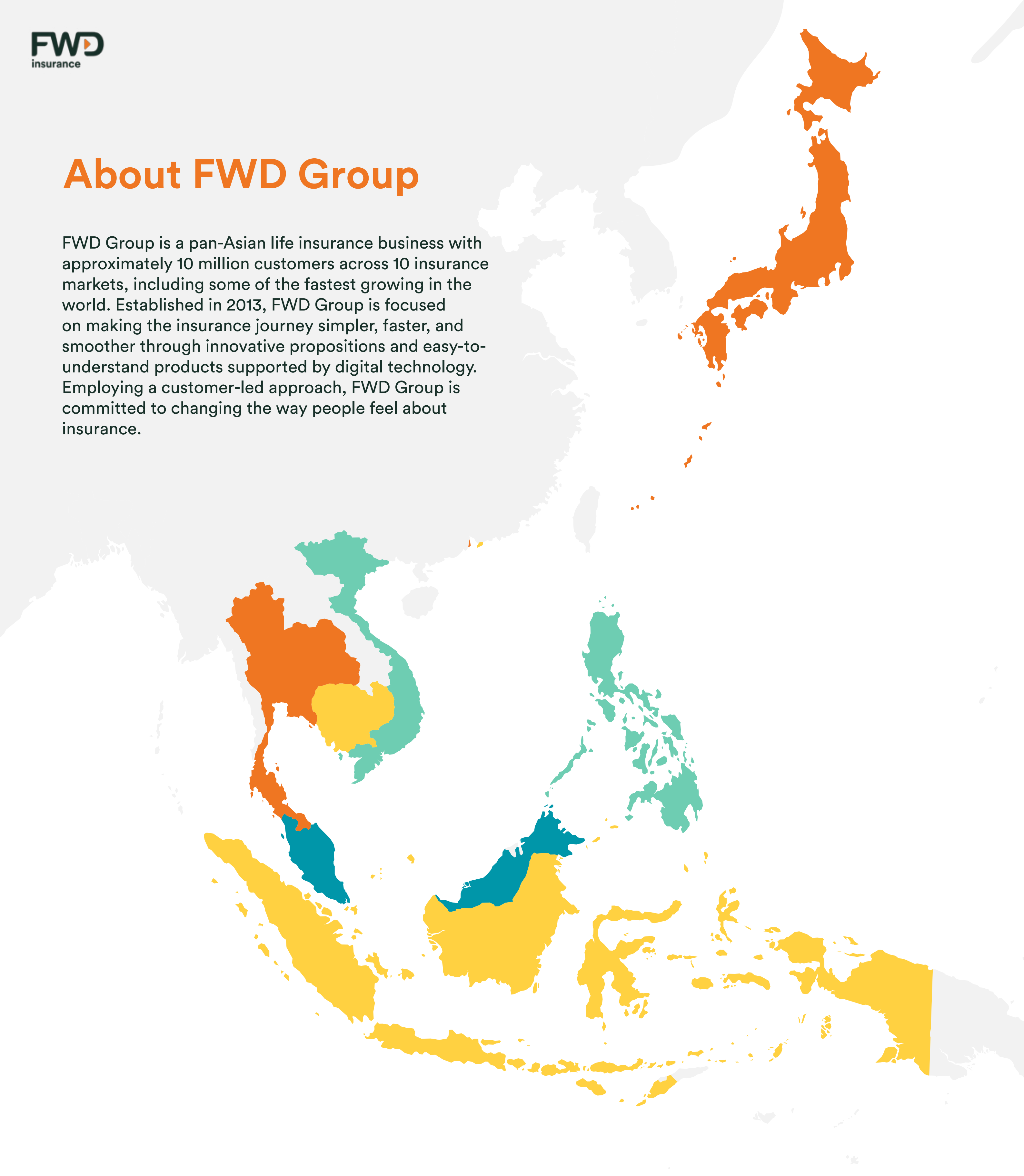
Celebrate living
fwd.com.ph

Annual Report 2021

About FWD Group

FWD Group is a pan-Asian life insurance business with approximately 10 million customers across 10 insurance markets, including some of the fastest growing in the world. Established in 2013, FWD Group is focused on making the insurance journey simpler, faster, and smoother through innovative propositions and easy-to-understand products supported by digital technology. Employing a customer-led approach, FWD Group is committed to changing the way people feel about insurance.



[1] Includes Group office employees
[2] Consists of 100% of renewal premiums, 100% of first year premiums and 10% of single premiums; it provides an indication of total premiums and the new business premiums that we have generated in the reporting period and that have the potential to generate profits for shareholders
[3] Also presented as segmental adjusted operating profit before tax, it consists of profit/(loss) from continuing operations after tax adjusted to exclude (i) net loss of our company and its financing subsidiaries, PCGI Intermediate and PCGI Intermediate II Holdings, (ii) tax, (iii) short-term fluctuations in investment return related to equities and property investments and other non-operating investment return, (iv) finance costs related to borrowings and long-term payables, (v) amortization of value of business acquired, (vi) mergers and acquisitions, business set-up and restructuring-related costs, (vii) costs relating to FWD Group's public offering of shares, including incentive costs, (viii) implemental costs for IFRS 9 and 17 and Group-wide Supervision, and (ix) any other non-operating items
[4] Life insurers competing in three or more of FWD's markets, according to NMG 2020

FWD Group

Our growth across Asia: 8 years, 10 markets

(As of December 2021)

6,675 employees[1] and **39,200** agents

USD63.7 billion in assets

Total premiums[2] of **USD6.9 billion** in 2021

Total value of new business of **USD686 million**

Operating profit before tax[3] of **USD205 million** in 2021

Top 5 Southeast Asian life insurers[4] by new business sales[5]

20 bancassurance partnerships (including **8** exclusive partners) and more than **30** ecosystem partners

2021 Million Dollar Round Table (MDRT) **Top 10** for multinational companies (MNCs)

Launched the first group-wide Environmental, Social, and Governance (ESG) strategy for 2021-2024

Top 3 in 7 markets[6] for being recognized as the most different brand

Top 3 in 6 markets[6] for being recognized as the most innovative brand

Top 3 in 4 markets[7] for customer experience

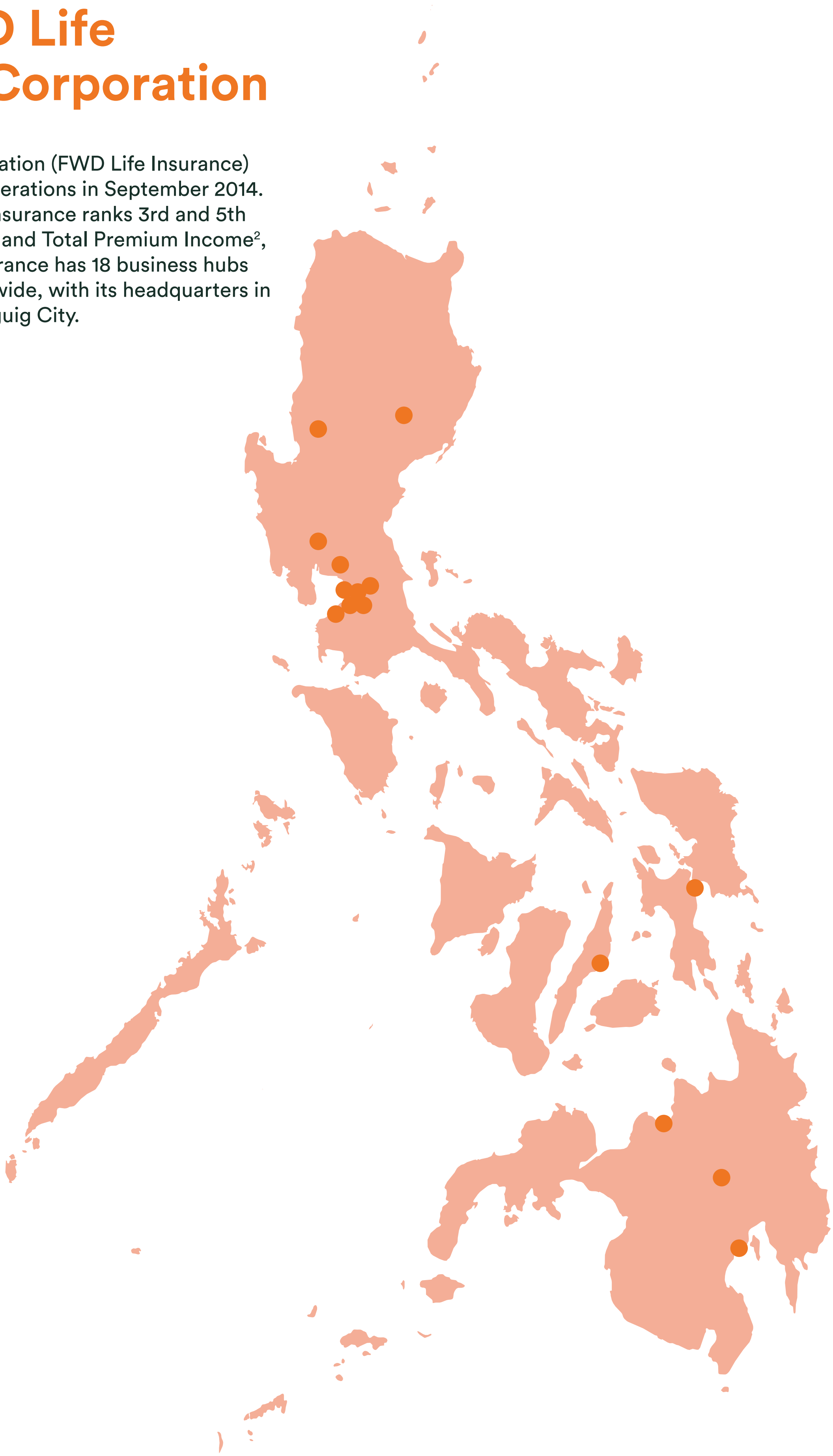
[5] Consists of the sum of 10% of single premiums and 100% of annualized first year premiums for all new policies, before reinsurance ceded. Consistent with customary industry practice, a factor of 10% is applied to single premiums because such weighting makes the value of a single premium sale broadly equivalent to the same dollar amount of first year premiums. It provides an indicative volume measure of new policies issued in the relevant period

[6] Based on 2021 full year data from Blackbox Research's Brand Tracking Survey. Blackbox Research's Brand Tracking Survey is conducted across 8 markets, surveying 3,200 respondents every month. To measure "Different" and "Innovative", respondents are asked to select brands that they perceive to be "A Life Insurance provider that is different to most others" and "A Life Insurance provider with innovative services and product offerings", respectively

[7] FWD is ranked no. 1 in Vietnam and Thailand according to KPMG's Global Customer Experience Excellence Report in 2021. FWD is ranked no. 1 and no. 2 among insurers in Singapore and Indonesia respectively according to a commissioned Customer Experience Survey conducted by KPMG in 2021

About FWD Life Insurance Corporation

FWD Life Insurance Corporation (FWD Life Insurance) launched its commercial operations in September 2014. As of end-2021, FWD Life Insurance ranks 3rd and 5th in terms of Paid-up Capital[1] and Total Premium Income[2], respectively. FWD Life Insurance has 18 business hubs located in key cities nationwide, with its headquarters in Bonifacio Global City in Taguig City.



[1] www.insurance.gov.ph > Statistics > Life > 2021 > Based on Paid-Up Capital
[2] www.insurance.gov.ph > Statistics > Life > 2021 > Based on Total Premium Income

2021 FWD Life Insurance Milestones

January 2021
Launched 3-in-1 Protection Bundle, a harmonized insurance package that combines three digital products into one

January 2021
Received the Award of Excellence in Special and Experiential Events at the 18th Philippine Quill Awards for "FWD-MCX: A Road to Progress" partnership launch

February 2021
Launched FWD Babyproof, a life insurance bundle designed to help secure a child's future—from life protection and investment to hospital and ICU allowance

February 2021
Introduced two new funds to strengthen FWD Life Insurance protection and investment offerings: FWD Global Good ESG Fund and FWD Diversity Fund

March 2021
Introduced a new online feature that allows FWD customers to buy insurance plans as gifts for their loved ones

March 2021
Announced a partnership with Cebuana Lhuillier that aims to strengthen financial inclusion by making affordable FWD Life Insurance plans and digital solutions available to customers of the country's largest micro financial services provider

May 2021
Launched FWD Family Hero, a life insurance plan with built-in investment designed for Overseas Filipino Workers (OFWs) and their families

June 2021
Awarded Best Fintech Solution for Customer Experience for Frankie, FWD Life Insurance's talk bot, at the DigFin Innovation Awards

July 2021
Launched newest brand campaign, #StrongerYouWithFWD, which features real people's personal stories and experiences that promote positivity and strength

August 2021
Announced the inclusion of a COVID-19 Cash Reward, which covers in-patient treatment of COVID-19 or complications from COVID-19 vaccines, in affordable and digitally accessible insurance plans

August 2021
Awarded Digital Insurer of the Year (Philippines) and Digital Initiative of the Year (Philippines) for FWD Online Shop at the Insurance Asia Awards

September 2021
Launched FWD Manifest, a Variable Universal Life (VUL) plan that provides life protection, maximum opportunity for return on investment, and multiple benefits that help fast-track financial plans

October 2021
Recognized as one of Asia's Best Employer Brands at the 29th World HRD Congress

November 2021
Introduced FWD Health & Wellbeing, a health protection portfolio that employs a holistic approach to achieving better quality of life through physical, mental, emotional, social, and financial fitness

December 2021
Launched our newest chatbot, Fi, with features that include handling of inquiries, connecting customers to our 24/7 live chat, and providing insurance quotations

December 2021
Ranked 5th among life insurers in the Philippines based on Total Premium Income

Messages

Message from the Chairman of the Board

I am gratified that in spite of the many challenges that our company faced in 2021, FWD Life Insurance had a very respectable performance that we can all be proud of. All these achievements—despite the hardships—are only proof of our company's spirit of *bayanihan* (teamwork) and prevalent virtue of *malasakit* (compassion). It is clear that our employees saw the need for teamwork: everyone helped to keep the operations going despite the adverse impact of this virus on our employees and agency forces. The value of *malasakit* has become more invaluable, particularly at this time when the pandemic has affected the families of our employees, agents, customers, and other stakeholders. The company has provided not just financial assistance to those who need it, but our employees, agents, and service providers have also gone out of their way to assist our customers who find themselves in difficult circumstances. We have heard from our customers how much they appreciate the concern that we've shown—and continue to show—them.

FWD Life Insurance has done relatively well for the fiscal year 2021. Our 2021 net worth stands at PhP4.1 billion versus PhP3.2 billion in 2020, which yields a 28% growth. Premium income is at PhP18.8 billion, a 38% growth from last year's PhP13.6 billion. Our total assets value of PhP43.7 billion in 2021 is a 50% growth from previous year's PhP29.5 billion.

We likewise soared to the Top 5 based on Total Premium Income—an enviable accomplishment for a seven-year-old company. This further proves our strong operational performance and sound financial position.

In 2021, we also saw stronger products and campaigns, among them: FWD Babyproof, FWD Family Hero, FWD Manifest, FWD Global Good ESG Funds, and the COVID-19 Cash Reward, which now includes COVID-19-related coverage reward with every new purchase of digital insurance products like KanMend, KanLive, and KanGuard.

We likewise partnered with Cebuana Lhuillier to bridge the financial and protection gap covering a wider socio-economic segment of the Philippine market. Affordable insurance plans and digital solutions have been made available to Cebuana Lhuillier's close to 30 million customers. Meanwhile, our sponsorship of Viu's Still, the streaming media's first Filipino original musical narrative series, highlights FWD Life Insurance as a different brand. We connect with the series' timely and inspiring narrative and see music as a powerful instrument to connect with our customers.

