	2019 (As restated – Note 2)
Reinsurance recoverable on paid losses	**₱216,838,004**	₱423,202,808
Ceded insurance and investment contracts	**29,137,037**	22,211,658
	₱245,975,041	₱445,414,466

Reinsurance recoverable on paid losses represents the amount recoverable from reinsurers under treaty agreements as their share in paid losses and loss adjustment expenses net of recoveries.

The ceded insurance and investment contracts can be broken further as follows:

	2020	2019
Reinsurer's share in legal policy reserves		
Unearned premium reserves from group life insurance contracts	**₱5,788,412**	₱3,900,377
Unearned premium reserves from unit-linked insurance contracts	**1,104,359**	1,104,048
Unearned premium reserves from individual life insurance contracts	**22,244,266**	17,207,233
	₱29,137,037	₱22,211,658

11. **Other Assets**

This account consists of:

	2020	2019 (As restated – Note 2)
Prepaid assets	**₱808,072,636**	₱990,953,914
Insurance receivables	**198,789,897**	176,831,033
Due from related parties (Note 22)	**54,243,916**	2,968,219
Deposits	**52,859,882**	42,701,942
Accrued income	**45,773,090**	36,672,815
Accounts receivable	**30,037,130**	29,298,771
Others	**26,680,840**	18,501
	₱1,216,457,391	₱1,279,445,195

Prepaid assets

The rollforward analysis of this account as of December 31 is as follow:

	2020				
	SBC Access fee	**Developmental fees**	**Prepaid Commission**	**Prepayments**	**Total**
Cost					
At January 1	**₱1,300,000,000**	**₱776,741,305**	**₱ 11,952,995**	**₱746,100,305**	**₱2,834,794,605**
Additions	**–**	**134,688,784**	**1,931,461**	**208,708,562**	**345,328,807**
At December 31	**1,300,000,000**	**911,430,089**	**13,884,456**	**954,808,867**	**3,180,123,412**
Accumulated amortization					
At January 1	**514,173,484**	**624,803,974**	**10,885,371**	**693,977,862**	**1,843,840,691**
Amortization	**153,759,511**	**134,329,093**	**1,336,815**	**238,784,666**	**528,210,085**
At December 31	**667,932,995**	**759,133,067**	**12,222,186**	**932,762,528**	**2,372,050,776**
Net Book Values	**₱632,067,005**	**₱152,297,022**	**₱1,662,270**	**₱22,046,339**	**₱808,072,636**

	2019				
	SBC Access fee	Developmental fees	Prepaid Commission	Prepayments	Total
Cost					
At January 1	₱1,300,000,000	₱678,015,312	₱6,372,789	₱487,041,753	₱2,471,429,854
Additions	–	152,737,777	5,580,206	259,058,552	417,376,535
Reclassifications		(61,110,723)			(61,110,723)
At December 31	1,300,000,000	769,642,366	11,952,995	746,100,305	2,827,695,666
Accumulated amortization					
At January 1	353,759,896	475,591,089	–	424,608,016	1,253,959,001
Amortization (Note 21)	160,413,588	203,224,669	10,885,371	269,369,846	643,893,474
Reclassifications	–	(54,011,784)			(54,011,784)
At December 31	514,173,484	624,803,974	10,885,371	693,977,862	1,843,840,691
Net Book Values	₱785,826,516	₱144,838,392	₱1,067,624	₱52,122,443	₱990,953,914

SBC access fee pertains to refundable portion of the Exclusive Access fees and the Initial Milestone fee stated in the Distribution Agreement (DA) between the Company and SBC, in case of early termination of the DA and non-achievement of the Annualized New Premium (ANP) targets stated in the DA. This is amortized based on UOP and presented under "Commission expense and commission-related expenses" in the profit or loss (see Note 20).

Prepaid developmental fees paid to agency leaders are to be used exclusively in building and maintaining an agency organization for the purpose of selling solely the Company's products. This is to be amortized based on the agents' contractual obligation to the Company as indicated in the agreement (see Note 25).

Failure to meet the contractual obligations indicated in the agreement, the Company is authorized by the agents to clawback the unamortized amount of prepaid development fees paid. This will be converted to receivable from the agent and will be reported as "Accounts receivable – net" under "Other assets" in the statements of financial position (see Note 5). Amortization expense is reported under "Commission expense and agency-related expenses" in the statements of income (see Note 20).

Prepaid commission pertains to fees deducted in advance by Distribution Partner when remitting premium collected in behalf of the Company. This will be amortized once the policy is issued and recorded as premium.

Prepayments consist mainly of software maintenance fee advances and license fees with terms over one (1) year.

Insurance receivables - net

This account consists of:

	2020	2019
Premiums due and uncollected	**₱179,947,630**	₱135,097,233
Premiums receivable	**34,495,721**	41,667,709
Receivable from switch fees	**259,549**	66,091
Insurance receivable from policyholders	**214,702,900**	176,831,033
Less: Allowance for doubtful accounts	**(15,913,003)**	–
	₱198,789,897	₱176,831,033

Premium due and uncollected - net pertains to premium earned, net of loadings, awaiting collection within the grace period from the date premium is due.

Premium receivable pertains to premiums of issued group insurance policies for remittance to the Company which is collected within a year.

Deposits

This account consists of:

	2020	2019
Rental and other deposits	**52,789,793**	₱42,631,853
Security fund	**70,089**	70,089
	₱52,859,882	₱42,701,942

Rental and other deposits include security and reservation deposits, and construction bonds. Security and reservation deposits were transacted by the Company with W Fifth Avenue, Inc. for its Head Office and various lessors for its branch offices. These rental deposits are refundable to the Company within (3) months following the expiry of their respective lease terms. Construction bonds are those refundable from contractors upon completion of construction period.

Security fund pertains to contribution of the Company to the Security Fund - Life Account as required by the Insurance Commission on all insurance companies authorized to do business in the Philippines.

Accrued income

This account consists of:

	2020	2019
Management fee accrual	**₱36,128,955**	₱29,294,475
Accrued income on:		
AFS financial assets (Note 5)	**9,625,642**	6,850,612
Policy loans (Note 5)	**18,493**	–
Cash and cash equivalents (Note 4)	**–**	527,728
	₱45,773,090	₱36,672,815

Management fee accrual pertains to unpaid fees relating to VUL funds of the Company and is accrued daily and collected from the BPI and SBC managed funds monthly and quarterly basis, respectively.

Accounts receivable - net

This account consists of:

	2020	2019
Receivable from agents	**₱26,516,650**	₱24,937,322
Employee advances	**6,296,650**	7,794,356
Creditable withholding tax	**1,310,287**	653,550
	34,123,587	33,385,228
Less: Allowance for doubtful accounts	**(4,086,457)**	(4,086,457)
	₱30,037,130	₱29,298,771

Receivable from agents includes amounts to be recovered from agents resulting from clawback of prepaid developmental fees paid for failure to meet the contractual obligations as stated in contract, and cost of lost tablets, cost of trainings and memberships.

Employee advances are non-interest bearing and are settled through payroll deductions.

Creditable withholding taxes represent taxes withheld from the Company by its life insurance clients and collection partners. The amount is fully realizable and could be applied against future income tax liability of the Company.

The rollforward analysis for allowance for doubtful accounts follow:

	2020	2019
At January 1	**₱4,086,457**	₱2,382,724
Provision for doubtful accounts arising from:		
Insurance receivables (Note 20)	**15,913,003**	–
Receivable from agents	**–**	1,703,733
At December 31	**₱19,999,460**	₱4,086,457

The Company provides for bad debts on insurance receivables and receivable from agents based on specific assessment of outstanding balances.