FWD Life Insurance was also recognized by a number of award-giving bodies in 2021. For the fourth year in a row, we landed in the Top 3 ASEAN Corporate Governance Scorecard. The FWD Online Shop won Direct Insurer of the Year and Digital Insurance Initiative of the Year - Philippines at the Insurance Asia Awards. Our talk bot, Frankie, also won Best Fintech Solution for Customer User Experience at the DigFin Innovation Awards. We likewise received the Philippine Quill Award of Excellence in Special and Experiential Events for "FWD-MCX: A Road to Progress" and was recognized as one of Asia's Best Employer Brand Awards at the 16th Employer Branding Awards.

Innovation has always been in FWD's DNA. The years following the pandemic were shining examples of the importance of innovation. The pandemic accelerated our digital transformation, and we intend to exploit this advantage as much as we can. Our progress will depend to a large extent on continued innovation, and we will continue to promote and encourage it among all our employees, agents, contractors, and partners.

I commend the FWD Life Insurance Management, led by our President and CEO Mr. Li Hao Zhuang. They have not only responded positively to these challenges, they overcame them and ensured that FWD Life Insurance will continue to maintain a commendable

Innovation has always been in FWD's DNA. The years following the pandemic were shining examples of the importance of innovation.

position in the life insurance industry. To our agents and financial service executives, I wish to extend my personal thanks and congratulations for your valuable contributions to the company's growth in terms of Premium Income, Total Assets, and enterprise value. To our dear employees, we truly appreciate your hard work, commitment, and inspiring teamwork.

And to our dear and valued customers, we thank you for your trust and confidence in FWD Life Insurance. Our continued growth would not be possible unless you continue to believe in us and see how we are changing the way people feel about insurance. We're here to provide protection for you and your families and help you plan for a more secure and brighter future.

For 2022, I wish everyone good health, more success, and a safer, brighter, and better year.

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

Message from the President and Chief Executive Officer

Dear FWD Life Insurance family and friends,

It is indeed an extraordinary feat to be able to overcome the challenges of the past two years. As we say in FWD Life Insurance, the strongest people are born from the toughest adversities.

In 2021, we continued to play our part in providing support for a stronger community. We fulfilled our promise to protect our *kababayans* and paid out close to PhP600 million claims. Inspired by the relentless spirit of *bayanihan*, we have also donated ventilators to four hospitals—The Medical City, St. Luke's Medical Center, Philippine General Hospital, and Lung Center of the Philippines—to help in our nation's pandemic response. Furthermore, our sponsorship with Viu's *Still* musical paid tribute to our hardworking OFWs and inspired hope among our countrymen amid the pandemic. It has also been my honor to be part of the "Heroes Edition" of CNN Philippines' *The Final Pitch* and personally witness the innovative ideas of Filipino entrepreneurs on how they can help rebuild the nation post-pandemic.

In my message last year, I expressed how confident and optimistic I am about 2021. Despite the challenges we have encountered, I'm proud to share that we were able to retain our strong position in the top 10 insurers by new business premiums. Our premium income rose 38% from PhP13.6 billion in 2020. The company's assets also saw an increase of 50% from PhP29.5 billion. All these milestones can be attributed to the hard work and dedication of our Financial Solutions Consultants and Financial Wealth Planners and Leaders. Their commitment to provide excellent service is evident in their 2021 achievements, hence the rise in our Million Dollar Round Table (MDRT) qualifiers in 2021 and a significant increase in productivity of our financial solutions consultants.

True to our vision of changing the way people feel about insurance, we also continued to expand our partnerships and agency. In just seven years, FWD Life Insurance has become one of the fastest growing insurers in the country. Our brand continues to embrace an innovative culture that allows us to create fresh customer experiences and easy-to-understand products. And we do this across all experience fronts—customer, distributor, and employee—through the following key priorities:

1. **Customer-Centric Product Innovations**
We took inspiration from our customers in creating products that answer their needs. We launched new solutions like FWD Babyproof, FWD Family Hero, FWD Manifest, and FWD Global Good ESG funds. FWD Babyproof is our first life insurance bundle for babies; FWD Family Hero is a source of passive income for OFWs with protection for their family in the Philippines; and FWD Manifest is a strong VUL plan that rewards customers early on for investing more and for staying invested. FWD Global Good ESG funds are for investing in top, high-performing companies that work for a better and sustainable future. We have also added COVID-19 Cash Reward in our digital product suite for complete protection at the height of the pandemic last year. And even with the long lockdown, we celebrated our customers' special day with our Birthday Campaign 2.0.

2. **Strengthened Partnerships and Distribution**
We are always grateful for our strategic partnership with Security Bank Corporation that enabled us to manage pandemic challenges. Through our product bundling and joint analytics initiatives, we were able to expand our reach and provide more accessible protection, helping us achieve the best year yet for our Bancassurance business.

We are also very excited for the partnership we have formed with Cebuana Lhuillier, which allows us to bridge the protection gap in the Philippine market, with close to 30 million customers spread across their 2,500 branches nationwide. We now have a stronger hybrid distribution model through pawnassurance, digital channels and solutions, with a fully digitized team of advisors and brand-new insurance products.

With the support of our reliable distribution force, we have established General Agencies in key areas nationwide to further financial inclusion among Filipinos. Their hard work and passion contributed to our double-digit growth in our Agency business.

Malasakit fuels us to give coverage to more Filipinos, and it gives me deep joy to share we now have more than 300 2022 MDRT qualifiers upholding the gold standard.

We fulfilled our promise to protect our *kababayans* and paid out close to PhP600 million claims.

3. **Enhanced Cybersecurity and Disaster Protection**
The trust and wellbeing of both our customers and employees are our top priority, and that's why we are building on cybersecurity and cloud migration initiatives to develop an iron-clad digital infrastructure, ensuring that the business, data and processes are all kept private, safe, and secure no matter what happens. These initiatives seek to ensure our business continuity readiness and resiliency in times of crises.

4. **The Future of Work and Employee Experience**
We are always creating new paths, even for our employees. We are very happy our employees choose to work with us, as reflected in our Gallup and Organizational Health Index survey results. This is even more significant considering global trends in the workplace. And this is just the beginning as we have embarked on the future of work at FWD Life Insurance—integrating technology, human-centered design, people culture, and purpose in the way we show up for each other and for our customers. We are delighted to open our newly renovated head office in Bonifacio Global City and launch our homegrown work management app, Workspace+, redefining how we work and providing both a safe and collaborative workspace to our people.

5. **Recognitions for Tech and Innovation**
We have also received a number of awards that are testament to our commitment to make insurance more accessible. We were awarded Direct Insurer of the Year and Digital Insurance Initiative of the Year for FWD Online Shop at the Insurance Asia Awards. Our talk bot Frankie, which gives welcome calls to our customers, won Best Fintech Solution for Customer User Experience at the DigFin Innovation Awards. And for the sixth time, we have been recognized as one of Asia's Best Employer Brand.

I am grateful to all our customers and employees who made 2021 a memorable chapter for FWD Life Insurance. As the economy opens up and as the market recovers, we remain optimistic as we look forward to soaring to greater heights this 2022. With our stronger *bayanihan*, we can achieve more wonderful milestones together. Truly, I could not ask for a better team other than my FWD Life Insurance family.

Let us continue to empower every Filipino to truly celebrate living!

Li Hao Zhuang
President and Chief Executive Officer
FWD Life Insurance

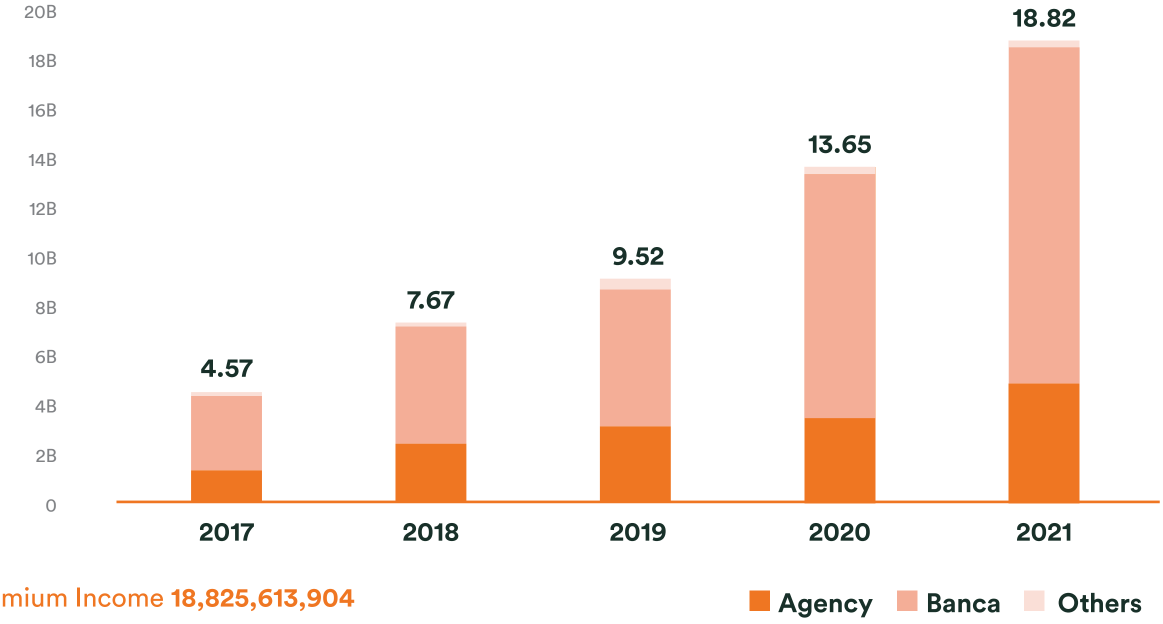
Business review

Moving onward and upward

Key business highlights

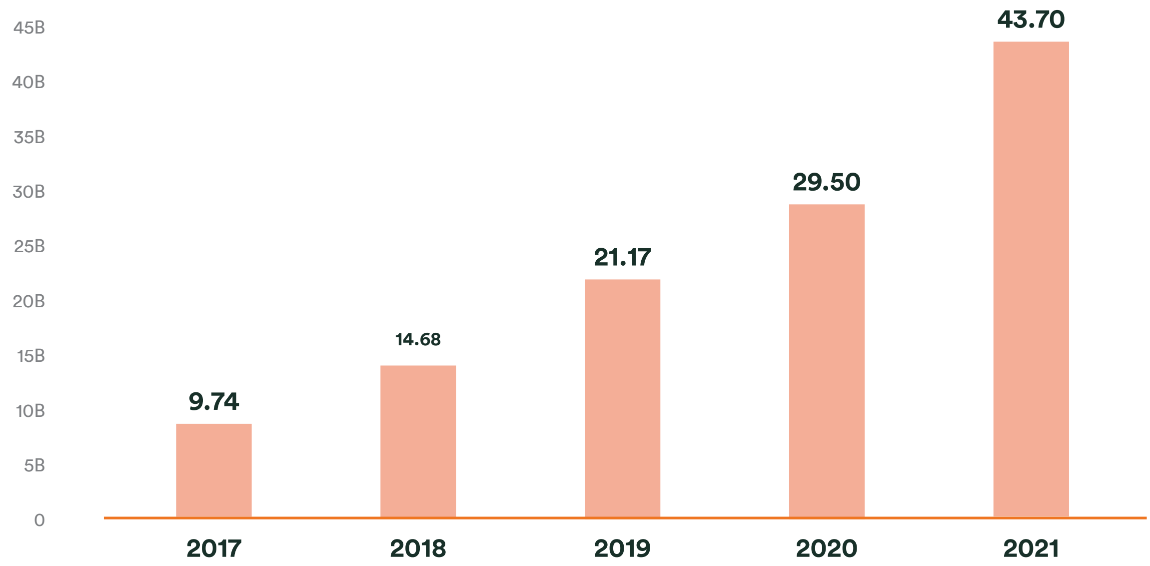
Despite the various economic challenges of the past two years, the power of innovation, teamwork, passion, and dedication propelled FWD Life Insurance to enjoy substantial growth in numbers in 2021.

Premium Income (PhP Billion)



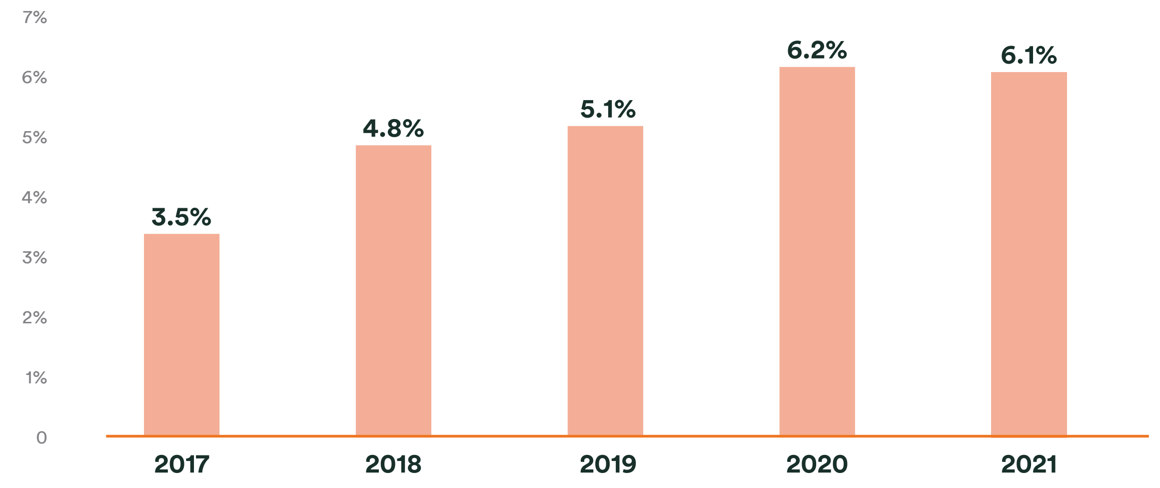
Premium Income **18,825,613,904**

Total Assets (PhP Billion)



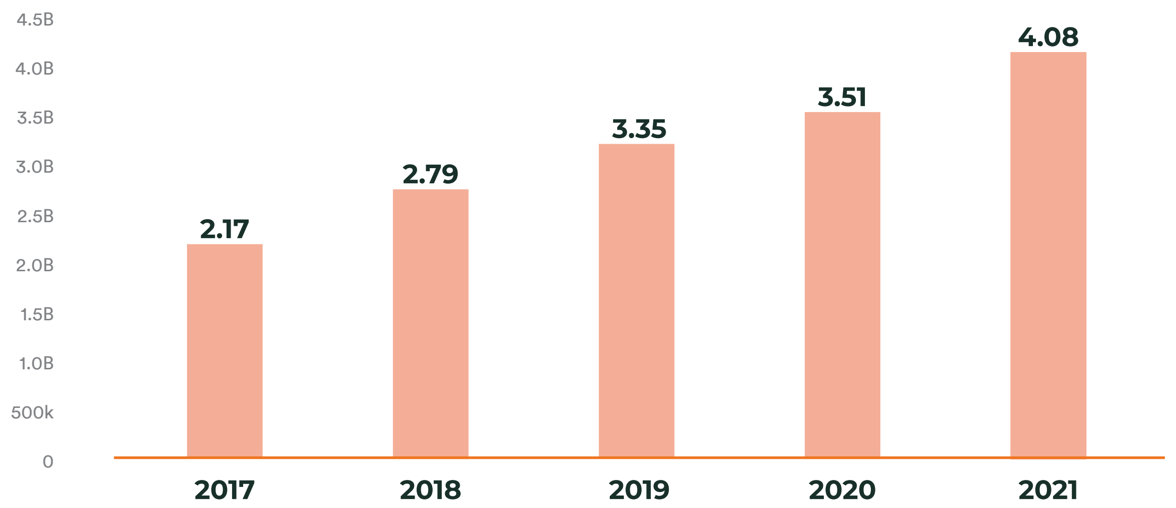
Total Assets **43,707,968,598**

FWD Life Insurance Market Share for New Business Annualized Premium Equivalent



Market Share **6.1%**

Equity (PhP Billion)



Equity **4,087,999,149**

Ranking based on Total Premium Income

Multi-channel elite distribution network

Our multi-channel elite distribution network delivers on our commitment to provide protection to more Filipinos—and continue changing the way people feel about insurance.

Bancassurance

The year 2021 is Bancassurance's best year yet. Our strong alliance with Security Bank yielded wider customer reach nationwide than last year's and our Financial Solutions Consultants continue to provide timely and relevant services and sales activities through remote selling and digital products.

- **High Persistency at 85%:** We retained a high percentage of clients in 2021 despite the year's challenges.

Affinity

Old and new partnerships provided easy and reliable insurance to more Filipinos.

- **Strong Partnerships:** We forged a partnership with Kwik.Insure, the country's fastest growing insurance aggregator. Meanwhile, we strengthened our relationship with Cebuana Lhuillier by making pawnassurance available to all their branches nationwide and mall-assurance through Cebuana General Agency in four malls within Metro Manila.

Agency

Elite General Agency and dynamic Digital Agencies created more robust distribution channels.

- **Growth in Numbers:**
  - We enjoyed significant increase in human resources at 31%, cases at 10%, and case size at 26%.
- **Growth in Distribution:** We licensed and appointed three General Agencies (GAs) and one Digital Agency (brick-and-mortar agency converted to a digital platform).

CEBUANA LHUILLIER

Kwik.insure

Revitalized recruitment strategies, training programs, and incentives earned more high-quality recruits.

- **Higher Number of New Recruits:** We registered a 15.86% growth in new recruits.

- **Programs and Incentives:**
  - Bi-weekly business opportunity presentations were conducted and Agency Leaders were encouraged to run their own as well.
  - We rolled out “Building a Recruitment Culture” and “Pit Stop” for Agency Leaders to put recruitment at the forefront of their business discussions.
  - We extended assistance for Tax Identification Number (TIN), Social Security System (SSS), and notarial services to help our advisors with their application and verification.
  - A mid-year trip incentive for financial advisors was launched to encourage organic recruitment.

The FWD Affiliates Program, a first-in-the-market solution, was designed to increase financial education and economic opportunities, as well as generate leads.

- **Celebrate Living Promo Launch:** The promo sought to help increase FWD Affiliates app downloads, registration, and affiliate engagement. The Celebrate Living promo also happened at the most opportune time. Its grand prize winner hails from Cebu and was a victim of Typhoon Odette, which wreaked havoc in Visayas and Mindanao. The PhP500,000 cash surely helped in rebuilding the prizewinner’s life.

- **Dynamic Engagements:** For the first time, we invested in social media live streaming and broadcasted two live stream events. Overall social media efforts resulted to 2.6 million reach and 19.9k engagements.

Million Dollar Round Table

In 2021, we saw a significant growth of 197% in the Million Dollar Round Table (MDRT) program. And for the second year in a row, FWD Group was recognized as part of MDRT's list of Top 10 global multinational companies. This accolade reflects the impressive number of FWD Life Insurance agents who have reached the gold standard. To date, we have 330 MDRT advisors: 145 from Agency and 185 from Bancassurance.

Top of the Table

Vincent Alexis M. Cabarroguis
Mongibello

Court of the Table

Rosario V. Reyes
BrightAdvisors

Mari Antonette T. Ascares
Fuji - Butuan

Lester Angelo M. Reyes
Mt. Elbrus

Ethel Edgarlina A. Clima
Mt. Olympus - Artemis

Clarissa C. Bautista
Mt. Pinnacle

Arlyn Grace V. Guico
Mt. Triumph

Kerrie Keane G. Shimura
Mt. Victoria's Peak

Rosario C. Salientes
SGA

Million Dollar Round Table

Cyndi Evangelista Alvar
A+Quest

Margarita Corpuz Arce
A+Quest

Juan Miguel Gonzales Flores
A+Quest

Louise Eliesse Baldea Go
A+Quest

Johanna Medina Montalvo
A+Quest

Arianne Francheska Sanchez Moya
A+Quest

Pauline Carag Sanchez
A+Quest

Val Ladaban Domingo
A+Quest DFC

John Cayetano Briola Pineda
A+Quest DFC-PS

Novelyn Ramos San Juan
A+Quest IFC

Reynaldo Sicat Almario
Andes TWF

Maria Aurora Cochon Paredes
Andes TWF

Angelina Inductivo Agustin
Ararat

Darriel Magpantay Encarnacion
Ararat

Marilen Magundayao Ilagan
Bogda Peak

Gloria Stephanie Garay Lim
BrightAdvisors

Charina Oliveria Quiambao
BrightAdvisors

Reymond Matos Reyes
BrightAdvisors

Keisha Mariah Catabay Lauigan
Crown Peak

Luvisminda Catabay Mallillin
Crown Peak

Laura Lagman Utleg
Crown Peak

Elma Labastida Avila
El Manre Financials

Sharon Mayonila Labor
Fuji

Annalyn Tuballa Perocho
Fuji

Louise Belle Pablico Cabigas
Fuji - Bukidnon

Leticia Suarnaba Lapizar
Fuji - Bukidnon

Liza Paguilion Madrid
Fuji - Bukidnon

Myrna Loy Luna
Fuji - Butuan

Ann Sharlaine Enerio Bunag
Gangkhar Puensum 1

Jerwin Gonzaga Lafuente
Gangkhar Puensum 1

Alysses Gatdula Matro
Gangkhar Puensum 1

Mariella Morales Panes
Gangkhar Puensum 1

John Michael Garcia Ramos
Gangkhar Puensum 1

Manfred Leo Lopina Torres
Gangkhar Puensum 1

Rodrigo Martinez Cadano Jr
Gangkhar Puensum 2

Ranillo Aduana Cardos
Gangkhar Puensum 2

Carlos Bellido Pascual
Gangkhar Puensum 2

Nashrullah Kinge Zacaria
Gangkhar Puensum 2

Zedrik Froylan Paz San Lorenzo
Gasherbrum II

Annalee Ang De Guia
Gerizim

Loremar Aguilar San Pedro
Gerizim

Ge Marie Lara Abuda
King Mayon

Marissa Samson Francisco
King Mayon

Bea Camille Villanueva Martinez
King Mayon

Lourdes Marzo Merano
King Mayon

Rowena Villas Villajos
King Mayon

Belinda Yumul Yabut
King Mayon

Maria Cristina Escobar Martin
Matterhorn

Miguelito Jose Montines
Matterhorn

Irineo Corpuz Guevarra
Mongibello

Lovely Catacutan Marimla
Mongibello

Sheila Cabanela Nunag
Mongibello

Marites Ibe Ocampo
Mongibello

Erwin Sarmiento Tiomico
Mongibello

Tirso Raymond Singh Gutierrez
Mount Zion South

Joel Artemio Garcia Salazar
Mt. Bentley

Emil Vidad Faustino
Mt. Bethel

Maribel Gutierrez Floresca
Mt. Bethel

Mary Ann Gomez Latonio
Mt. Carmel

Marisol Oliva Betonio
Mt. Carmel - Cebu

Jennifer Bongbong Pollisco
Mt. Carmel - Cebu

Joan Sabusay Reyes
Mt. Carmel - Cebu

Philip Cajes Dumlao
Mt. Carmel - Davao

Bernadith Jimenez Ipanag
Mt. Carmel - Davao

Vanessa Garcia Madayag
Mt. Carmel - Davao

Anecita Recana Rabanillo
Mt. Carmel - Davao

Gio Miguel Adriano Ocampo
Mt. Carmel - MB

Raymond Yu Lim
Mt. Carmel APEX

Kris Ortiz Tan
Mt. Champion

Mario Makabenta Alunan
Mt. Ebal

Claudia Cleofe Pido Cui
Mt. Ebal

Sarah Perez Deloraya-Mateo
Mt. Ebal

Maria Ester Bautista Gabatin
Mt. Ebal

Karen Mendoza Salagoste
Mt. Ebal

Diana Mendoza Hernandez
Mt. Jungfrau

Michaela Condes Jumao-as
Mt. Jungfrau

Liezl Maquiling Quiliza
Mt. Jungfrau

Catherine Joy Go Mendoza
Mt. Malaya - Mabuhay

George Benson Yu Mendoza
Mt. Malaya - Mabuhay

Philfa Carcedo De la Cruz
Mt. Olympus - Artemis

Arlene Uy Pagli-awan
Mt. Olympus - Artemis

Noel Suropia Hisanan
Mt. Olympus - Demeter

Mercielyn Gomba Melchor
Mt. Olympus - Demeter

Teresita Malcampo Ramoso
Mt. Olympus - Demeter

Adelaida Ramos Sebastian
Mt. Olympus - Zeus

Marlon Inciong Lopez
Mt. Olympus-Apollo

Ma. Sherem Jose Lumeran
Mt. Olympus-Apollo

Rialyn Abrasaldo Pablo
Mt. Olympus-Zeus 2

Romanito Costorio Impas III
Mt. Parker

Claire Ann Velasco Guiao
Mt. Pinnacle

Ronaldo Sebastian Legaspi
Mt. Pinnacle

Joan Marriel Mangahas Miranda
Mt. Pinnacle

Rowena Margarita Cuyco Suarez
Mt. Pinnacle

Purita Dy Tane
Mt. Pinnacle

Ana Katrina Macadaeg De Rosas
Mt. Triumph

Betsy Liao Manapsal
Mt. Victoria's Peak

Romulo Caval Manapsal Jr.
Mt. Victoria's Peak

Lyne Leva Dilag
Mt.OlympusAdvocates

Olivia Andrade Encinares
Mt.OlympusAdvocates

Jennifer Cokim Patrimonio
Nebo - Cebu 2

Geraldine Alcaide Quibod
Nebo - Davao

Edsel James Cabanban Sandico
Nebo - Davao

Ma. Victoria Lacanlale Carlos
Nebo - FINANCESUREPH

Alejandro Matic Clemente
Nebo - FINANCESUREPH

Joy Penuliar Salas
Nebo - FINANCESUREPH

Maylanie Sixto Mendoza
Nebo - GenSan

Junnel Jamili Lasco
Nebo - Pagadian

Franz Abegail Ilagan Bejasa
Rainbow - Castle

Michael Malibago Galaites
Rainbow - Fortitude

Barry Reonal Red
Rainbow - Pulag

Riza Arceo Pilapil
Rainbow 2

Estela Torbiso Siboa
Rainbow 2

Dianalyn Liwanag Dela Cruz
SGA - Aphrodite

Richelle Marie Diola Ng
SGA - Bicol

Jessyl Grace Jumawan Patria-Torres
SGA - Bicol

Danielle Bautista Fanlo
SGA - Davao

Ana Bautista Fanlo
SGA - Davao

Bryan Dominic Palaganas Del Castillo
SGA - DC Alliance

Maria Celina Decena Alonzo
SGA - Manila

Charito Enrique Aruta
SGA - Manila

Julian Venedict Enriquez Baltazar
SGA - Manila

Melany De Lara Cajucom
SGA - Manila

Caroline Ines Carig
SGA - Manila

Ma. Anunciacion Cruz Goquingco
SGA - Manila

Janedy Aguares Posadas
SGA - Manila

Alfredo Trinidad San Pedro
SGA - Manila

Maria Corazon Tajan Tan
SGA - Manila

Cereus Chang Castro
SGA - Mt. Phoenix

Julieta Gaw Garcia
SGA - Mt. Phoenix

Irene King Garcia
SGA - Mt. Phoenix

Lily Co Yu
SGA - Mt. Phoenix

Cristopher Pongco Cura
SGA-Lifers Pampanga

Angelyn Tamondong Nepomuceno
Sinai

Anna Lorraine Dizon Cetin
Sinai Peak

Chris Jhay R Pallera Lugue
Sinai Peak

Analyn Musni Marcos
Sinai Peak

Products for changing needs

With customers' needs constantly evolving, FWD Life Insurance makes certain to stay one step ahead in developing and offering products and services that address these needs.

Raising the Youngest Investors: FWD Babyproof

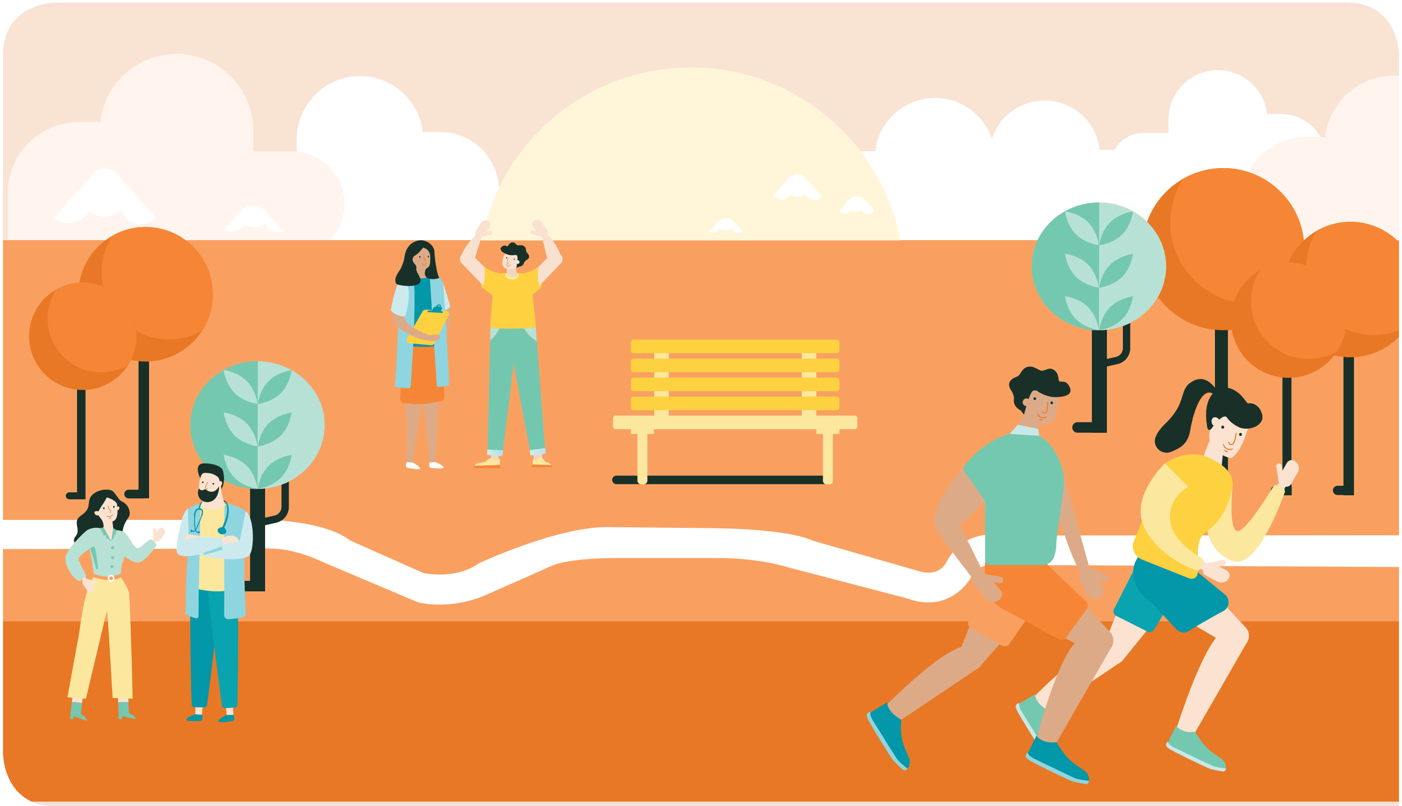
The COVID-19 generation does not need to be at a disadvantage. We support new parents with our first ever baby insurance plan that features our best investment and protection policies for babies. It provides coverage and wealth-building for babies as young as 15 days old.