12. Insurance Contract Assets - net

This account consists of:

	2020	2019 (As restated – Note 2)
Legal policy reserves	**₱510,119,046**	₱822,332,421
Policy and contract claims reserve	**(334,967,427)**	(142,539,892)
Insurance contract assets - net	**₱175,151,619**	₱679,792,529

The movements during the year in policy and contract claims reserve are as follows:

	2020	2019
At January 1	**₱142,539,892**	**₱75,875,656**
Provision during the year	**192,427,535**	**66,664,236**
At December 31	**₱334,967,427**	**₱142,539,892**

Details of the legal policy reserves follow:

	2020	2019
Gross legal policy reserves		
Unearned premium reserves from group life insurance contracts	**₱97,110,975**	₱82,019,492
Unearned premium reserves from unit-linked insurance contracts	**23,022,183**	20,058,947
Unearned premium reserves from individual life insurance contracts	**52,913,505**	27,247,312
Gross premium reserves from individual life insurance contracts	**(683,165,709)**	(951,658,172)
Legal policy reserves	**(₱510,119,046)**	(₱822,332,421)

Details of gross legal policy reserves follow:

	2020	2019
Negative legal policy reserves	**(₱990,883,761)**	(₱999,489,899)
Positive legal policy reserves	**307,718,052**	47,831,727
	(683,165,709)	(951,658,172)
Unearned premium reserves	**173,046,663**	129,325,751
Gross legal policy reserves	**(₱510,119,046)**	(₱822,332,421)

The movements during the year in remeasurement gain (loss) on life insurance reserves follow:

	2020	2019
At January 1	**₱54,153,443**	₱24,571,713
Due to change in discount rates	**(426,625,843)**	29,581,730
At December 31	**(₱372,472,400)**	₱54,153,443

On December 28, 2016, Insurance Commission (IC) released Circular Letter No. 2016-66 on the Valuation Standards for the Life Insurance Policy Reserves which mandated the change in the basis of valuation of the life insurance policy reserves from Net Premium Valuation (NPV) to Gross Premium Valuation (GPV). The cumulative prior year impact of the changes, as well as any change in the assumptions under GPV computed is recognized in retained earnings except for the increase or decrease of the reserves brought about by change in discount rates which is recognized under "remeasurement gain and loss on legal policy reserves".

On January 1, 2017, the Company has adopted GPV in valuing its life insurance policy reserves and the valuation result in a negative reserve. The Company has appropriated from the unassigned surplus an amount equal to the aggregate of the negative reserves calculated on a per policy basis (Note 14).

The movement in negative legal policy reserves for 2020 can be attributed to the following: a) new issues and the aging of the in-force policies of the individual health products, and b) impact of the change in the IC-prescribed discount rates.

13. Other Payables

This account consist of:

	2020	2019 (As restated – Note 2)
Accrued expenses	**₱641,110,917**	₱644,804,248
Due to related parties (Note 22)	**612,994,196**	490,075,244
Accounts payable	**528,544,063**	335,353,647
Lease liabilities (Note 8)	**322,003,946**	297,811,860
Reinsurance payables	**108,957,476**	98,825,186
Tax payables	**59,137,679**	42,510,363
	₱2,272,748,277	₱1,909,380,548

Accrued expenses

This account consists of:

	2020	2019
Accruals for:		
Commission-related expenses	**₱414,534,446**	₱396,670,599
Employee incentives	**129,317,521**	162,271,181
Other accrued expenses	**97,258,950**	85,862,468
	₱641,110,917	₱644,804,248

Accrued commission-related expenses include agency and bancassurance channel-related sales expenses, such as commissions, bank fees, variable pay, bonuses and incentives. These are normally settled within one (1) year.

Accrued employee incentives include short-term incentives (STI) and long-term incentives (LTI) payable to Company's qualified employees, which is settled within one (1) year.

Other accrued expenses include accrual for utilities, information technology development costs, staff costs and various accruals.

Accounts payable

This account consists of:

	2020	2019
Unit-linked subscription payable	**₱278,372,308**	₱124,093,582
Premium received in advance	**113,959,184**	71,752,245
Insurance payables to policyholders	**93,044,839**	46,093,152
Agency payables	**10,829,617**	39,496,455
Supplier invoices	**7,619,727**	31,383,419
Others	**24,718,388**	22,534,794
	₱528,544,063	₱335,353,647

Reinsurance payables

Reinsurance payable pertains to premiums due to reinsurers which are non-interest bearing, amounting to ₱108.96 million and ₱98.83 million as of December 31, 2020 and 2019, respectively.

Taxes payable

This account consists of:

	2020	2019
Premium tax payable	**₱25,412,218**	₱7,574,389
Expanded withholding tax	**17,701,269**	20,068,799
Withholding VAT payable	**7,444,354**	7,470,404
Withholding tax on compensation	**7,029,502**	5,841,207
Documentary stamp tax payable	**539,960**	372,180
Final withholding tax	**11,707**	129,049
Other taxes	**998,669**	1,054,335
	₱59,137,679	₱42,510,363

Taxes payable are normally settled the following month after year-end.

14. Equity

Capital Stock

This account consists of common shares of stock as of December 31, 2020 and 2019 as follows:

Authorized - 5,000,000,000 shares, ₱1 par value	₱5,000,000,000
Issued and outstanding - 2,300,000,000 shares	2,300,000,000

There were no movements in Company's common share in 2020 and 2019.

Deficit
Life insurance companies shall value their policy reserves for life business at the end of each calendar year as required by IC pursuant to Sections 216 and 423 of the Amended Insurance Code (RA 10607), in accordance with valuation standards, which was implemented on January 1, 2017.

The reserves for traditional life insurance policies shall be valued, where appropriate, using gross premium valuation. However, should the calculation result in a negative reserve, the Company shall appropriate from the unassigned surplus an amount equal to the aggregate of the negative reserves calculated on per policy basis.

The movements of the Company's deficit follow:

	2020	2019
Deficit	**₱4,067,567,521**	₱4,413,269,843
Appropriation for negative reserves (Note 12)	**(990,883,761)**	(999,489,899)
Deficit after reserves	**₱3,076,683,760**	₱3,413,779,944

15. Net Insurance Premiums

This account consists of:

	2020	2019 (As restated – Note 2)
Premium revenue arising from contracts issued		
Unit-linked insurance contracts	**₱12,257,588,206**	₱8,339,460,254
Life insurance contracts	**1,521,790,363**	1,262,059,440
	13,779,378,569	9,601,519,694
Fee Income		
Unit-linked insurance contracts	**49,412,645**	20,675,658
Life insurance contracts	**179,301**	97,290
	49,591,946	20,772,948
Premium revenue ceded to reinsurers on contracts issued		
Unit-linked insurance contracts	**(41,048,809)**	(23,176,145)
Life insurance contracts	**(83,622,907)**	(57,077,184)
	(124,671,716)	(80,253,329)
Net insurance premiums and fees revenue	**₱13,704,298,799**	₱9,542,039,313

16. Investment Returns

This account consists of:

	2020	2019 (As restated – Note 2)
Interest income arising from:		
AFS financial assets	**₱37,105,337**	₱32,827,911
Cash and cash equivalents (Note 4)	**5,511,568**	10,423,975
Other financial receivables	**973,814**	–
	43,590,719	43,251,886
Net fair value (losses) gains of assets held to cover unit linked liabilities (Note 6)	**(160,583,803)**	589,721,606
	(₱116,993,084)	₱632,973,492

Interest income pertains to the interest earned on government and corporate debt securities, time deposits and short-term investments.

17. Non-Operating Investment Return

This account consists of:

	2020	2019 (As restated – Note 2)
Net foreign exchange losses		
Unrealized	**₱98,865,212**	₱62,624,501
Realized	**5,225,784**	621,043
	104,090,996	63,245,544
Net fair value losses (gains) of financial assets at FVTPL (Note 6)	**(11,674,791)**	(25,120,718)
	(₱92,416,205)	(₱38,124,826)

18. Other Operating Revenue

This account consists of:

	2020	2019 (As restated – Note 2)
Reinsurance allowance	**₱645,026,922**	₱669,780,410
Management fee income	**279,970,328**	219,839,993
Other income (Note 8)	**9,652,274**	1,345,764
	₱934,649,524	₱890,966,167

Reinsurance allowance
The Company entered into a modified coinsurance agreement with Munich Re (the Reinsurer) in October 2018. Under the agreement, the balance due shall be the Reinsurer's proportionate share on the benefits reinsured less the reinsurance allowance. If the balance is positive, the amount shall be due from the Company to the Reinsurer and shall be accounted for as reinsurance premium. If the balance is negative, the absolute value of that amount shall be due from the Reinsurer to the Company and shall be accounted for as reinsurance allowance.

Management fee income
Management fee income pertains to fees earned for managing the VUL funds.

Other Income
Other income pertains to sundry income, gain (loss) on re-measurement of lease liability and various re-charges for the reimbursement of expense incurred by the Company on behalf of other entities within the FWD Group such as travel expenses, salary of seconded employee and training.

19. Benefits and Claims

This account consists of:

	2020	2019 (As restated – Note 2)
Surrenders	**₱1,301,437,064**	₱759,662,267
Death and hospitalization benefits	**358,524,247**	252,846,433
Gross benefits and claims	**1,659,961,311**	1,012,508,700
Reinsurers' share on claims and benefits incurred	**(34,138,999)**	(18,564,620)
Net benefits and claims	**₱1,625,822,312**	₱993,944,080

20. Operating Expenses

General and administrative expenses

General and administrative expenses consist of:

	2020	2019 (As restated – Note 2)
Employee benefits	**₱930,482,949**	₱876,629,504
Depreciation (Notes 7 and 8)	**200,291,323**	177,710,844
Information technology expenses	**118,310,942**	169,935,034
Professional service fees	**68,278,689**	50,447,033
Marketing and advertising	**54,697,457**	125,084,745
Amortization (Note 9)	**44,449,590**	43,393,639
Operating lease rentals (Note 8)	**2,150,424**	6,169,736
Other operating expenses		
Group Office management fee (Note 22)	**396,127,232**	193,824,216
Office-related expenses	**62,836,490**	59,473,215

(Forward)

	2020	2019 (As restated – Note 2)
Bank service charges	**₱31,017,975**	₱24,729,783
Tax-related expenses	**29,513,663**	20,231,457
Doubtful accounts expense	**15,913,003**	–
Distribution-related expenses	**13,900,852**	38,534,230
Travel and entertainment	**13,124,541**	40,191,581
Courier charges	**10,686,242**	16,334,376
Printing and stationery	**7,997,714**	11,923,215
Other new business expenses	**1,110,881**	1,291,616
Others	**16,108,574**	11,489,489
	₱2,016,998,541	₱1,867,393,713

Employee benefits expenses consist of:

	2020	2019
Salaries and wages	**₱740,866,112**	₱678,980,586
Benefits and allowances	**160,943,809**	163,306,969
Directors' fees	**9,689,126**	3,600,000
Share-based payments	**18,983,902**	30,741,949
	₱930,482,949	₱876,629,504

Share-based payments
FWD Group operates share-option award plans that provides FWD Group Limited share-options to participants from the Company upon vesting. Eligible employees are granted share-option awards to reward service and the achievement of shareholder value targets. These awards are in the form of a contingent right to receive share-options or a conditional allocation of share-options. These share-option awards have vesting periods of up to three years and are at nil cost to the employee. Vesting of certain awards is conditional upon the employee being in active employment at the time of vesting. Each share-option grant has a 10-year exercise period and confers the right to the award holder to subscribe for an ordinary share of FWD Group Limited at a nominal exercise price of US$0.01.

The following table shows the movement of number of share-options under the award plans charged to the Company:

	2020	2019
At January 1	**13,913**	–
Granted	–	**20,913**
Vested	**(3,000)**	**(7,000)**
At December 31	**10,913**	**13,913**

FWD Group utilises an appraisal value methodology (embedded value plus a multiple of value of new business) and an assessment of performance conditions (IRR achievement) for calculation of share awards and the Black-Scholes model and an assessment of performance conditions (IRR achievement) for calculation of share-options, taking into account the terms and conditions upon which the awards were granted. The expected volatility reflects the assumption that historical volatility patterns continue, which may not be the actual outcome.

The expected life of the share options is derived from the output of the valuation model and is calculated based on an analysis of expected exercise behaviour of the Company's employees. Weighted average share price is determined by appraisal value per share.

The fair value calculated for share options is inherently subjective due to the assumptions made and the limitations of the model utilized.

	2020	2019
Risk-free interest rate (in %)	**0.02**	0.84
Volatility (in %)	**30.00**	30.00
Dividend yield (in %)	**–**	–
Expected life of share-options (in years)	**0.5**	1.5
Exercise price per share	**US$0.01**	US$0.01
Weighted average price per share	**104.42**	121.84

The total fair value of share-option awards granted for FWD Group Limited to the Company's employees amount to nil and US$2.4 million as of December 31, 2020 and 2019, respectively.

The total recognised share-based payments related to share-option award by the Group charged to the Company amounted to ₱18.98 million and ₱30.74 million in 2020 and 2019, respectively.

Commission and commission-related expenses

Commission expense and commission-related expenses consist of:

	2020	2019 (As restated – Note 2)
Commission expense	**₱1,101,418,839**	₱1,132,915,081
Override commission expense	**216,394,154**	227,763,639
Commission-related expenses (CRE)	**886,449,657**	936,421,194
Premium tax expense	**102,312,499**	81,363,621
Prepaid asset (Developmental fees) (Note 11)	**134,329,093**	203,224,669
Prepaid asset (SBC access fee) (Note 11)	**153,759,511**	160,413,588
Intangible asset (SBC access fee) (Note 9)	**20,000,000**	20,000,000
Distribution operation expenses	**13,754,756**	19,645,861
Provision for credit losses (Note 5)	**–**	1,703,736
	₱2,628,418,509	₱2,783,451,389

Commission-related expenses consist mainly of bonuses such as annual performance bonus and annual over-achievement bonus given to bancassurance agents, and incentives and allowances given to agents for the issuance of policy contracts (see Note 25).

Provision for credit losses amounting to nil and ₱1.70 million in 2020 and 2019, respectively, is based on specific assessment of outstanding balance of agent's receivable (see Note 11).

Distribution operation allowance represents expenses incurred by Agency and Bancassurance channel such as trainings, sales events and sales tool.

21. Employee Benefits

The Company has a funded, defined contribution plan, covering all employees from the start of the date of employment which requires contributions to be made to a separately administered retirement fund. The plan is effective January 1, 2016 and was approved by the Bureau of Internal Revenue (BIR) last May 3, 2017. Under the plan, the Company makes contributions on behalf of the employees, but it allows employees to participate in the plan by way of voluntary contributions.