To really know more about our "youngest investors," we partnered with Mommy Mundo, the go-to community for expecting and new parents, to connect with them and know their specific needs. FWD Life Insurance was a major sponsor for the 2021 ExpoMom online conference and had a special segment on "Financial Mindfulness" to address Filipino families' changing financial needs. Powerhouse couple, Feliz and JayJay Lucas, shared practical tips on how parents can steward and grow their money especially during the pandemic, as well as how life insurance can help them secure their family's future.

Bridging the Distance Between Loved Ones: FWD Family Hero

For OFWs all over the world, FWD Family Hero is an investment and health plan that allows them to protect and support their families—no matter the time and distance. It works as a source of passive income, with the potential to grow your family's wealth. It also protects your family from unexpected health setbacks.

We partnered with The Filipino Global Investors (TGFI), a group that organizes a community of Filipino financial literacy enthusiasts and advocates, to sponsor and lead segments in three major events, as well as mount two FWD Life Insurance-initiated live streams, with multiple promotional opportunities. Our overall partnership efforts produced over 41.6 million reach, more than 6.6 million engagements, and over 982k views.



Protection, Investment, and Wealth Growth: FWD Manifest

For opportunity-seeking Filipinos poised for success despite the pandemic, FWD Manifest is the first insurance plan that protects Filipinos and their investments while growing their wealth. Get rewarded for investing more for longer. With four unique features to help Filipinos succeed in the next normal:

- Start-up Bonus
- Investment Protection Bonus
- Guaranteed Milestone Increase
- Premium Extension Bonus

To celebrate the launch of this product, we organized "Manifest Your Dreams," a user-generated social campaign empowering people to manifest their dreams while offering master class mentorship to the winners. We partnered with Frances Cabatuando, creator of Home Buddies, a local Facebook community with almost 3 million active members, to inspire Filipinos to turn their pandemic challenges into dreams come true.

Holistic Fitness: FWD Health and Wellbeing

We believe health and wellbeing should be fun and functional so that it becomes a way of life and your own enjoyable journey to your best life. FWD Health and Wellbeing, our health protection portfolio, is a holistic approach to attaining a better quality of life—achieved through physical, mental, emotional, social, and financial fitness.

We organized a virtual media roundtable and an innovative digital public workshop to encourage people to pursue joyfulness through holistic health and wellbeing. Top field experts, namely fitness gurus and coaches Jim and Toni Saret, renowned Filipino psychologist Dr. Shake Hocson, acclaimed physician Dr. Ging Zamora, devoted doctors and fur-parents Dr. Hanna Palomar and Dr. Kathryn Tan, investment expert Marvin Germo, FWD Life Insurance Chief Agency Officer Jun Marasigan, and FWD Life Insurance VP and Head of Marketing Roche Vandenberghe, discussed the important aspects of being healthy physically, mentally, emotionally, and financially.

New FWD Funds:

1. **FWD Global Good ESG Peso and Dollar Funds**
   We believe that doing good business is good for business. With FWD Global Good ESG Peso and Dollar Funds, Filipinos can now invest in global equities while investing in globally sustainable companies. Total weighted average return of 24.40% since inception of Peso and Dollar ESG combined, outperforming major index price returns.

2. **FWD Diversity Fund**
   The FWD Diversity Fund diversifies equity investment funds to spread the risk and optimize performance through active and passive investing. It allows multiple funds in one investment while having lower management fees versus several individual funds.

FWD insurance

Innovative customer experience and technology

FWD Life Insurance is always driven to provide our customers with only the best-in-class experiences. With a proactive approach and an innovative mindset, we are continually seeking to improve our customers' insurance journeys.

Operational Efficiency with Fi, the FWD Life Insurance Chatbot

Since its launch in December 2021, Fi contributed to our operational efficiency and lessened the traffic toward our Customer Connect team. It receives an average of 10,000 messages per month and has a current monthly rating of 4.9 out of 5.

Fi is always ready to address our customers' questions 24/7 and has the capability to deliver various tasks, such as:

- Handle a range of inquiries from product information to claims
- Recommend a product that fits customer's needs
- Talk through an insurance quotation for select products
- Set an appointment with our financial advisors
- Link to our Customer Connect team for additional support

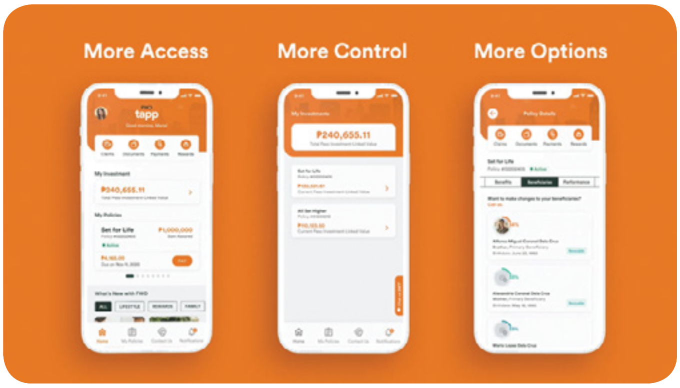
Improved Tapp NexGen for the Best Digital Experiences

After the successful re-platforming of Tapp NexGen, we continued to develop best-in-class features and enhancements to align with our Polaris initiatives and to provide outstanding digital experiences to our customers, among them:

- Migration of login services to Cloud
- Release of new transactions aligned with digital adoption initiatives
  - Update contact information (e.g., mail address, email address, and mobile number)
  - Change beneficiary designation between primary and secondary and from revocable to irrevocable
- In-app notifications for when account value is no longer enough to sustain cost of insurance
- Enhanced investment details, which includes display of amount invested and investment growth
- Enhanced investment graph with a new projection based on benchmark or actual performance of funds and indices over the past five years

An Enterprise-Wide Agile Transformation

Accenture conducted a research-based assessment in the first quarter of 2021 to give us a better understanding of our maturity in terms of business agility and in identifying focus areas that will help accelerate our transformation. Following the study results and recommendations, we pursued an enterprise-wide agile transformation. We established seven Agile Product teams (or Scrum teams) to implement the recommendations for different systems. These teams allowed both business and IT resources to operate in an agile environment and learn and adopt agile practices.



New Smart 2.0 Mobile App for Better Customer Journey

FWD Life Insurance always seeks to make the customer's insurance journey simpler, faster, and smoother with innovative propositions and easy-to-understand products supported by digital technology. This mobile application is one such endeavor. System-ready since December 2021, its full launch is slated for the second quarter of 2022.

Better Distributor Journey Map with Voice of Distributor

Our first Voice of Distributor (VOD) survey was created to understand our advisors' sentiments on the current services provided to them. Focused group discussions with select Agency and Partnership advisors were conducted to help us develop a distributor journey map to better understand their end-to-end advisor journey, identify pain points, and create opportunities to improve their experience.

Cloud Migration for Stability and Flexibility

We migrated our applications to Cloud to provide stability and the flexibility to expand capabilities of the applications. This initiative also sought to improve systems security, modernize applications, achieve operational excellence, improve cost efficiency, and increase system high-availability.

Robotic Process Automation for Greater Work Efficiency

We increased our work efficiency through elimination of repetitive tasks via Robotic Process Automation (RPA), a form of business process automation technology that uses software robots to automate tasks performed by humans. In 2021, we implemented 11 new RPA functions, which gave us a total of 29 different types of tasks processed by software robots. This saved us more than 11,000 worth of people hours.

11
New RPA functions

29
different types of tasks processed

11k
people hours saved

The FWD brand: passion and purpose

The FWD brand moves with passion and purpose, creating meaningful and relevant initiatives and campaigns that empower and inspire.

#StrongerYouWithFWD: Inspiring through Real Stories of Strength

#StrongerYouWithFWD is a purpose-driven campaign that reminds Filipinos of their innate strength. Real-life stories seek to celebrate the struggles that make people stronger—and the loved ones who inspire them to remain strong.

The campaign was brought to the public through the #IAmStrongerThan stories movement, a social media user-generated campaign led by well-known artists and personalities such as Kim Chiu, Bela Padilla, LA Tenorio, and Brina and Winston Maxino. The movement inspired thousands of stories from real people and provided relevant health protection solutions, like FWD Set for Health, encouraging Filipinos to develop a stronger mindset and act on living a life free of worries.

The Final Pitch: Empowering Innovation

The Final Pitch on CNN Philippines is the country's first business reality show designed to give a platform for investors to find and invest in up-and-coming businesses and entrepreneurs. Season 6, dubbed "Heroes Edition," focused on startups and innovators who pitched solutions for post-pandemic recovery. FWD Life Insurance President and Chief Executive Officer Li Hao Zhuang was part of the esteemed panel of investor-judges, alongside Vince Yamat (917Ventures), John Januszczak (UBX), and Joel Santos (Thames International Business School), and personally witnessed the innovative ideas of Filipino entrepreneurs.

FWD x *Still*: The Power of Music to Celebrate Strength

Our creative brand intrusion in the third episode of *Still*, Viu's first Filipino original musical series, features a conversation involving a financial advisor and an overseas Filipino worker and his daughter. Their dialogue underscores the essence of insurance in one's financial security, especially during times of uncertainty.

Our partnership with *Still* highlights FWD Life Insurance as a different brand. We are a relevant brand that correlates with the series' timely and inspiring narrative and sees music as a powerful instrument to connect with our customers. We are likewise a trustworthy brand that echoes the importance of insurance for a sound financial future.

Brand Refresh Initiatives: Better Brand Communications and Customer Mobile Journey

With a strong belief that today is the right time for brand evolution, we launched a Group-wide Brand Refresh initiative in 2021 with the aim to:

- Optimize our strategic assets, positioning, and sub-brands to align with our priority customer segments
- Strengthen our brand expression and how we communicate and appeal to a broader audience

As part of the year-long initiative, we migrated our company website to NextGen Lite to bring experience, technology, and data to work in unison. With NextGen Lite, we hope to provide best-in-class mobile-first experience to our customers and empower them to take control of their site journey. In less than a year, compared to our previous website, we saw an improved session duration of 75%, decreased bounce rate of 25%, and increased goal completions of 709%.

Customer Segmentation Approach: Strategic Expansion and Product Propositions

We developed a segment-based approach to reach specific markets, creating strategic partnerships, client forums, and product propositions in the process.

- We launched the Affluent Market segment and created the VIP Concierge, a special handling experience for well-to-do customers, which increased workflow and client servicing turnaround time.
- We collaborated with global investment management firm BlackRock and CHiNOY TV, a multiplatform media that targets the Chinese-Filipino community in the Philippines, to engage with our high net-worth customers. We also developed a hybrid experience with specialized content that provides valuable opportunities and actionable insights exclusive to the affluent market.

Recognitions for tech innovation and excellence

FWD Life Insurance has been at the forefront of providing innovative customer services, digital sales channels, and marketing partnerships leveraging technology to address our customers' evolving needs. Our Artificial Intelligence (AI) talkbot Frankie, insurance mobile app FWD Tapp, FWD Online Shop, and the "FWD-MCX: Road to Progress" partnership launch have been recognized by various award-giving bodies as some of the best tech innovations in the industry.

Here, a quick look at the recognitions we received for technology excellence in 2021:

Best Fintech Solution for Customer User Experience

DigFin Innovation Awards

Awards of Excellence in Special and Experiential Events

Philippine Quill Awards

Digital Insurer of the Year – Philippines

Digital Initiative of the Year – Philippine

Insurance Asia Awards

Best Life Insurance App Philippines

Best Life Insurance Company for Digital Transformation Philippines

Global Banking and Finance Awards

Our people, our values

The power of purposeful passion

2021 Senior Management Team

Li Hao Zhuang

President and Chief Executive Officer

Irene Andas

Chief Partnership Officer

Rozanne Parungo

Chief People and Culture Officer

Atty. Juan Sotero Roman

General Counsel, Chief Compliance Officer, and Data Protection Officer

D. Angela Rowley

Chief Risk Officer

Judith Baliton
Chief Life
Operations Officer

Jasper Hendrik Cheng
Chief Financial
Officer

Floro Marasigan, Jr.
Chief Agency
Officer

Adnelle Valeza
Chief Information and
Transformation Officer

Rochelle Vandenberghe
VP, Head of
Marketing

Christopher Young
Chief
Actuary

A strong leadership

FWD Life Insurance is led by a team of industry professionals who recognize the power of unwavering commitment, decisive action, and inspiring influence in translating visions into realities.

Li Hao Zhuang
President and Chief Executive Officer, 51

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 over 25 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. At the 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, 52

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

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 firms.

Judith Baliton
Chief Life Operations Officer, 56

Qualifications:
Ms. Baliton finished a course in Jr. Secretarial from Trinity College of Quezon City, Manila, Philippines. She also finished a Leadership Course from Wesleyan Bible College, Philippines.

Trainings:
She attended the Advanced Medical Underwriting course from the Philippine Society of Insurance Medicine in 2007; Corporate Governance Orientation by Insurance Institute of Asia and PTHE Pacific in 2006; Insurance Medicine versus Clinical Medicine course by Home Office Life Underwriters Association of the Philippines (HOLUAP) in 2002; Swiss Re Life & Health's New Underwriting Guidelines Launch by the Philippine Society of Insurance Medicine in 2000; Mood Disorders & Suicide/Preferred Risk Underwriting seminar by Lincoln National Reinsurance in 2000; Appreciation of Group Insurance seminar by HOLOUP in 2000; All Geared Up for the Year 2000: Underwriting & Development seminar by Swiss Reinsurance in 1997; and the Association of Insurance Medicine Conference in 2005 and 2007.

Professional Experiences:
With over 35 years of insurance industry experience, Ms. Baliton is responsible for managing our commercial operations, ensuring we have the right people and processes in place so that we can best service our customers. Prior to working in FWD Life Insurance, she was VP, Chief Underwriter in a multinational insurance company and a financial services provider.

Jasper Hendrik Cheng
Chief Financial Officer, 42

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

Trainings:
He attended the Orientation on Corporate Governance conducted by the Institute of Corporate Directors, Makati, Philippines in 2018. He has also obtained the FLMI, FFSI, and ARA designations of the Life Office Management Association (LOMA).

Professional Experiences:
He brings over 20 years of industry experience spanning several multinational companies. Prior to joining FWD Life 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, 53

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

Trainings:
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, 62

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

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 in several global brands and organizations including the development and implementation of a highly successful HR and Training system.

Atty. Juan Sotero (Teroy) Roman
General Counsel, Chief Compliance Officer, and Data Protection Officer, 52

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, 2020, and 2021.

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 Protection Officer of the company. Prior to joining FWD Life Insurance, he was with Manulife Philippines as Vice President – Legal and Compliance (2011 to 2014); Asst. Vice President, Officer-In-Charge (January to June 2011); and Senior Compliance Officer (2010 to 2011). He was also previously with Pru Life UK as Claims Head (2007 to 2010) and Sales Compliance Manager (2006 to 2007).

D. Angela Rowley
Chief Risk Officer, 51

Qualifications:
Ms. Rowley holds a Bachelor of Business and Finance from the University of Phoenix, USA 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.

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 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, 46

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, Manila, Philippines.

Trainings:
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 joining FWD Life 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, 46

Qualifications:
Ms. Vandenberghe holds a Bachelor of Science in Development Communication from the University of the Philippines Los Baños, Laguna, Philippines. She also continued her executive education at the University of Michigan Ross School of Business, USA 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 Life 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, 37

Qualifications:
Mr. Young holds a Bachelor of Science in Mathematics (summa cum laude) and a Master of Applied Mathematics (major in Actuarial Science), both from the University of the Philippines in Diliman.

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 Life Insurance since September 2018 as our Chief Actuary, overseeing pricing, valuation, experience studies, reinsurance, capital management, and business planning. He brings with him over 15 years of professional experience in various life insurance companies spanning the Philippines and Vietnam, covering roles in actuarial, product development, risk management, and data analytics. He also taught actuarial courses at the University of the Philippines Diliman. 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 want to create a culture that is caring and inclusive, one that promotes continuous learning and innovation and takes on a proactive approach in employee engagement. The global pandemic only made us stronger and more innovative. The latest Gallup survey results, which saw an increase in our employee engagement rate from 4.05 to 4.23, is proof. This latest feat moves FWD Life Insurance to the 57th percentile in the finance and insurance industry across the Philippines.

People Development and Innovation

Our people are our greatest assets, and we continually initiate training programs and experiences that help empower them to reach their highest potential. People development is such an important thrust in FWD Life Insurance. We are proud to share that, in 2021, almost 11% of our new hires came from internal movements within the organization and that 613 employees attended at least one learning program.

- **People-Centered Design (PCD) Sessions:** This whole-year training program is centered around a design-thinking framework that puts our customers at the heart of what we do. It has helped our leaders and employees develop a problem-solving philosophy that prioritizes and addresses our customers' needs.

- **Grisiliency Training:** We partnered with Viventis and Peak Learning to empower our leaders and employees in increasing their resiliency and adversity quotient while promoting GRIT (Growth, Resiliency, Instinct, and Tenacity). All these values are important in dealing with the constantly changing business landscape and—as is most critical right now—the effects of the pandemic.

- **Lunch & Learn with Li Hao:** This monthly brown bag session led by FWD Life Insurance President and Chief Executive Officer Li Hao Zhuang aims to increase the culture of mentoring and learning within the organization. In an informal set-up, Li Hao shares his expertise, experience, and insights on a variety of topics with our employees. This has also become an avenue for our employees to share their experiences in areas or topics concerning work, and even outside of it.

- **FWD Jedi Program:** A mentorship-focused program, registered padawans (mentees) are matched with Jedis (mentors who are more senior leaders of the organization) based on their common interests and goals. Jedis conducted one-on-one mentoring discussions to help develop the padawans' professional and individual growth. This initiative ran from September 2021 to January 2022.

- **FWD EdVantage Program:** Formerly called "Continuing Education Program," FWD EdVantage aims to support employees in pursuit of higher education, such as a master's or a doctoral research degree (PhD), through tuition fee reimbursement.

- **FWD x Udemy:** Our employees' appetite for learning continued to grow especially during the pandemic. In partnership with Udemy, an online course provider, we opened an e-learning marketplace platform to select individuals and gave them access to digital learning contents on soft and hard skills, such as business, communication, customer experience, leadership, project management, and technical skills.

- **Employee Referral Program:** Further proof of our employees' positive experience at work is the success of this program. Our employees continue to invite new members to join our organization, and about 29% of our new hires are from these employee referrals.

- **Succession Planning:** Talent Dialogue process is a management strategy in creating talent pipelines. FWD Life Insurance leaders devote time in preparing potential talents who can move into leadership roles when they become available. This instills the discipline of ensuring successors are identified for executive and critical roles, development plans are mapped out, and progress is monitored at least twice a year.

- **Performance Management:** Managers and direct reports continue to engage in frequent and meaningful conversations that set individual expectations and provide coaching and feedback that help future performance meet future goals. This performance management approach received positive feedback from our employees.

Employee Wellness

Our approach to employee development has always been holistic, and employees' personal, physical, mental, and emotional health are equally prioritized.

- **FWDLivelife Wellbeing Program:** Our people are at the heart of our wellbeing initiative. Together with our Group Office, we launched our new wellbeing strategy, FWDLiveLife, a program that features a series of activities covering the different aspects of wellbeing: emotional health, purpose and meaning, physical health, social connectedness, and financial wellness. Various activities, among them employee contests, cooking classes, virtual physical exercises and meditation classes, and speakership opportunities by influential personalities, sought to promote a healthy and fulfilling lifestyle within the organization.

- **Mental Wellness Initiatives:** Knowing that mental and emotional wellness are important in finding personal balance, especially during the pandemic, we launched initiatives that encourage our employees to focus on their mental health:
  - **Self-Care Day:** Employees can take a break—and focus on their wellbeing—by converting one of their Community Care time-offs to Self-Care Day.
  - **ComPsych Digital Toolkit:** Employees and their family members are given access to confidential expert consultations on matters relating to behavioral health and mental, legal, and financial concerns. In 2021, about 33% of our employees utilized the benefit—a 172% increase from the previous year.

- **Work from Anywhere:** Introduced in 2018, our Work from Anywhere (WFA) program enabled our employees to work on their location of choice. In 2021, we updated the program to include a hybrid set-up that allows employees (between 10% to 50%) to work onsite in accordance with the recommendations of our Crisis Management Team.

- **COVID-19 Assistance:** To help our employees and their loved ones recover from COVID-19 or get through the challenges brought by the pandemic, we provided different forms of assistance, among them:
  - **COVID-19 Vaccination Leave:** Employees were allowed a two-day leave to receive COVID-19 vaccination or recover from possible effects of the vaccine.
  - **Salary Loan Facilitation:** Employees can avail of a salary loan to help augment hospital and medical expenses for COVID-19 treatment—for them and/or their family members.
  - **Fuel Allowance Benefit and WFA Subsidy:** Employees can take advantage of a financial subsidy to enable them to work productively, even from home.

- **People Rewards:** We continued to find ways to ensure that our employees and their families get the best services for their health, especially during the pandemic. In partnership with Intellicare, we offered a free extended benefit through Surehealth Bayanihan Card to our employees' family members who are non-Intellicare members.

Operational Processes and Improvements for Enhanced Employee Experience

We constantly strive to improve operational procedures to provide our employees with the best opportunities to thrive and fully embrace the benefits of working with FWD Life Insurance.

- **Digital Graduate Programme:** As the starting point of their FWD journey, this 18-month pilot program gives new graduates the chance to explore different functions, work on exciting new projects, and collaborate with some of the creative minds in FWD Life Insurance. The program likewise opened our doors to a deeper pool of talents and allowed us to tap into their fresh ideas while giving them growth and development opportunities in our workplace. From a total of 155 submissions, we were able to hire two candidates who went through an extensive selection process.

- **Retirement Plan:** We continue to offer flexible plans that provide our employees with peace of mind, financial independence, and liquidity in their retirement years. Bank of the Philippine Islands Asset Management Group and Miravite Consulting Group are our partners in providing our employees the flexibility to choose their fund investment: conservative, moderate, or aggressive.

- **Remuneration:** Our remuneration structure regularly goes through approval, review, and recommendation to ensure competitiveness and adjustment for inflation. Management certifies that remuneration packages are within the company-approved tier limits, and is further reviewed by the Corporate Governance committee. Directors' and senior management's remuneration packages are then presented to the Shareholders and Directors for approval during their respective meetings.

Employee Experience and Engagement

Employees' active and dynamic engagement is always a priority within our organization. We recognize the importance of listening to—and learning from—our people and providing them with the best workplace experience.

- **Employee Appreciation Month:** Every September, we conduct online activities to recognize our employees' earnest efforts and keep them engaged despite the pandemic. These activities include virtual coffee sessions, breakfast and lunch sessions with Engagement Champions and Leaders, and online games and trivia sessions. This annual event forms social connection between our employees across all levels and has greatly improved our employee engagement, specifically under the area of recognition. It has increased our score by .18% from last year's Gallup Survey result, which moved us to the 50th percentile.

- **Employee Virtual Town Hall:** We continue to hold monthly company-wide virtual town hall meetings to enable our Senior Management Team to share business updates and listen to our employees' feedback. The virtual town hall has served as an avenue for our leaders to provide our employees with stable support, transparency, and open communication, championing our FWD values.

- **Exclusive Employee Offers:** Our employees were given the opportunity to avail of limited-time products to invest and get protected: FWD Set for Life and FWD Set for Tomorrow for exclusive discounted premium rates and FWD Set for Health at a 5% discount on cost of insurance.

Passion Communities

FWD Life Insurance communities continue to display our values of remaining committed, innovative, proactive, open, and caring.

- **Innovation Community:** Innovation is a big part of our commitment to changing the way people feel about insurance. In 2021, we launched the Springboard Challenge and reached out to our employees, as well as students from different universities across the Philippines, to ideate and present solutions by asking the question, "How can FWD Life Insurance change the way people like you feel about insurance?" From this program, students from the University of Asia & the Pacific bagged a spot as one of the top three teams within the FWD regional markets. The students were offered a company internship opportunity to witness their ideas come to life.

- **Wellness Community:** A year into the pandemic, we continued our virtual wellness programs to cater to our employees' health and wellbeing. This time around, our wellness activities not only focused on physical wellbeing but also our mental wellbeing. We organized mindfulness sessions with Mindfulness at Play and a physical program called Fitscovery series with the Fitscovery team. Flu and pneumonia vaccines were also administered as a reimbursement program to provide our employees and their families with additional protection especially during the pandemic situation.

- **Recognition Community:** Our 2021 STAR and Leader quarterly awards recognized a total of 31 STAR individuals and 30 Leaders. The overall 2021 STAR awardee will be introduced to the rest of the FWD regional markets, and the overall 2021 Leader Awardee will be recognized across FWD Life Insurance.

- **Diversity and Inclusion Community:** To recognize the existence of diversity within our organization, we launched an internal podcast and discussed different issues on diversity in our community. The Inclusive Movement was created to build an environment of involvement, respect, and connection within the organization. Topics included—but were not limited to—prejudice against COVID-19 patients, Pride Month and SOGIE Equality Bill, National Disability Prevention and Rehabilitation Month, and cultural diversity. To end the year on a higher note, we also visited our friends from Milagros Elderly Home and shared our time with the elderlies who were left in the care of the facility.

Our ESG strategy

Contributing to a better, more sustainable future

Environmental, Social, and Governance matters

Our first group-wide ESG (Environmental, Social, and Governance) strategy for 2021 - 2024 (the "Group ESG Strategy") represents the beginning of our journey to understand and prioritize the ESG issues that are most important to those impacted by our decisions. FWD Life Insurance is committed to doing our part in bringing about a better and more sustainable future.

Our ESG Goals

We support the United Nations' Sustainable Development Goals (SDGs). Our Group ESG Strategy aligns with seven SDGs, covering areas where we can make the greatest contribution:

SDG 3
(Good Health and Well-being)

SDG 4
(Quality Education)

SDG 8
(Decent Work and Economic Growth)

SDG 9
(Industry, Innovation and Infrastructure)

SDG 10
(Reduced Inequalities)

SDG 11
(Sustainable Cities and Communities)

SDG 13
(Climate Action)

We measure and disclose our ESG performance referencing international best practices, such as the Global Reporting Initiative, Sustainability Accounting Standards Board, Task Force on Climate-Related Financial Disclosures, and Principles for Responsible Investment (PRI).

Our ESG Value Creation

Our ESG strategy intends to create value in the following aspects:

- **Governance and Risk Management:** We aim to strengthen our culture of integrity and robust risk management framework to ensure that we are doing the right things in the right way. We continually work to make our business stronger and more resilient through ensuring robust and transparent decision-making and by incorporating material ESG factors into risk management.

- **Trust:** We aim to build customers' trust in us and in the insurance industry. With 99% of our employees having completed the annual Treating Customers Fairly training in 2021, we offer a seamless customer journey that has been designed and evaluated by our customers. We deliver the protection that our customers need through simpler and more inclusive products and by creating ways for customers to stay engaged with us, while ensuring responsible use of their data.

- **Talent:** We aim to attract, develop, and retain people who will change the insurance industry. We foster an innovative and vibrant workplace culture through inclusive leadership: promoting diversity of talent and increasing business resilience through flexible working—like how we pivoted and found ways to overcome the challenges of the global pandemic.

Today, women make up **60% of our senior management team.**

Our local diversity policy empowers our Board to endorse diversity in their professional and personal backgrounds such as skill, experience, gender, age, and ethnicity. We also adopted a Group Board diversity policy that aims to enhance the effectiveness of our Board and our corporate governance standards. Today, women make up 60% of our senior management team.

- **Closing the Protection Gap:** We are committed to creating a real impact on financial inclusion. We focus on younger customers in Asia who have traditionally been underserved by making our products more accessible and attractive to them. We educate people to help increase their financial literacy levels and become their life-time partner as they go through different life stages and circumstances.
- **Sustainable Investment:** We are a signatory to the PRI, and we aim to incorporate ESG factors into our investment process to ensure the long-term sustainability of our investments. We also invest in our local communities to support their sustainable development. With the help of our community partners, we advocate for better inclusivity and life opportunities for people with disabilities in Asia.
- **Climate Change Resilience:** We support the transition toward a low carbon economy through alignment with the Task Force on Climate-Related Financial Disclosures. We are conducting scenario analysis to understand our climate-related risks and opportunities.

Our ESG Governance

As part of our overall business strategy, we aim to ensure close alignment of our Group ESG function with our business goals and allocation of sufficient resources to our ESG functions, including establishing a Group ESG management committee in January 2020 to achieve this. The ESG management committee is chaired directly by Mr. Huynh Thanh Phong, our Group CEO and Executive Director, and comprises of senior managers from across the business. This ESG management committee is responsible for establishing our ESG goals and strategy, evaluating our performance and responding to emerging ESG risks and opportunities. This ESG management committee reports our various initiatives and progress to our Group board at least twice a year.

FWD insurance

Our ESG value-creation

In order to make the greatest impact, we've set ourselves 10 bold commitments. We aim to implement these by 2024 and will report our progress annually.

Strong corporate governance and risk management

Trust

1 Being there in the moments that matter, offering personalized customer experiences

2 Delivering the protection that our customers need via simpler, more inclusive products

Talent

3 Fostering an innovative and vibrant workplace culture with inclusive leadership

4 Attracting, developing, and retaining the best people in compelling careers

5 Promoting diversity of talent and business resilience through flexible ways of working

Close the protection gap

6 Meeting the needs of underserved customers to improve financial inclusion

7 Educating the next generation to ensure a brighter financial future

Sustainable investment

8 Embedding ESG into our investment process to promote sustainable financial performance

9 Sharing our passion for a life worth celebrating by investing in local communities

Climate resilience

10 Transitioning towards a low-carbon economy to help achieve net zero

ESG Series

In November 2021, we launched our internal ESG (Environmental, Social, and Governance) online series, *"Kwentuhan Tayo*: Invest for a Better Tomorrow," which aims to raise awareness and understanding of ESG principles within the company.

Our commitment to the community

The FWD Life Insurance spirit of *bayanihan* extends outside the confines of our walls. We remain resolute in our goals to always uplift the human spirit, empower people to overcome adversity, and extend assistance to those who need it, when they need it.

“Project Caring” Demonstrates Care and Inclusivity

Together with representatives from Humanity & Inclusion and Special Olympics Pilipinas, FWD Life Insurance volunteers organized a fundraiser for those gravely affected by the massive flood brought by Typhoon Ulysses in the Cagayan Valley. Our employees raised almost PhP60,000 in cash, which was then used to purchase basic necessities for the flood victims. Two hundred residents of Alcala, Cagayan received immediate relief care packages. The initiative not only showed acts of care and compassion, it also delivered a message of unity and inclusivity—that disability is never a hindrance when helping a community in need.