Upon normal retirement, the employee shall be entitled to a lump sum benefit equal to the following:

1) One hundred percent (100%) of individual account balance in the defined benefit plan attributable to employee voluntary contributions as of the most recent valuation date prior to normal retirement date and adjusted for subsequent contributions, if any,
2) And the higher of:
   a) One hundred percent (100%) of individual account balance attributable to employer voluntary contributions as of the most recent valuation date prior to normal retirement date and adjusted for subsequent contributions, if any,
   b) One hundred percent (100%) of employee's monthly salary for every year of service or the minimum statutory requirement at the time of the employee's retirement whichever is higher.

The Company recognized pension expense relating to its defined benefit plan included in the statement of comprehensive income which consists of:

	2020	2019
Current service cost	**₱39,202,733**	₱ 40,246,382
Net interest expense	**700,634**	447,137
	₱39,903,367	₱40,693,519

As of December 31, 2020 and 2019, the carrying amount of retirement obligation as shown in the statement of financial position as "Retirement Liability" amounted to ₱9.14 million and ₱14.91 million, respectively.

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

	2020	2019
At January 1	**₱154,535,049**	₱93,382,520
Current service cost	**39,202,733**	40,246,382
Interest cost	**7,263,147**	7,283,837
Benefits paid	**(15,781,673)**	(2,876,078)
Remeasurement losses (gains)		
Changes in financial assumptions	**(5,116,539)**	7,781,507
Experience adjustment	**8,548,143**	8,769,472
Change in demographic assumptions	**–**	(52,591)
At December 31	**₱188,650,860**	₱154,535,049

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

	2020	2019
At January 1	**₱139,627,934**	₱87,649,995
Contributions	**35,606,213**	39,123,578
Interest income	**6,562,513**	6,836,700
Benefits paid	**(15,781,673)**	(2,876,078)
Remeasurement gains	**13,492,989**	8,893,739
At December 31	**₱179,507,976**	₱139,627,934

The rollforward analysis of remeasurement gain on pension obligation follows:

	2020	2019
At January 1	**₱13,041,231**	₱20,645,880
Actuarial gain on obligation		
Experience adjustment	**4,944,846**	124,267
Change in demographic assumptions	–	52,591
Change in financial assumptions	**5,116,539**	(7,781,507)
	10,061,385	(7,604,649)
Income tax effect	–	–
	7,042,970	(7,604,649)
At December 31	**₱23,102,616**	₱13,041,231

The principal actuarial assumptions used in determining net pension cost for the Company's retirement plan are shown below:

	2020	2019
Salary increase rate	**6.00%**	7.00%
Discount rate	**4.00%**	4.70%
Expected average remaining working lives	**9 years**	9 years

The following tables demonstrate the sensitivity to a reasonably possible change in discount rates and salary increase for the next financial year, with all other variables held constant, of the Company's total comprehensive income using the projected unit cost (PUC) method:

	Change in Assumptions	**Impact on total comprehensive income**
Discount rate	**+1.00%**	**(₱3,221,559)**
	-1.00%	**17,365,177**
Salary rate	**+1.00%**	**(16,939,742)**
	-1.00%	**3,296,649**

The table below summarizes the maturity profile of the Company's benefit liabilities based on the remaining period at the end of the reporting period.

Year	**2020**	2019
1-5 years	**₱2,981,251**	₱8,554,632
6-10 years	**8,267,926**	4,609,309
11-15 years	**22,798,817**	13,101,972
16 years and up	**193,514,005**	135,128,567
	₱227,561,999	₱161,394,480

22. Related Party Disclosures

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

Related party transactions consist of the following:

	2020		2019			
Category	**Amount**	**Outstanding Balances**	Amount	Outstanding **Balances**	**Terms**	**Conditions**
Receivables from Affiliates:						
FWD Group Ltd.	**₱–**	**₱42,618,226**	₱–	₱–	Interest-free, settlement in cash; annual	Unsecured
FWD Group Management Holdings Ltd.	**(4,155,543)**	**8,443,373**	(16,017,313)	2,899,415	Interest-free, settlement in cash; annual	Unsecured
FWD Thailand (SCB Life)	**(1,829,604)**	–	47,804	47,804	Interest-free, settlement in cash; annual	Unsecured
FWD Vietnam	–	**21,000**	(870,423)	21,000	Interest-free, settlement in cash; annual	Unsecured
FWD Indonesia	**(3,161,317)**	**3,161,317**			Interest-free, settlement in cash; annual	Unsecured
	(₱9,146,464)	**₱54,243,916**	(₱16,839,932)	₱2,968,219		
Payable to Affiliates:						
FWD Group Management Holdings Ltd. (a) (Note 20)	**₱299,414,200**	**₱448,863,872**	₱104,737,987	₱454,924,001	Interest-free, settlement in cash; annual	Unsecured
Valdimir Pte. Ltd. (b)	**136,866,181**	**137,165,508**	21,028,783	35,151,243	Interest-free, settlement in cash; annual	Unsecured
FWD Group Developments (Malaysia) Sch. Bhd. (GDM)	**22,227,070**	**26,964,816**	–	–	Interest-free, settlement in cash; annual	Unsecured
	₱ 458,507,451	**₱612,994,196**	₱125,766,770	₱490,075,244		

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

a. The amount due to FWD Group Management Holdings Ltd. is in respect of expenditure incurred on behalf of the Company and comprised mainly of the costs of purchasing and installing IT systems of the Company.

   The amount due to Valdimir Pte. Ltd. is in respect of brand licensing agreement (royalty fees) for the Company's use of the FWD brand name which is based in the Company's production for the year and expenditure on behalf of the Company. The royalty fees is based on the Company's production for the year.

b. The outstanding receivable from FWD Group Management Holdings Ltd. includes group initiated projects and initiatives costs which was locally launched in 2017. Other receivables to affiliates pertains to meetings and travel-related expenses incurred by Company officers for initially shouldered by the Company and will be recovered upon charge-back

Outstanding balances are non-interest bearing, unsecured and will be settled in cash on an annual basis. No guarantees had been received or given.

Remunerations of Key Management Personnel
The Company's key management personnel include all management committee officers. The summary of compensation of key management personnel is as follows:

	2020	2019
Salaries and other short-term employee benefits	**₱148,124,510**	₱140,423,488
Pension expense	**5,228,112**	6,985,657
Other long-term benefits7	**23,847,075**	28,898,982
	₱177,199,697	₱176,308,127

23. **Income Taxes**

Provision for income tax consists of:

	2020	2019
Current		
MCIT	**₱47,896,396**	₱43,987,049
Final	**9,428,218**	9,055,152
	57,324,614	53,042,201
Deferred	**(47,896,396)**	(43,987,049)
	₱9,428,218	₱9,055,152

Reconciliation between provision for income tax and the income tax at statutory income tax rate follows:

	2020	2019
Provision for income tax at statutory tax rate	**₱103,957,321**	₱108,430,459
Tax effects of:		
Interest income subjected to final tax	**(4,717,851)**	(4,527,725)
Non-deductible expenses	**11,383,691**	15,808,475
Expired NOLCO	**367,554,770**	132,076,220
Change in unrecognized deferred tax assets	**(468,749,712)**	(242,732,276)
Effective income tax	**₱9,428,218**	₱9,055,152

Under Republic Act No. 8424, the Company is subject to regular corporate income tax (RCIT) of 30% or 2% Minimum Corporate Income Tax (MCIT), whichever is higher. However, the Company is required to file MCIT beginning on the 4th taxable year immediately following the taxable year in which such corporation commenced its business operations. MCIT computed for 2020 and 2019 amounted to ₱47.90 million and ₱43.98 million, respectively.