“Come Back Stronger” Fundraiser for Staff in Need

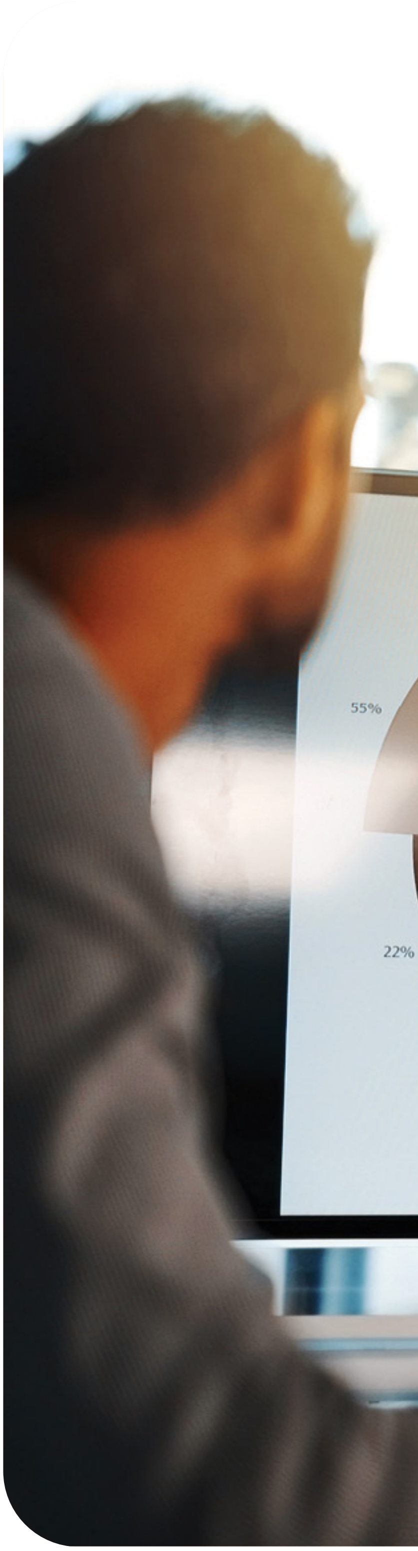
Our employees raised PhP90,000 in cash donations to assist close to 25 FWD Life Insurance support staff who were affected by the prolonged lockdown in the Philippines.

Ventilator Donation to Major Hospitals

To support the nation’s pandemic response, we donated a total of six ventilators to major hospitals in Metro Manila: Lung Center of the Philippines, Philippine General Hospital, St. Luke’s Medical Center Foundation, and The Medical City.

“Project Ability” Showcases Our Beneficiaries’ Talents

To celebrate the “International Day of People with Disabilities,” we turned the spotlight on the incredible talents of the Forward Together beneficiaries through “Project Ability.” In partnership with Humanity & Inclusion, this initiative provided a platform for Forward Together beneficiaries, Valenzuela Special Education Center and Ta & Nay’s Pot and Vases, to showcase their handicraft products and promote their livelihood. Our employees supported the cause by purchasing these handmade products, with at least 50 products sold in two weeks.


55%
22%

Corporate governance

Doing the right things right

FWD insurance

FWD Life 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

Our Shareholders maintain a pivotal role in making sure that the company adheres to 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 vote. In the election of directors, Shareholders cast their votes individually. Meetings of Shareholders and Directors are held at FWD Life Insurance's main office in Taguig City. To ensure everyone's safety with the COVID-19 pandemic, recent Shareholders and Directors meetings have been 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, and Shareholders are given the opportunity to object. The Corporate Secretary notes any and all questions, clarifications, and 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 25 March 2022

Our annual Shareholders' meeting was scheduled on 25 March 2022. The formal Notice and Agenda, together with proxy forms, were routed to the Shareholders on 3 March 2022, 21 days before the scheduled meeting. The reference materials for the Shareholders' meeting were also sent to the Shareholders in advance so that they were apprised of the rationale and explanation for each agenda item.

The Annual Shareholders' Meeting was held at our principal office and through electronic communications pursuant to Securities and Exchange Commission Circular 2020-06. The following attended the Annual Shareholders Meeting in person and 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**
  Outgoing Independent Director and Chairperson of the Audit Committee[1]
- **Adrian T. O'Connor**
  Non-Executive Director
- **Binayak Dutta**
  Non-Executive Director
- **Antonio Manuel G. de Rosas**
  Incoming Independent Director and Chairperson of the Audit Committee[2]

[1] Mr Castillo's term as Director expired on 25 March 2022
[2] Mr. de Rosas was elected on 25 March 2022

Board of Directors

Our Board of Directors presides over Management, collectively oversees the company's strategic direction and tenable future, and makes certain that the highest standards are constantly met with every decision-making.

Ambassador Jose L. Cuisia, Jr.
Chairman

Li Hao Zhuang
President and Chief Executive Officer

Leo G. Dominguez
Lead Independent Director

Lilia De Lima
Independent Director

Vicente B. Castillo
Independent Director

Binayak Dutta
Non-Executive Director

Adrian T. O'Connor
Non-Executive Director

Amb. Jose L. Cuisia, Jr.

Chairman of the Board, 77
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 serves as an Independent Director in these Publicly Listed Companies (PLC): SM Prime Holdings, PHINMA Corp., and Manila Water Company Inc., while he is the executive Chairman of PLC Century Properties Group Inc. He likewise serves as the Chairman of the Board of The Covenant Car Company Inc. (Chevrolet Philippines), Adlemi Properties, Inc., JVC Holdings, Inc., and Five Js Diversified Holdings. He took his official diplomatic post as Ambassador Extraordinary and Plenipotentiary to the United States of America from 2011 to 2016.

Binayak Dutta

Non-Executive Director, 49
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.

Adrian T. O'Connor

Non-Executive Director, 63
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.

Atty. Lilia B. De Lima

Independent Director, 81
Date of First Appointment: 21 June 2018

Qualifications:
Atty. de Lima graduated with an Associate in Arts from Centro Escolar University, Manila, Philippines in 1958. She earned her Bachelor of Laws from Manuel L. Quezon University, Manila, Philippines in 1962 and the following year, in 1963, she was called to the Philippine Bar. She earned her fellowship in American and International Law at the Center of American and International Law in Dallas, Texas, USA and her Doctor of Laws (Honoris Causa) at Manuel L. Quezon University, Manila, Philippines in 2009.

Training:
She attended the Corporate Governance Courses conducted by the Institute of Corporate Directors on 05 September2018 and 10 July 2019; Business Continuity Planning, and Executive Briefing for Board Directors and Management conducted by the Center for Global Best Practices on 23 October 2020; and Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) Technical Training on 23 August 2020.

Relevant Experiences:
She sits in the Board of Directors of the following PLCs: Rizal Commercial Banking Corporation as a Non-Executive Director and Phinma Corporation as an

Independent Director. She is also a Director of Dusit Thani Manila, Science Park of the Philippines, RFM Science Park of the Philippines, Pueblo de Oro Development Corp., Regatta Properties, Inc., Ionics EMS Inc., and Ionics Inc. She is an Executive-in-Residence at Asian Institute of Management, Member of Board of Trustees of Fatima Center for Human Development and Member, Advisory Council of AC Industrials.

Li Hao Zhuang

Executive Director, President
and Chief Executive Officer, 51
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 key initiatives that lifted Elite Agency's productivity, digital capabilities, and professionalism.

Atty. Leo Dominguez

Lead Independent Director, 66
Date of First Appointment: 6 December 2013

Qualifications:
Atty. Dominguez graduated with a Bachelor of Arts in Philosophy from Ateneo de Manila University, Manila, 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 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.

Vicente B. Castillo

Independent Director, 67
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. He also attended the Roles, Responsibilities and Liabilities of Board Directors conducted by Center for Global Best Practices last November 2021.

Relevant Experiences:
He 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.

Overview of the Board's Responsibilities

The Board of Directors 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 bylaws, 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 Life 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 also decide on matters specifically requiring Board approval by the company's policies and frameworks. 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.

2021 Board Meetings and Attendance

The 2021 meetings were proposed, scheduled, and approved by the Board of Directors at its Regular Meeting on 03 December 2020. 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 week before the actual meeting.

The Nomination and Election of Our Directors

Shareholders (including non-controlling Shareholders) individually nominate and elect candidates for the Board of Directors. Management may also suggest candidates to the Shareholders based on recommendations from external search firms. The Corporate Governance Committee evaluates the candidates' qualifications, skills, expertise, and job experiences, and whether these align with FWD Life Insurance's vision and mission.

The profiles of the qualified candidates, together with the Notice and Agenda for the Shareholders' meeting, are presented to the Shareholders for election. These profiles contain the candidates' age, academic qualification, working experience, other directorships, and appointments within the company. Elected directors hold office for a year.

The Corporate Governance Committee also reviews the candidates' remuneration packages and certifies the same are within the approved tier limits approved by the company. Directors' remuneration packages are then presented to the Shareholders and are ratified at the Shareholders' meeting.

Directors	Outgoing meeting (23 March 2021)	Organizational meeting (23 March 2021)	Special meeting (12 May 2021)	Regular meeting (22 June 2021)	Regular meeting (07 September 2021)	Special meeting (15 November 2021)	Regular meetings (10 December 2021)	% Attendance
Amb. Jose L. Cuisia, Jr.	✓	✓	✓	✓	✓	✓	✓	100%
Adrian T. O'Connor	✓	✓	✓	✓	✓	-	-	71%
Binayak Dutta	✓	✓	✓	-	✓	✓	✓	85%
Atty. Leo G. Dominguez	✓	✓	✓	✓	✓	✓	✓	100%
Atty. Lilia B. De Lima	✓	✓	✓	✓	✓	✓	✓	100%
Li Hao Zhuang	✓	✓	✓	✓	✓	✓	✓	100%
Vicente B. Castillo	✓	✓	-	✓	✓	✓	✓	85%
% Attendance	**100%**	**100%**	**70%**	**70%**	**100%**	**70%**	**70%**	

The Development of Our Directors

The Compliance Officer provides the orientation for Directors to explain the company's vision and mission, 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 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 (IC). This is to fully equip themselves with the latest information on corporate governance and matters of best practice.

In 2021, the Directors attended the following trainings and seminars to enrich their knowledge on the company's business:

- "How Boards Have Risen to the COVID-19 Challenge, and What's Next" seminar conducted by McKinsey & Company;
- Environmental, Social, and Governance Strategy Seminar, conducted by FWD Group;
- Anti-Money Laundering training conducted by Atty. Mel Georgie B. Racela, Executive Director of the Anti-Money Laundering Council Secretariat; and
- Anti-Bribery and Corruption training conducted by FWD Group.

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 IC circulars on corporate governance, our Corporate Governance Manual, and each Committee's Terms of Reference.

The Board and Committee Performance Assessments were distributed on 10 December 2021. The Office of the Corporate Secretary tallied and summarized the results. On 24-25 March 2022, 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. Director's renumeration is based on the table below:

Position	Remuneration (PhP)
Chairman of the Board and Non-Executive Director	1,371,845.70
Member of the Board	1,066,991.10
Chairman of Committee	812,945.60
Member of Committee	558,900.10

For 2021, the company paid a total of 13,362,793.30 in Directors' fees. Binayak Dutta, who is an executive of FWD Group, and Li Hao Zhuang, who is the FWD Life Insurance President and Chief Executive Officer, do not receive renumeration as Directors of FWD Life Insurance.

As President and Chief Executive Officer, Li Hao Zhuang's executive renumeration package consists of fixed salaries and allowances, including short-term and long-term variable incentives.

Board Committees

Our Board Committees remain actively engaged in addressing relevant matters. They offer strategic recommendations on specialized issues to ensure the achievement of the company's goals.

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

Committees	22 Mar 2021	21 Jun 2021	06 Sept. 2021	15 Nov. 2021	09 Dec. 2021
Audit Committee	100%	100%	100%	-	67%
Related Party Transactions Committee	100%	100%	100%	-	100%
Corporate Governance Committee	100%	-	100%	100%	100%
Risk Committee	100%	100%	100%	-	67%

Audit Committee

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

- 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

Each year, the Audit Committee reviews Internal Audit's detailed three-year plans and confirms the adequacy of the company's internal control systems.

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.

Audit Committee	22 Mar	21 Jun	6 Sep	09 Dec
Vicente B. Castillo	✓	✓	✓	✓
Atty. Leo G. Dominguez	✓	✓	✓	✓
Adrian T. O'Connor	✓	✓	✓	-
% Attendance	100%	100%	100%	67%

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 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.

Corporate Governance Committee	22 Mar	6 Sep	15 Nov	09 Dec
Atty. Leo G. Dominguez	✓	✓	✓	✓
Atty. Lilia B. De Lima	✓	✓	✓	✓
Amb. Jose L. Cuisia, Jr.	✓	✓	✓	✓
% Attendance	100%	100%	100%	100%

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 in accordance with applicable regulations and the company's Related Party Transactions Policy.

Related Party Transactions Committee	22 Mar	21 Jun	6 Sep	09 Dec
Amb. Jose L. Cuisia, Jr.	✓	✓	✓	✓
Vicente B. Castillo	✓	✓	✓	✓
Atty. Leo G. Dominguez	✓	✓	✓	✓
% Attendance	100%	100%	100%	100%

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. The Risk Committee annually reviews the company's Risk Management systems and confirms its adequacy.

Risk Committee	22 Mar	21 Jun	6 Sep	09 Dec
Atty. Lilia B. De Lima	✓	✓	✓	✓
Amb. Jose L. Cuisia, Jr.	✓	✓	✓	✓
Adrian T. O'Connor	✓	✓	✓	-
% Attendance	100%	100%	100%	67%

Compliance Officer

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

Roles and Responsibilities

The Compliance Officer ensures the timely submission of accurate reports and disclosures to the IC, Securities and Exchange Commission (SEC), 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
- Ensures the attendance of Board members and Officers in relevant trainings
- Monitors, reviews, evaluates, and ensures compliance by the company, our Officers and Directors with the relevant laws, the IC Code of Corporate Governance, rules and regulations, and all governance issuances of regulatory agencies
- Reports violations to the Board and recommends the imposition of appropriate disciplinary action
- Ensures the integrity and accuracy of all documentary submissions to regulators
- Collaborates with other departments to properly address compliance issues
- Identifies possible areas of compliance issues and works toward the resolution of the same
- Performs such other duties and responsibilities as may be prescribed by the IC and the company's by-laws

Atty. Juan Sotero Roman

Chief Compliance Officer, 52
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, 2020, and 2021.

Relevant Experiences:

He 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 Life 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, 41
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.

She joined the seminar entitled "Best Practices in Corporate Housekeeping" in April 2021. She also attended the privately held seminar on "How Boards Have Risen to the COVID-19 Challenge, and What's Next" conducted by McKinsey & Company.

Relevant Experiences:

Prior to joining FWD Life Insurance, she 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. She is a Special Lecturer II for Insurance Law and Credit Transactions in the University of Caloocan City College of Law for Academic Year 2021-2022.

Atty. Jordan Zafra-Bernardo

Assistant Corporate Secretary, 34
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. She joined the seminar entitled "Best Practices in Corporate Housekeeping" in April 2021. She also attended the privately held seminar on "How Boards Have Risen to the COVID-19 Challenge, and What's Next" conducted by McKinsey & Company.

Relevant Experiences:

She began her career in the insurance industry with FWD Life 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

At FWD Life Insurance, we "Do the Right Things Right." We adhere to a compliance framework that implements the highest code of professional and corporate ethics.

Code of Conduct and Business Ethics (Code)

Our Code reminds Directors, Officers, employees, and distributors that all actions and decisions should be measured against high ethical standards. We are 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.

Overview of Our Policies

Our policies protect our shareholders, creditors, and customers who entrust funds with FWD Life Insurance. And as a digital-first insurer, all our policies and interactive learning courses are made available to our Directors, Officers, and employees online.

- **Conflict of Interest Policy:** This 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. Conflicts of interest must be identified and declared so that any necessary action can be taken to manage or to avoid conflicts altogether, and to uphold the trust between FWD Life Insurance, its customers, and external stakeholders.

- **Gifts, Entertainment, and Anti-Bribery Policy:** We are committed to observing the highest code of professional ethics in conducting our business. This policy provides guidance on what gifts and entertainment are acceptable to ensure that both FWD Life Insurance and its employees fulfill the company's business principles and comply with applicable regulatory requirements. It covers the general duties and obligations of all employees and contractors, in relation to the offering and accepting of gifts and other personal benefits to or from clients, prospective clients, third parties, regulatory bodies, and public officials.