Details of the Company's NOLCO that can be claimed as deduction from future taxable profit are as follows:

Year Incurred	NOLCO	Application and Expired	Balance	Tax Effect	Year of Expiry
2018	₱610,439,958	₱–	₱610,439,958	₱183,131,987	2021
2017	1,695,298,931	1,695,298,931	–	–	2020
	₱2,305,738,889	₱1,695,298,931	₱610,439,958	₱183,131,987	

NOLCO incurred in 2017 and 2016 amounting to ₱1.22 billion and ₱438.27 million expired in 2020 and 2019, respectively.

Details of the Company's MCIT that can be claimed as tax credits from future regular corporate income tax are as follows:

Year Recognized	MCIT	Application and Expired	Balance	Year of Expiry
2020	₱47,896,396	₱–	₱47,896,396	2023
2019	43,987,049	–	43,987,049	2022
2018	11,301,586	–	11,301,586	2021
	₱103,185,031	₱–	₱103,185,031	

The Company did not recognize deferred tax assets from the following temporary differences since management believes that the benefits will most likely not be realized prior to their expiry dates.

	2020	2019
NOLCO	**₱610,439,958**	₱2,305,738,889
Provision for IBNR reserves	**109,193,552**	85,749,678
Net unrealized foreign exchange loss	**161,489,713**	62,624,501
PFRS 16	**20,503,502**	20,161,470
Retirement liability	**9,142,884**	14,907,115
Provision for credit losses	**17,616,737**	1,703,734
	₱928,386,346	₱2,490,885,387

24. **Capital Management and Management of Insurance and Financial Risk**

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

The policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align 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 vigil 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 solvency position to meet liabilities arising from claims and that the risk levels are at acceptable levels.

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

Capital Management Framework

The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders. The level of capital maintained is usually higher than the minimum capital requirements set by the regulators and the amount computed under the RBC Requirement Model.

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).

The Code also provided the new capitalization requirement of all existing insurance companies based on net worth on a staggered basis starting June 30, 2013 up to December 31, 2022. The following presents the amount of required net worth and the schedule of compliance:

Net worth	**Compliance Date**
₱250,000,000	June 30, 2013
550,000,000	December 31 ,2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

In 2020, the Company fully complied with the externally imposed capital requirements with Statutory Net Worth amounting to ₱1.81 billion. This amount is still subject for examination of Insurance Commission.

Unimpaired capital requirement

IMC 22-2008 provided that for the purpose 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 equity is at least equal to the actual paid-up capital. The Company has complied with the unimpaired capital requirement.

RBC requirements

IC CL No. 2016-68 (Amended Risk-Based Capital (RBC2) Framework) provides the three pillar risk-based approach to solvency that is adopted by IC: (a) Pillar 1 includes the quantitative requirements in relation to the calculation of capital requirements and recognition of eligible capital; (b) Pillar 2 covers the governance and risk management requirement that consist of a supervisory review process which may include a supervisory adjustment to capital; and (c) Pillar 3 comprises the disclosure requirements designed to encourage market discipline. Every life insurance company is quarterly required to maintain a minimum RBC ratio of 100% and not to fail the trend test. Trend Test has failed, in the event that all have occurred:

a) The RBC ratio computed for the period (i.e. first quarter) is less than 125% but is not below 100%,
b) The RBC ratio has decreased over the past period, and
c) The difference between RBC ratio (presented in (i) above) and the decrease in the RBC ratio (presented in (ii) above) over the past period is less than 100%.

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

In addition, IC issued CL No. 2016-69 (Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves and Amended RBC2 Framework) which states RBC2 shall take effect beginning January 1, 2017. This CL also provided for relaxed requirements for initial implementation for RBC2 as follows:

	Level of sufficiency
2017	95th percentile
2018	97.5th percentile
2019	99.5th percentile

The RBC ratio shall be calculated as Total Available Capital (TAC) divided by the RBC requirement. TAC, which is the aggregate of Tier 1 and Tier 2 capital minus deductions, and RBC requirement are defined in Section 2 of ICL 2016-68.

The following table shows how the RBC ratio was determined by the Company based on its calculations:

	2020	2019
Total Available Capital	**₱1,769,742,479**	₱1,473,989,991
RBC requirement	**1,514,276,870**	1,130,449,600
RBC Ratio	**117%**	130%

The final RBC Ratio for 2020 can be determined only after the accounts of the Company have been examined by IC specifically as to admitted and non-admitted assets as defined under the Code. RBC ratio for 2019 is based on the Synopsis of the Annual Statement as approved by the Insurance Commission dated February 8, 2021.

Product Design and Pricing Risk

Product design risk refers to potential defects in the development of a particular insurance product. The Company manages product design risk through its product approval process where products are reviewed against pricing, design and operational risk parameters. All new products and product enhancements are reviewed and approved by the Group Office and are certified by the Company's Chief Actuary.

Product pricing phase starts with reinsurance negotiation, assumption-setting, preparation of product approval report, review and sign-off by the Group Office of pricing model, key product metrics based on target range set by Group, and risk assessment and mitigation measures consistent with the risk management policy of Group. Approved products are then filed with IC and BSP (for Bancassurance products).

The Company closely monitors the performance of new products and actively manages the product portfolio to minimize risks in the in-force book and new products.

Insurance Risk

Nature of Risk

The risk under an insurance contract is the risk that an insured event will occur, including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency and severity of claims and actual benefit amount at the time of claim, and subsequent development of long-term claims.

The variability of risks is improved by diversification of the risk of loss. A large diversified portfolio of insurance contracts is less likely to be affected across the board by changes in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategies and guidelines, as well as the use of reinsurance arrangements.

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

Terms and conditions

The Company principally writes life insurance where the life of policyholder is insured against death, illness, injury or permanent disability, usually for a pre-determined amount. Life insurance contracts currently offered by the Company are mainly unit-linked, accident and health and group life insurance products. Unit-linked products differ from conventional policies in that a pre-determined percentage of each premium is allocated to units in a pooled investment fund and the policyholder benefits directly from the total investment growth and income of the fund.

There are no mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed, guaranteed terms and fixed future benefits.

The Company has an objective to control and manage insurance risk, and to maintain a strong capital base to safeguard the Company's ability to continue as a going-concern. The Company manages insurance risk through the following mechanism:

- The use and maintenance of sophisticated management information systems that provide up to date, accurate and reliable data on risk exposure at any point in time;
- Actuarial models based on industry past experience and sound actuarial formulations;
- Guidelines for concluding insurance contracts and assuming insurance risks;
- Pro-active compliance of claims handling procedures to investigate and adjust claims, thereby ensuring payment of valid claims;
- Reinsurance to limit the Company's exposure to large claims by placing risk with reinsurers providing high security; and
- Eventually, diversification strategy will be implemented to ensure that underwritten risks are well-diversified in terms of type and amount of risk, industry and geography.

Insurance risk is also affected by the policyholders' rights to terminate the contract, pay reduced premiums, and cease to pay premiums. Thus, the insurance risk is subject to the behaviour and decisions of the policyholders.