- **Whistleblower Policy:** A culture of honesty includes our ability to speak up when we feel something is wrong. This policy covers the confidential, secure, and, if necessary, anonymous way of reporting concerns or potential violations of our Code of Ethics and Business Conduct or anything that may pose a threat to our integrity and our reputation. This is to enable the Management to take appropriate actions.

  To speak up without fear of retaliation and to safeguard the confidentiality of the matter, stakeholders, Directors, Officers, employees, financial advisors, business partners, third-party suppliers, and the public may report concerns anonymously through our Speak Up Online platform at www.fwd.com/SpeakUp.

Calling the Whistleblower Hotline Number: (02) 8626 3210	Submitting an online report through https://convercent.com/report (enter FWD in search bar).

- **Related Party Transactions Policy:** Related Party Transactions (RPT) are transactions or dealings with related parties of the company, including its trust department, whether or not a price is charged. This policy aims to ensure that transactions are engaged into terms that promote the best interest of the company and our stakeholders. All RPTs must be conducted in the regular course of business and not undertaken on more favorable (than similar transactions with non-related parties under similar circumstances) economic terms to such related parties.

- **Personal Insider Dealing Policy:** This policy sets a guide of due care to our employees and to individuals who have access to non-public material information that can compromise any deal or counsel, or procures another deal in our listed securities (or their derivatives) for unfair advantage or financial gain.

- **Information Security and Data Privacy Policy:** This policy outlines our commitment to collect, process, and use data subject's personal data in accordance with applicable laws and regulations on data privacy. We created the Data Privacy Champions, composed of a Data Protection Officer, Compliance Officer for Privacy, Information Security Team, and representatives from all functions, to ensure proper management of personal data across the company.

- **Anti-Money and Laundering Policy:** This policy establishes the general framework for FWD Life Insurance's Anti-Money Laundering and Counter Terrorist Financing (AML-CTF) program. Senior Management, employees, distributors, and suppliers must duly comply with this policy vis-à-vis the manual. To protect the company's reputation and avoid exposure to criminal charges, which may include fines and imprisonment, they must adhere to the guidelines in order to detect or combat money laundering and terrorist financing.

- **Treating Customers Fairly Policy:** This policy sets the minimum practices and standards expected in managing Conduct Risk, which is the risk of creating outcomes or experiences that are not in the best interest of our customers or don't meet reasonable expectations of customers during the development, distribution, and management of our products and services. This policy ensures appropriate consideration of customers' needs and that reasonable expectations are considered during the provision of insurance products and services to all customers.

- **Regulatory Management Policy:** We "do the right things right," including compliance with relevant laws and regulations, and remaining transparent, open, and clear about our dealings with regulatory authorities. This policy outlines the key requirements on how we proactively manage our regulatory compliance and interactions, all to ensure that we build and maintain a trusting relationship with authorities and regulators.

Compliance Engagement Initiatives

We continually organize employee engagement activities that promote learning and heightened awareness of the importance of compliance.

- **Workshop Sessions:** Apart from policy references and online courses, we also organized workshop sessions for our employees and financial advisors to ensure our continued compliance with regulations and corporate policies especially during the height of the pandemic:

Remote and Cross-Border Selling Workshop:

Based on the Insurance Commission's regulations, this online session apprised our financial advisors of the prohibition on cross-border selling and guidelines on non-face-to-face selling of insurance products.

Data Privacy Workshop:

This online session helped increase our employees' awareness of data privacy requirements and educated them on proper security and handling of personal data.

- **Compliance Awareness Week:** In November 2021, we had our annual Compliance Awareness Week that brought all FWD regional markets together to participate in virtual learning sessions and engaging activities highlighting the company's guidelines and policies.

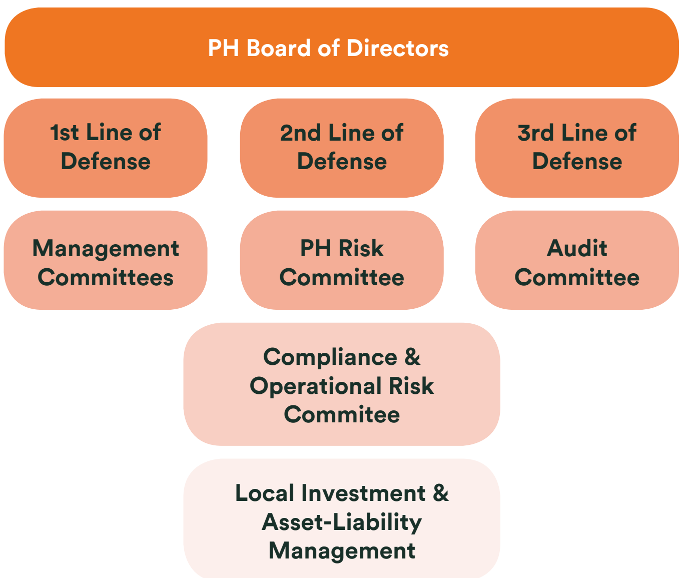
A proactive risk culture

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

Stronger Risk Governance Structure

The Board of Directors has the overall responsibility to oversee FWD Life Insurance's Enterprise Risk Management Framework, while the Management and staff are responsible for risk management. Our risk governance is based on a "three lines of defense" model that distinguishes three groups involved in effective risk management: 1) function that owns and manages risks; 2) function that oversees risks; and 3) function that provides independent assurance. The model seeks to make certain that risks are managed within the company's risk appetite.

The Board established the Philippine Risk Committee (PRC) to supervise the key risks in the financial and non-financial sides of our business. The PRC approves overall risk plan of the company and confirms its adequacy. The PRC is supported by Local Investment and Asset & Liability Management Committee (LIALMC) and the Compliance and Operational Risk Committee (CORC). The LIALMC is responsible for overseeing the insurance, financial, investment, market, asset liability management, and capital risk of FWD Life Insurance, while the CORC is responsible for overseeing risks from daily operations involving technology, project management, business continuity, and compliance to regulatory mandates.



Risk Culture

We aim to build a stronger risk culture that enables proactive management of risk by all employees across the organization. The guiding principles of the Code of Ethics and Business Conduct set the behavioral standards expected of Management and all Directors, employees, contractors, and distributors.

We believe that tone from the top, leadership engagement, accountabilities, and awareness communication initiatives are key to ensuring a strong risk culture. On an annual basis, we conduct survey and focused group discussions to measure and understand our strengths and areas for improvements.

We also reinforce maintenance of desired risk management behavior through Risk and Compliance Key Performance Indicator (RCKPI), a rating concluded by the Group Risk Committee and Group Compensation Committee. It serves as a basis for the short-term incentive multiplier.

Risk Appetite

We use a common language in managing our risks. Risk appetite is clearly defined and approved up to the Board level. It is cascaded to everyone and embedded in business planning, strategic initiatives, and daily operations to make sure that decisions are made and taken within the bounds of our risk appetite.

Risk Management in Action

Every year, we conduct risk identification and assessment through risk register update, top risk definition, and operational risk assessment. Transparency in reporting of incidents and issues is deeply engrained in each employee. This allows us to promptly respond to the exposure with mitigating strategies that follow the company's risk appetite and reduce the likelihood of an impact—or fully avoid, transfer, or accept the risk.

Both first and second lines of defense conduct a proactive internal controls review through Key Control Self-Assessment. This is to assess if there are any control design issues and if the operating controls are still effective and consistently implemented.

Aside from adherence to our local regulator, being a subsidiary of FWD Group, FWD Life Insurance also abides by the policies of the Hong Kong Insurance Authority. This requires us to update most of our policies and procedures due to the Group-wide supervision.

Resiliency and readiness to respond to crisis that may impact our business, such as natural calamities and a pandemic, are also part of the risk management program. Business impact analysis is conducted annually to identify the resource requirement of each mission's critical process to continue operating and serving our customers even in the event of an adversity. Following this assessment is the enhancement of the business continuity and disaster recovery plans. To best prepare our stakeholders on risk management, the business continuity and disaster recovery playbook is appraised annually through tabletop discussions and functional drills.

In response to the global pandemic, the risk management team coordinated with the local government of Taguig and a private vendor to provide COVID-19 vaccination to our employees. We've also put in place an online health check-in for continued health monitoring and reporting of COVID-19 cases in the company.

Our Key Risk Areas in 2021

In 2021, we closely monitored these specific key risk areas:

Business performance risk brought upon by the global health pandemic. With the rise of COVID-19 cases in 2021, FWD Life Insurance bore the weight of claims related to the virus, with persistency and higher surrenders

Significant regulatory changes from both local regulator and Group-wide supervision that may impact the business

Cyber risk and data protection

Resiliency and general business operations

Objective and independent internal audit

Our internal audit system is built to ensure 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 inhouse. The Head of Internal Audit (HIA), Ame June Lim, 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—at least 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, 2021 and 2020

and

Independent Auditor's Report

Building a better working world

A member firm of Ernst & Young Global Limited

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Building a better working world

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
FWD Life Insurance Corporation

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, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2021, 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.

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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
Tax Identification No. 216-950-288
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 108795-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-107-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8853467, January 3, 2022, Makati City

March 25, 2022

FWD insurance

FWD LIFE INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION

	Notes	December 31 2021	December 31 2020 (As restated – Note 2)	January 1 2020 (As restated – Note 2)
ASSETS				
Cash and cash equivalents	**4, 24**	**₱925,881,531**	₱1,206,155,440	₱863,025,139
Financial assets				
Financial assets at fair value through profit and loss (FVPL)	**5, 6, 24**	**265,133,674**	263,039,143	252,663,473
Available-for-sale (AFS) financial assets	**5, 24**	**2,559,303,784**	1,424,570,711	810,377,017
Assets held to cover unit-linked liabilities	**6, 24**	**36,904,056,215**	23,690,049,945	15,874,283,525
Loans and deposits	**6, 24**	**271,815,649**	124,667,298	54,645,052
Reinsurance assets	**10**	**325,893,504**	245,975,041	445,414,466
Property and equipment - net	**7**	**148,375,140**	153,875,767	177,222,862
Right-of-use assets – net	**8**	**233,315,926**	327,742,523	315,583,367
Intangible assets – net	**9**	**229,000,493**	251,598,569	263,381,061
Deferred tax assets	**21**	**111,598,010**	109,476,682	55,288,635
Insurance contract assets - net	**12**	**645,318,466**	488,762,825	782,866,442
Other assets	**11, 22**	**1,088,276,206**	1,216,457,391	1,279,445,196
TOTAL ASSETS		**₱43,707,968,598**	₱29,502,371,335	₱21,174,196,235
LIABILITIES AND EQUITY				
Liabilities				
Unit-linked liabilities	**6**	**₱36,904,056,215**	₱23,690,049,945	₱15,874,283,525
Retirement liability	**21**	**816,916**	9,142,884	14,907,115
Income tax liabilities		**8,593,891**	15,076,018	23,964,233
Other liabilities	**13, 22**	**2,706,502,427**	2,272,748,277	1,909,380,548
		39,619,969,449	25,987,017,124	17,822,535,421
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**	**2,775,000,000**	2,600,000,000	2,600,000,000
Defined benefit obligation revaluation reserve	**21**	**33,937,947**	23,102,616	13,041,231
Unrealized fair value gain (loss) on AFS financial assets	**5**	**(25,383,534)**	15,471,130	1,830,654
Other reserves				
Remeasurement gain (loss) on life insurance reserves	**12**	**(153,031,080)**	(373,443,689)	54,523,272
Reserve on share-based payment	**20**	**64,174,768**	49,725,851	30,741,949
Deficit	**14**	**(2,569,298,520)**	(2,762,101,265)	(3,311,075,860)
		4,087,999,149	3,515,354,211	3,351,660,814
TOTAL LIABILITIES AND EQUITY		**₱43,707,968,597**	₱26,502,371,338	₱21,174,196,235

See accompanying Notes to Financial Statements.

FWD LIFE INSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Years Ended December 31 2021	2020 (As restated – Note 2)
REVENUES			
Gross insurance premiums	**15**	**₱18,992,416,883**	₱13,779,378,569
Fees revenue	**15**	**109,025,948**	49,591,946
		19,101,442,831	13,828,970,515
Premiums ceded to reinsurers	**15**	**(166,802,979)**	(124,671,716)
Net insurance premiums and fees revenue	**15**	**18,934,639,852**	13,704,298,799
Investment returns	**16**	**1,732,797,712**	(116,993,084)
Non-operating investment return	**17**	**(31,081,782)**	(92,416,205)
Other operating revenue	**18**	**1,129,056,135**	934,649,524
Total revenues		**21,765,411,917**	14,429,539,034
BENEFITS, CLAIMS, EXPENSES AND LOSSES			
Gross benefits and claims	**19**	**3,871,077,334**	1,659,961,311
Gross change in insurance contract assets		**(25,672,206)**	(377,406,471)
Increase in unit-linked liabilities		**12,856,771,680**	7,950,798,437
Gross insurance contract benefits		**16,702,176,808**	9,233,353,277
Reinsurers' share on benefits and claims incurred	**19**	**(131,098,965)**	(34,138,999)
Reinsurers' share of gross change in insurance contract liabilities		**(4,245,510)**	(6,925,379)
Net insurance contract benefits		**16,566,832,333**	9,192,288,899
General and administrative expenses	**20**	**2,294,625,150**	2,006,813,896
Commission expense and commission-related expenses	**20**	**2,648,447,496**	2,628,418,509
Investment expenses		**11,056,241**	10,184,645
Interest expense on lease liabilities	**8**	**24,197,005**	33,203,721
Other expenses		**330,034**	226,551
Total expenses		**21,545,488,259**	13,871,136,221
INCOME BEFORE INCOME TAX		**219,923,658**	558,402,813
Provision for income tax	**23**	**27,120,913**	9,428,218
NET INCOME		**192,802,745**	548,974,595
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will be reclassified to profit or loss in subsequent periods:			
Unrealized fair value gain (loss) on AFS financial assets	**5**	**(40,854,664)**	13,640,476
Remeasurement gain (loss) on life insurance reserves	**12**	**220,412,609**	(427,966,961)
Item that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement gain on pension obligation	**21**	**10,835,331**	10,061,385
		190,393,276	(404,265,100)
TOTAL COMPREHENSIVE INCOME		**₱383,196,021**	₱144,709,495

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, 2021, as restated, as previously reported	**₱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**
Effect of change in valuation methodology for legal policy reserves (Note 2)	–	–	–	–	–	–	**(971,289)**	**314,582,495**	–	**313,611,206**
Balances at January 1, 2021, as restated	**₱2,300,000,000**	**₱327,599,568**	**₱1,335,000,000**	**₱2,600,000,000**	**49,725,851**	**₱23,102,616**	**(373,443,689)**	**(2,762,101,265)**	**₱15,471,130**	**3,515,354,211**
Unrealized fair value loss on AFS financial assets	–	–	–	–	–	–	–	–	**(40,854,664)**	**(40,854,664)**
Remeasurement gain on pension obligation	–	–	–	–	–	**10,835,331**	–	–	–	**10,835,331**
Impact of Gross Premium Valuation (GPV) reserves	–	–	–	–	–	–	**220,412,609**	–	–	**220,412,609**
Net income	–	–	–	–	–	–	–	**192,802,745**	–	**192,802,745**
Total comprehensive income (loss)	–	–	–	–	–	**10,835,331**	**220,412,609**	**192,802,745**	**(40,854,664)**	**383,196,021**
Reserve on share-based payment	–	–	–	–	**14,448,917**	–	–	–	–	**14,448,917**
Additional contingency surplus	–	–	–	**175,000,000**	–	–	–	–	–	**175,000,000**
Balances at December 31, 2021	**₱2,300,000,000**	**₱327,599,568**	**₱1,335,000,000**	**₱2,775,000,000**	**₱64,174,768**	**₱33,937,947**	**(₱153,031,080)**	**(₱2,569,298,520)**	**(₱25,383,534)**	**₱4,087,999,149**

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, as restated, as previously reported	₱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
Effect of change in valuation methodology for legal policy reserves (Note 2)	–	–	–	–	–	–	369,829	102,704,084	–	103,073,913
Balances at January 1, 2020, as restated	2,300,000,000	327,599,568	1,335,000,000	2,600,000,000	30,741,949	13,041,231	54,523,272	(3,311,075,860)	1,830,654	3,351,660,814
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	–	–	–	–	–	–	(427,966,961)	–	–	(427,966,961)
Net income	–	–	–	–	–	–	–	548,974,595	–	548,974,595
Total comprehensive income (loss)	–	–	–	–	–	10,061,385	(427,966,961)	548,974,595	13,640,476	144,709,495
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	(₱373,443,689)	(₱2,762,101,265)	₱15,471,130	₱3,515,354,212

See accompanying Notes to Financial Statements.