The Company's concentration of insurance risk, before and after reinsurance, in relation to the type of insurance contract is as follows:

	2020	2019
Variable unit-linked		
Gross	**₱79,342,026,113**	₱69,942,046,478
Net	**66,730,317,413**	59,346,119,006
Accident and health		
Gross	**20,961,789,336**	13,867,897,560
Net	**12,545,669,154**	8,192,330,280
Ordinary life		
Gross	**8,440,862,642**	4,855,631,726
Net	**5,988,745,669**	3,277,742,112
Group life		
Gross	**181,514,422,192**	169,044,185,679
Net	**166,966,640,318**	156,538,507,923
Total		
Gross	**₱290,259,100,284**	₱257,709,761,443
Net	**252,231,372,555**	227,354,699,321

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

Underwriting Risk

Underwriting risk represents the exposure to loss resulting from actual policy experience adversely deviating from assumptions made in the product pricing. Underwriting risks are brought about by a combination of the following:

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

The Company's underwriting strategy is designed to ensure that risks are evaluated and rate appropriately. This is largely achieved through the use of health questionnaires and medical screening in order to ensure that pricing takes account of current health conditions family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria.

Investment Risk

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

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

The Company utilizes dynamic asset allocation strategies consistent with its risk appetite framework to manage investment risk and to ensure sustainable investment returns.

Financial Instruments
The following table sets forth the carrying values and fair values of non-linked and unit-linked financial assets recognized as of December 31:

	Non-linked		Unit-linked	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial assets				
Cash and cash equivalents	**₱1,206,155,440**	**₱1,206,155,440**	**₱415,486,419**	**₱415,486,419**
Loans and deposits	**124,667,298**	**124,667,298**	–	–
AFS financial assets:				
Government and corporate debt securities	**1,409,099,581**	**1,424,570,711**	–	–
Financial assets at FVPL:				
Debt securities	–	–	**1,066,556,061**	**1,066,556,061**
Equity securities	–	–	**7,255,456,973**	**7,255,456,973**
Unit investment trust fund	–	–	**15,336,338,447**	**15,336,338,447**
Reinsurance assets	**245,975,041**	**245,975,041**	–	–
Other assets	**408,384,756**	**408,384,756**	**266,996,781**	**266,996,781**
	₱3,394,282,116	**₱3,409,753,246**	**₱24,340,834,681**	**₱24,340,834,681**
Financial liabilities				
Other liabilities	**₱2,011,686,637**	**₱2,011,686,637**	**₱387,745,593**	**₱387,745,593**

	December 31, 2019			
	Non-Linked		Unit Linked	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Cash and cash equivalents	₱863,025,139	₱863,025,139	₱169,890,083	₱169,890,083
Loans and deposits	54,645,052	54,645,052	–	–
AFS financial assets				
Government and corporate debt securities	808,546,363	810,377,017	–	–
Financial assets at FVPL				
Debt securities	–	–	807,474,827	807,474,827
Equity securities	–	–	4,008,623,355	4,008,623,355
Unit investment trust fund	–	–	11,101,566,942	11,101,566,942
Reinsurance assets	445,414,466	445,414,466	–	–
Other assets	288,491,281	288,491,281	140,268,420	140,268,420
Total financial assets	₱2,460,122,301	₱2,461,952,955	₱16,227,823,627	₱16,227,823,627
Financial liabilities:				
Other liabilities:	₱1,768,044,999	₱1,768,044,999	₱100,876,629	₱100,876,629

Fair values of financial assets and financial liabilities are estimated as follows:

- Due to the short-term nature of cash and cash equivalents, short-term investments, receivables, accrued income, insurance payables, accrued payables and accrued expenses, payable to related parties, and amounts payable on redemption, their carrying values reasonably approximate their fair values at year end.
- The fair value of financial assets at FVPL and AFS financial assets that are actively traded in organized financial markets is determined by reference to quoted market prices (BVAL/BSP 813 Reference rate for bonds and PSE closing price for equities), at the close of business on the reporting date, or the last trading day as applicable.

Financial Risk
The Company is exposed to financial risk through its financial assets and financial liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

The Company has established a risk management function with terms of reference and with responsibility for developing policies on market, credit, liquidity, insurance and operational risk. The investment policies define the Company's limit structure to ensure the appropriate quality and diversification of assets, in accordance with the Code.

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

a. Concentration limit - The Company sets maximum exposure to an individual issuer and to a particular sector.

b. Counterparty ratings - The Company reviews and recommends financial institutions that will complement over-all investment objectives and service requirements.

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

A credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer may be unable to meet its obligations assumed under such reinsurance agreements. The Company selects only domestic and foreign companies with strong financial standing and excellent track records which are allowed to participate in the Company's reinsurance programs. The Company also set maximum exposure for deposit products of accredited banks which will be the equivalent to the maximum allocation for the said instruments.

As of December 31, 2020 and 2019, the Company's maximum exposure to credit risk and investment risk from its financial assets (loans and receivables, AFS financial assets and financial assets at FVPL) is equal to their carrying amount. In addition, there is no significant concentration of credit risk identified. The gross maximum exposure to credit risk of the Company approximates its net maximum exposure. There were no amounts that are set-off in accordance with the criteria in PAS 32, *Financial Instruments: Presentation*. There were no amounts subject to an enforceable master netting arrangement or similar agreement as of December 31, 2020 and 2019.

Credit quality of financial assets
It is the Company's policy to maintain accurate and consistent risk ratings across the financial assets. The Company utilizes an internal credit rating system based on its assessment of the quality of the financial assets.

The Company uses conventions which have been adapted to conform to the various ratings as follows:

Standard and Poor's	Moody's	Reported as
AAA	AAA	AAA
AA+ to AA-	Aa1 to Aa3	AA
A+ to A-	A1 to A3	A
BBB+ to BBB-	Baa1 to Baa3	BBB
BB+ and below	Ba1 and below	Below investment grade

The tables below show the credit quality of the Company's financial assets as of December 31:

Non-linked

	2020				
	A	**BBB**	**BB**	**Not rated**	**Total**
Cash and cash equivalents	**₱83,385,969**	**₱1,120,826,222**	**₱–**	**₱1,943,249**	**₱1,206,155,440**
Loans and deposits	–	–	–	**124,667,298**	**124,667,298**
AFS financial assets:					
Government and corporate debt securities	–	**1,424,570,711**	–	–	**1,424,570,711**
Reinsurance assets	–	–	–	**245,975,041**	**245,975,041**
Other assets				**408,384,756**	**408,384,756**
	₱83,385,969	**₱2,545,396,933**	**₱–**	**₱780,970,344**	**₱3,409,753,246**

Unit-linked

	A	**BBB**	**BB**	**Not rated**	**Total**
Financial Assets:					
Cash and cash equivalents	**169,404,621**	**246,081,798**	**₱–**	**₱–**	**415,486,419**
Other assets	–	–	–	**266,996,781**	**266,996,781**
Financial assets as FVPL:					
Debt securities	–	**966,288,553**	–	**100,390,195**	**1,066,678,748**
Equity securities	–	–	–	**7,255,456,973**	**7,255,456,973**
Unit investment trust fund	–	–	–	**15,336,338,447**	**15,336,338,447**
	₱169,404,621	**₱1,212,370,351**	**₱–**	**₱22,959,182,396**	**₱24,340,957,368**

Non-linked

	2019				
	A	**BBB**	**BB**	**Not rated**	**Total**
Cash and cash equivalents	₱58,865,243	₱800,933,507	₱–	₱3,226,389	₱863,025,139
Loans and deposits	–	–		54,645,052	54,645,052
AFS financial assets:					
Government and corporate debt securities	–	810,377,017	–	–	810,377,017
Reinsurance assets				445,414,466	445,414,466
Other assets				288,491,281	288,491,281
	₱58,865,243	₱1,611,310,524	₱–	₱791,777,188	₱2,461,952,955

Unit-linked

	A	BBB	BB	Not Rated	Total
Financial Assets:					
Loans and receivables:					
Cash and cash equivalents	₱139,760,675	₱30,129,408	₱–	₱–	₱169,890,083
Receivables	–	–	–	127,838,890	127,838,890
Accrued income	–	–	–	12,429,530	12,429,530
Financial assets as FVPL:					
Debt securities	–	762,592,756	–	44,882,071	807,474,827
Equity securities	–	–	–	4,008,623,355	4,008,623,355
Unit investment trust fund	–	–	–	11,101,566,942	11,101,566,942
	₱139,760,675	₱792,722,164	₱–	₱15,295,340,788	₱16,227,823,627

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

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

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

The table below summarizes the maturity profile of the Company's financial assets and liabilities based on the remaining period at the end of the reporting period. Most of the Company's financial assets are used to support its insurance contract liabilities which are not shown in the table below. Refer to Note 14 for additional information on the Company's insurance contract liabilities as well as to the Insurance Risks Section.

Non-linked

		December 31, 2020				
		Maturity Breakdown				
	Up to a year	**1-3 years**	**3-5 years**	**Over 5 years**	**No term**	**Total**
Financial assets:						
Cash and cash equivalents	**₱1,206,155,440**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,206,155,440**
Loans and deposits	**76,562,492**	**48,104,806**	–	–	–	**124,667,298**
AFS financial assets						
Government and corporate debt securities	**709,306,578**	**610,866,708**	**104,397,425**	–	–	**1,424,570,711**
Reinsurance assets	**245,975,041**	–	–	–	–	**245,975,041**
Other assets	**380,104,725**	**5,849,038**				**408,383,956**
Total financial assets	**₱2,618,104,276**	**₱664,820,552**	**₱104,397,425**	**₱–**	**₱–**	**3,409,752,446**
Other liabilities:	**₱1,782,649,176**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,782,649,176**
Total financial liabilities	**₱1,782,649,176**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,782,649,176**

Unit-linked

Financial assets:		–	–	–	–	
Cash and cash equivalents	**₱415,486,419**	–	–	–	–	**₱415,486,419**
Other assets						
Accounts receivable	**254,030,421**	–	–	–	–	**254,030,421**
Accrued income	**12,966,360**	–	–	–	–	**12,966,360**
Financial assets at FVPL						
Debt securities	**104,677,103**	**254,814,990**	**236,396,117**	**470,667,850**	–	**1,066,556,060**
Equity securities	–	–	–	–	**7,255,456,973**	**7,255,456,973**
Other Investment:						
Feeder Fund (UITF)	–	–	–	–	**15,336,338,447**	**15,336,338,447**
Total financial assets	**₱787,160,303**	**₱254,814,990**	**₱236,396,117**	**₱470,667,850**	**₱ 22,591,795,420**	**₱24,340,834,681**
Financial liabilities:						
Other financial liabilities:						
Accounts payable and accrued expenses	**₱387,745,593**	**₱–**	**₱–**	**₱–**	**₱–**	**₱387,745,593**
Total financial liabilities	**₱387,745,593**	**₱–**	**₱–**	**₱–**	**₱–**	**₱387,745,593**

Non-linked

		December 31, 2019				
		Maturity Breakdown				
	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
Financial assets:						
Cash and cash equivalents	₱863,025,139	₱–	₱–	₱–	₱–	₱863,025,139
Loans and deposits	54,645,052	–	–	–	–	54,645,052
AFS financial assets						
Government and corporate debt securities	365,935,416	308,984,031	120,824,761	14,632,809	–	810,377,017
Reinsurance assets	445,414,466	–	–	–	–	445,414,466
Other assets	288,491,281	–	–	–	–	288,491,281
Total financial assets	₱2,017,511,354	₱308,984,031	₱120,824,761	₱–	₱–	₱2,461,952,955
Other liabilities:	₱1,470,233,139	₱–	₱–	₱–	₱–	₱1,470,233,139
Total financial liabilities	₱1,470,233,139	₱–	₱–	₱–	₱–	₱1,470,233,139

Unit-linked

Financial assets:						
Loans and receivables:						
Cash and cash equivalents	₱169,890,083	₱–	₱–	₱–	₱–	₱169,890,083
Receivables	127,838,890	–	–	–	–	127,838,890
Accrued income	12,429,530	–	–	–	–	12,429,530
Financial assets at FVPL						
Debt securities	56,610,141	92,013,919	145,850,168	513,000,599	–	807,474,827
Equity securities	–	–	–	–	4,008,623,355	4,008,623,355
Other Investment:						
Feeder Fund (UITF)	–	–	–	–	11,101,566,942	11,101,566,942
Total financial assets	₱366,768,644	₱92,013,919	₱145,850,168	₱513,000,599	₱15,110,190,297	₱16,227,823,627
Financial liabilities:						
Other financial liabilities:						
Accounts payable and accrued expenses	₱100,876,629	₱–	₱–	₱–	₱–	₱100,876,629
Total financial liabilities	₱100,876,629	₱–	₱–	₱–	₱–	₱100,876,629

Market Risk

- *Currency risk*

  Currency risk is the risk that the value of the Company's financial instruments will decrease resulting from changes in the foreign currency exchange rates. The Company's financial assets are predominantly denominated in the same currencies as its insurance and other financial liabilities, which serves to mitigate the foreign currency exchange risks on its intercompany payables.

The following tables show the details of the Company's foreign currency-denominated monetary transactions and their Philippine peso equivalents:

	2020			
	USD	**PHP**	**HKD**	**PHP**
Assets				
Cash and cash equivalents	**$2,083,861**	**₱100,880,921**	**HK$–**	**₱–**
Financial assets at FVPL	**660,163**	**31,708,093**	**–**	**–**
Assets held to cover unit-linked liabilities	**77,297,632**	**3,712,662,475**	**–**	**–**
Loans and deposits	**1,029,077**	**49,427,338**	**–**	**–**
Intangible assets	**780,424**	**39,532,789**	**–**	**–**
Other assets	**(484,882)**	**(25,045,451)**	**–**	**–**
Insurance contract assets	**(7,585)**	**(398,805)**	**–**	**–**
	$81,358,690	**₱3,908,767,360**	**HK$–**	**₱–**
Liabilities				
Unit-linked liabilities	**($76,710,458)**	**(₱3,684,460,074)**	**HK$–**	**₱–**
Other payables	**(3,751,060)**	**(180,393,662)**		
Payable to related parties	**(6,256,458)**	**(398,785,827)**	**(54,335,484)**	**(421,205,302)**
	($86,717,976)	**(₱4,263,639,563)**	**(HK$54,335,484)**	**(₱421,205,302)**

	2019			
	USD	PHP	HKD	PHP
Assets				
Cash and cash equivalents	$835,203	₱42,302,872	HK$–	₱–
Financial assets at FVPL	581,292	29,442,336	–	–
Assets held to cover unit-linked liabilities	42,906,518	2,173,207,123	–	–
Loans and deposits	65,625	3,323,893	–	–
Reinsurance assets	47,869	2,424,578		
Intangible assets	432,402	22,645,982	–	–
Other assets	79,814	3,973,075	–	–
Insurance contract assets	(42,894,100)	(2,172,592,783)	–	–
	$2,054,623	₱104,727,076	HK$–	₱–
Liabilities				
Other payables	($1,993,283)	(₱101,263,419)	HK$–	₱–
Payable to related parties	10,907	554,567	(54,335,484)	(353,444,954)
	($1,982,376)	(₱100,708,852)	(HK$54,335,484)	(₱353,444,954)

- *Equity price risk*

  Equity price risk is the risk that the fair value of equities will decrease resulting from changes in the levels of equity indices and the value of individual stocks. The Company is exposed to equity price risks arising from equity investments. Equity investments are held for the Company's variable unit linked funds. Exposure is being managed through equity asset class allocation target and range defined in the Investment Policy of the funds and is being monitored on a monthly basis.

The effect on profit or loss (as a result of a change in fair value of instruments held in the unit-linked assets) due to a reasonably possible change in indices, with all other variables held constant, is as follows:

2020

	Change in Equity Price (%)	**Effect on profit or loss Increase (Decrease)**
Equity securities	**10%**	**₱26,303,914**
	-10%	**(26,303,914)**

2019

	Change in Equity Price (%)	Effect on profit or loss Increase (Decrease)
Equity securities	10%	₱400,862,335
	-10%	(400,862,335)

The Company determined the reasonably possible change in equity pricing percentage changes in the fair value for the past three years.

- *Interest rate risk*
  Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company's investments classified as AFS financial assets and financial assets at FVPL in particular are exposed to such risk. The Company's investment policy manages interest rate risk by aiming to match the maturities of interest-bearing financial assets and interest-bearing financial liabilities. The amount, duration and yield to maturity of assets are matched against the amount and duration of the liabilities.

The Company's exposure to interest rate risk arises from its investment in government bonds and corporate bonds for the VUL funds. Exposure is being managed through asset class allocation and ranges defined in the Investment Policy of the funds.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates for the next financial year, with all other variables held constant, of the Company's total comprehensive income follows:

2020

	Change in Yield (bps)	**Effect on profit or loss Increase (Decrease)**
Debt securities	**+50 bps**	**₱6,644,397**
	-50 bps	**(6,644,397)**

2019

	Change in Equity Price (%)	Effect on profit or loss Increase (Decrease)
Debt securities	+50 bps	(₱26,259,711)
	-50 bps	26,398,663

The Company determined the reasonably possible change in interest rate using the percentage changes in floating rates for the past (4) quarters for the year ended December 31, 2018 and 2017.

25. **Commitments**

Developmental Fees
The Company entered into Deeds of Undertaking (DOU) with the agency leaders to assist in building and maintaining of the agencies for the purpose of exclusively selling the Company's life insurance products. The remaining developmental fees shall be released monthly based on the first year commissions (FYC) requirement as defined in the DOU. In the event that the FYC requirement is not met in any given month, the pay-out of the monthly developmental fees will be suspended (see Note 11).

Developmental fee commitments are as follows:

	2020	2019
Within one year	**₱209,447,552**	₱158,655,361
After one year but not more than five years	**1,165,467,995**	663,162,621
	₱1,374,915,547	₱821,817,982

Distribution Agreement
On September 15, 2014, FWD Life and Security Bank Corporation (SBC) signed a Distribution Agreement (DA) under which SBC will sell exclusively FWD Life products. The terms of the Agreement provides for payment by FWD Life of an Upfront Fee and Exclusive Access Fee amounting to a total of ₱600 million in consideration for FWD Life's exclusive access to the distribution network. The DA also provides for payment of Initial Milestone Fee (IMF), if the cumulative ANP reaches the target of ₱3.886 billion and Subsequent Milestone Fee (SMF), if the cumulative ANP reaches the target of ₱16.854 billion. On December 10, 2018, the Company paid SBC the Initial Milestone Fee amounting to ₱1.00 billion.

Amortization of the ₱300.00 million Intangible Asset shall be amortized over its economic life of fifteen (15) years while the amortization of the Prepaid Asset for the remaining ₱300.00 million and ₱1.00 billion shall be expressed in terms of Unit of Production (UOP), at the rate of 7.7% of actual ANP production.

The bancassurance agents are given annual performance bonus and over-achievement bonus under the DA with SBC. Annual performance bonus is given in the event that the ANP generated from eligible sales during the year achieves the annual performance target of the bancassurance agent for the financial year. Annual over-achievement performance bonus is provided to bancassurance agents in the event that the ANP generated from eligible sales during the year achieves the annual over-achievement performance target.

Management Fee Income
The Company entered into a Discretionary Investment Management Agreement with BPI wherein the Company availed of the services of BPI as investment manager relative to the management and investment of the funds of the Company for its unit-linked products. Currently, the Company has 3 Funds that are managed by BPI.

The Company also entered into a Participating Trust Agreement with SBC wherein the Company agrees to participate in the Unit Investment Trust Fund established by SBC for the purpose of providing investment opportunities for higher investment yields through a diversified portfolio of investments for the Company's unit-linked products. Currently, the Company has participation in 4 Funds.

In 2017, the Company entered into a Discretionary Investment Management Agreement with SBC wherein the company availed of the services of SBC as investment manager relative to the management and investment of funds of the Company for its unit-linked products. The Company has 1 fund that is managed by SBC under this arrangement.

In 2017, the Company has also set up a US dollar denominated equity index-linked fund. The fund replicates an index-based strategy and is administered by the Company.

Management fees ranging from 1.92% up to 2.20% of the Net Asset Value are collected from the fund wherein the Company's share ranges from 1.60% up to 1.88%. Management fees are collected on a monthly and quarterly basis from the funds managed by BPI and SBC, respectively. The remaining shares/portions goes to the Fund managers /Fund administrators.

26. Contingencies

The Company has not been involved in any lawsuit arising from the normal course of carrying out its insurance business.

27. Supplementary Tax Information Required Under Revenue Regulation (RR) 15-2010

The following supplementary information under RR 15-2010 is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

Output VAT
Details of the Company's output VAT declared are as follows:

Fee income:	
Management fee income on assets held to cover unit-linked liabilities	**₱268,750,199**
Sundry income	**34,190**
Total	**₱268,784,389**
Output VAT rate	**12%**
	₱32,254,127

Documentary stamp tax
The Company's documentary stamp tax paid or accrued in 2020 follows:

Source	**Payment**
Life insurance premiums/coverage	**₱5,675,330**
Other documents	**74,353**
Total	**₱5,749,683**

Other taxes and licenses
This includes all local taxes including Premium Taxes under the account "Commission-related expenses" and licenses and permit fees under the account "Taxes and Licenses" and under "General and Administration" expenses.

Local Taxes	
Business registration fees	**₱9,793,709**
Real property tax	**128,032**
Community tax certificate	**10,500**
National Taxes	
Percentage taxes (see Note 20)	**102,312,499**
Insurance commission license	**512,609**
Notarial fee	**39,650**
BIR annual registration	**10,500**
Total	**₱112,807,499**

Withholding taxes
Details of the Company's withholding taxes paid and accrued during the year are as follows:

	Total remittance	Balance
Tax on compensation and benefits	₱253,190,143	₱7,029,502
Expanded withholding tax	191,238,723	17,701,269
Final withholding tax	8,234,900	11,707
Value added tax	8,411,344	375,267
Fringe benefit tax	3,196,016	998,669
	₱464,271,126	₱26,116,414

Tax assessments
The Company has no pending tax case outside the administration of the BIR.

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