FWD LIFE INSURANCE CORPORATION
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Notes	2021	2020 (as restated – Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱219,923,658**	₱558,402,813
Adjustments for:			
Net change in insurance contract assets	12	**(25,672,206)**	(377,406,470)
Increase in unit-linked liabilities	5	**12,856,771,680**	7,950,798,437
Depreciation of property and equipment	7	**82,277,612**	83,639,178
Depreciation of right-of-use assets	8	**112,012,019**	116,652,145
Amortization of prepaid assets	11	**476,287,130**	526,873,271
Amortization of intangible assets	9	**73,497,778**	64,449,590
Provision for bad debts	11	**9,787,651**	15,913,003
Fair value loss (gain) on fair value through profit or loss asset and assets held to cover unit-linked liabilities	6, 16	**(1,657,759,780)**	160,583,803
Interest expense on lease liability	8	**24,197,005**	33,203,721
Share-based payment	20	**14,448,917**	18,983,901
Interest income	16	**(75,037,932)**	(43,590,719)
Operating income before working capital changes		**12,110,733,532**	9,108,502,673
Decrease (increase) in:			
Loans and deposits	6	**(147,148,351)**	(70,022,246)
Financial assets at fair value through profit and loss	5, 6, 24	**(2,094,531)**	(10,375,670)
Assets held to cover unit-linked liabilities	5, 24	**(11,109,482,726)**	(7,867,839,114)
Reinsurance assets	10	**(79,918,463)**	199,439,425
Other assets	11	**(310,390,846)**	(472,588,011)
Increase (decrease) in:			
Pension liability	21	**2,509,363**	4,297,154
Other liabilities	13	**531,266,608**	328,552,326
Net cash generated from operations		**995,474,586**	1,219,966,537
Income taxes paid		**(35,724,369)**	(61,881,161)
Net cash provided by operating activities		**959,750,217**	1,158,085,376
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Available-for-sale financial assets	5, 24	**(2,474,863,723)**	(1,119,144,825)
Property and equipment	7	**(76,776,983)**	(60,292,083)
Intangible assets	9	**(50,899,702)**	(52,667,098)
Proceeds from maturity, disposal or exchange of:			
Available-for-sale financial assets	5, 24	**1,289,590,000**	514,055,071
Interest received		**37,221,169**	45,861,460
Net cash used in investing activities		**(1,275,729,239)**	(672,187,472)
CASH FLOWS FROM FINANCING ACTIVITIES			
Additional infusion of contingency surplus	14	**175,000,000**	–
Payment of lease liabilities	8	**(139,294,887)**	**(142,767,601)**
Net cash provided by (used in) financing activities		**35,705,113**	**(142,767,601)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(280,273,909)**	**343,130,301**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	**1,206,155,440**	**863,025,139**
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱925,881,531**	**₱1,206,155,440**

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 25, 2022.

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.

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 for the changed in measurement of legal policy reserves for premium paying riders and the adoption of the Company of the following new accounting pronouncements beginning January 1, 2021. Unless otherwise indicated, the adoption of these pronouncements did not have any significant impact on the Company's financial position or performance.

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

Change in measurement of legal policy reserves for premium paying riders (PPR) and term policies

In 2021, with the implementation of the Prophet system, the Company started measuring legal policy reserves on premium paying riders (PPRs) attached to issued variable life products under the Gross Premium Valuation model. The change in measurement was made to make the valuation of reserves consistent with the Company's product submission to the Insurance Commission in August 2019. Previously, the Company approximated the legal policy reserves on PPR using unearned premium reserves model. The change in measurement of legal policy reserves is accounted for by the Company in accordance with Philippine Accounting Standard 10, *Accounting Policies, Changes in Accounting Estimates and Errors* resulting in restatement of comparative financial statements. The restatement also resulted in additional income tax liability on minimum corporate income tax and related deferred tax asset.

The impact of the change in measurement of legal policy reserves on PPRs is as follows:

	As of and for the year ended December 31, 2020		
	As previously reported	Effect of change	As restated
Statements of Financial Position			
Assets			
Insurance contract assets	₱175,151,619	₱313,611,206	₱488,762,825
Deferred tax assets	103,185,032	6,291,650	109,476,682
Liabilities			
Income tax liabilities	8,784,368	6,291,650	15,076,018
Equity			
Deficit	(3,076,683,760)	314,582,495	(2,762,101,265)
Remeasurement gain (loss) on life insurance reserves	(372,472,400)	(971,289)	(373,443,689)
Statements of Comprehensive Income			
Benefits, claims, expenses, and losses			
Gross change in insurance contract assets	(165,528,060)	(211,878,411)	(377,406,471)
Income before tax	346,524,402	211,878,411	558,402,813
Net income	337,096,184	211,878,411	548,974,595
Remeasurement gain (loss) on life insurance reserves	(426,625,842)	(1,341,119)	(427,966,961)
Total other comprehensive income	(402,923,981)	(1,341,119)	(404,265,100)
Total comprehensive income	(65,827,797)	(1,341,119)	144,709,495
Statements of Cash Flows			
Income before tax	346,524,402	211,878,411	558,402,813
Net change in insurance contract assets	(165,528,059)	(211,878,411)	(377,406,470)
Net cash provided by operating activities	1,158,085,376	−	1,158,085,376

	For the year ended December 31, 2019		As of January 1, 2020
	As previously reported	Effect of change	As restated
Statements of Financial Position			
Assets			
Insurance contract assets	₱679,792,529	₱103,073,913	₱782,866,442
Equity			
Deficit	(3,413,779,944)	102,704,084	(3,311,075,860)
Remeasurement gain (loss) on life insurance reserves	54,153,443	369,829	54,523,272

<u>Accounting Standard Effective but not yet Adopted</u>

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, 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*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2*, Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024

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

Effective beginning on or after January 1, 2025

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

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The 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, 2025, 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, 2023

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 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.

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

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

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

Fair value disclosures

The table below presents an analysis of the fair value of classes of financial assets as of December 31, 2021 and 2020, as well as the corresponding change in fair value for the year ended December 31, 2021 and 2020, 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

	2021			
	SPPI financial assets		**Other financial assets**	
	Fair value	**Fair value change**	**Fair value**	**Fair value change**
Cash and cash equivalents	**₱–**	**₱–**	**₱925,881,531**	**₱–**
Loans and deposits	**271,815,649**	**–**	**–**	**–**
AFS financial assets:				
Government and corporate debt securities	**2,559,303,784**	**(40,854,664)**	**–**	**–**
Reinsurance assets	**–**	**–**	**325,893,504**	**–**
Other assets	**–**	**–**	**395,789,174**	
	₱2,831,119,433	**(₱40,854,664)**	**₱1,647,564,209**	**₱–**

Unit-linked

	2021			
	SPPI financial assets		**Other financial assets**	
	Fair value	**Fair value change**	**Fair value**	**Fair value change**
Cash and cash equivalents	₱–	₱–	**₱351,405,616**	**₱–**
Other assets				**–**
Receivables	–	–	**185,851,813**	**–**
Accrued income	–	–	**38,021,806**	**–**
Financial assets at FVPL:				
Debt securities	–	–	**1,155,692,232**	**(38,519,774)**
Equity securities	–	–	**9,228,433,961**	**162,854,827**
Unit investment trust fund	–	–	**26,498,063,750**	**1,533,994,500**
	₱–	₱–	**₱37,457,469,178**	**₱1,658,329,553**

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	–	–	245,975,041	–
Other assets	–	–	381,703,915	
	₱1,549,238,009	₱13,640,476	₱1,833,834,396	₱–

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)

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.

2021
Non-linked

	2021				
	A	**BBB**	**BB**	**Not rated**	**Total**
Cash and cash equivalents	**₱134,660,354**	**₱788,833,786**	**₱–**	**₱2,387,391**	**₱925,881,531**
Loans and deposits	–	–	–	**271,815,649**	**271,815,649**
AFS financial assets:					
Government and corporate debt securities	–	**2,559,303,784**	–	–	**2,559,303,784**
Reinsurance assets	–	–	–	**325,893,504**	**325,893,504**
Other assets	–	–	–	**425,350,156**	**425,350,156**
	₱134,660,354	**₱3,348,137,570**	**₱–**	**₱1,025,446,700**	**₱4,508,244,624**

Unit-linked

	A	**BBB**	**BB**	**Not rated**	**Total**
Financial Assets:					
Cash and cash equivalents	**₱283,298,451**	**₱68,107,165**	**₱–**	**₱–**	**₱351,405,616**
Other assets					
Receivables	–	–	–	**185,851,813**	**185,851,813**
Accrued income	–	–	–	**38,021,806**	**38,021,806**
Financial assets as FVPL:					
Debt securities	–	**1,151,669,680**	–	**4,022,552**	**1,155,692,232**
Equity securities	–	–	–	**9,228,433,961**	**9,228,433,961**
Unit investment trust fund	–	–	–	**26,498,063,750**	**26,498,063,750**
	₱283,298,451	**₱1,219,776,845**	**₱–**	**₱35,954,393,882**	**₱37,457,469,178**

2020
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	–	–	–	245,975,041	245,975,041
Other assets				401,703,375	401,703,375
	₱83,385,969	₱2,545,396,933	₱–	₱774,288,963	₱3,403,071,865

Unit-linked

	A	BBB	BB	Unrated	Total
Cash and cash equivalents	₱169,404,620	₱246,081,798	₱–	₱–	₱415,486,418
Loans and receivables:					
Receivables	–	–	–	254,030,422	254,030,422
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
	₱169,404,620	₱1,212,247,664	₱–	₱22,959,182,397	₱24,340,834,681

The following table provides information on the fair value and carrying amount of non-linked and unit-linked financial assets under PAS 39. 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.

	2021			
	Non-linked		**Unit-linked**	
	Fair value	**Carrying amount**	**Fair value**	**Carrying amount**
Financial assets				
Cash and cash equivalents	**₱925,881,531**	**₱925,881,531**	**₱351,405,616**	**₱351,405,616**
Loans and deposits	**271,815,649**	**271,815,649**	**223,873,619**	**223,873,619**
AFS financial assets:				
Government and corporate debt securities	**2,559,303,784**	**2,559,303,784**	**–**	**–**
Financial assets at FVPL:				
Debt securities	**–**	**–**	**1,155,692,232**	**1,155,692,232**
Equity securities	**–**	**–**	**9,228,433,961**	**9,228,433,961**
Unit investment trust fund	**–**	**–**	**26,498,063,750**	**26,498,063,750**
Reinsurance assets	**325,893,504**	**325,893,504**	**–**	**–**
Other assets	**395,789,173**	**395,789,173**	**–**	**–**
	₱4,478,683,641	**₱4,478,683,641**	**₱37,457,469,178**	**₱37,457,469,178**

	2020			
	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	381,703,915	381,703,915	266,996,781	266,996,781
	₱3,353,935,368	₱3,353,935,368	₱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.

<u>Cash and Cash Equivalents</u>
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.

<u>Financial Instruments</u>
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.
<u>Initial Recognition and Measurement</u>
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.

<u>Subsequent Measurement</u>

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

<u>Financial assets</u>

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.

Financial liabilities

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.

Reinsurance Assets

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.

Fair Value Measurement

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. Impairment of AFS debt securities are assessed based on the same criteria as financial assets carried at amortized cost.

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.

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.

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

<u>Insurance Receivables</u>
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.

<u>Prepayments</u>
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.

Unit-linked insurance contracts

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.

Equity

Capital stock

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

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.

Revenue Recognition (within the scope of PFRS 15)
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.

Revenue Recognition (outside the scope of PFRS 15)
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.

Benefits and Expenses
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.

Leases
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.

Foreign Currency-denominated Exchange Transactions and Translations
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.

Income Tax
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the 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.

Provisions and Contingencies
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.

Related Party Transactions
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.

Employee Benefits
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.

In 2021, the FWD Group offered a long-term incentive bonus (share award plan) to eligible employees of the Company after meeting certain performance indicators over the agreed period. The Company has the obligation to settle the transaction with its employees in FWD Group's equity instruments which is purchased by the Company from FWD Group resulting to a recognition of a liability.

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.

For the share award plan, the FWD Group utilizes an appraisal value method and an assessment of performance conditions to calculate the fair value of the share awards, considering the terms and conditions upon which the shares are 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 consider 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, intangible assets and prepaid assets as of December 31, 2021 and 2020. 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 9 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 and share award plan
FWD Group has adopted a share-option award plan and share 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, while the share award plan is cash settled.

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

For the share award plan, the FWD Group utilizes an appraisal value method and an assessment of performance conditions to calculate the fair value of the share awards, considering the terms and conditions upon which the shares are granted.

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 ₱504.90 million and ₱334.97 million as of December 31, 2021 and 2020, 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 based on 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.

The carrying value of loans and deposits amounted to ₱271.81 million and ₱124.67 million as of December 31, 2021 and 2020, respectively (see Note 5). The carrying value of insurance receivables under 'Other Assets' amounted to ₱120.73 million and ₱198.79 million as of December 31, 2021 and 2020, respectively (see Note 11). The carrying value of accounts receivable under 'Other Assets' amounted to ₱60.23 million and ₱30.04 million as of December 31, 2021 and 2020, respectively. The allowance for doubtful accounts on 'Other assets' amounted to ₱29.56 million and ₱20.00 million as of December 31, 2021 and 2020, 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, 2021 and 2020, the carrying values of property and equipment amounted to ₱148.38 million and ₱153.88 million, respectively (see Note 7), the carrying values of intangible assets amounted to ₱229.00 million and ₱251.60 million, respectively (see Note 9) and the carrying values of prepaid assets under other assets amounted to ₱650.95 million and ₱808.07 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 ₱224.64 million and ₱322.00 million as of December 31, 2021 and 2020, 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, 2021 and 2020, the carrying amount of retirement obligation amounted to ₱0.82 million and ₱9.14 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 since management believes that the benefits will not be realized prior to their expiry dates. In 2021, the Company utilized a portion of the NOLCO while the remaining unutilized amount had expired.

As of December 31, 2021 and 2020, the Company recognized accumulated deferred tax assets on minimum corporate income (MCIT) amounting to ₱111.60 million and ₱109.48 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

This account consists of:

	2021	2020
Cash on hand	**₱2,387,392**	₱1,943,252
Cash in banks	**923,494,139**	1,204,212,188
	₱925,881,531	₱1,206,155,440

Cash in banks earn annual interest at the prevailing bank deposit rates ranging from 0.10% to 0.50% in 2021 and from 0.125% to 0.50% in 2020.

Interest income earned on cash in banks in 2021 and 2020 amounted to ₱2.11 million and ₱5.51 million, respectively (see Note 16).

5. Financial Assets

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

	2021	2020
Financial assets at FVPL (Note 6)	**₱265,133,674**	₱263,039,143
AFS financial assets	**2,559,303,784**	1,424,570,711
Assets held to cover unit-linked liabilities (Note 6)	**36,904,056,215**	23,690,049,945
Loans and deposits	**271,815,649**	124,667,298
	₱40,000,309,322	₱25,502,327,097

AFS financial assets
This account consists of:

	At Amortized Cost		At Fair value	
	2021	2020	**2021**	2020
Government debt securities	**₱2,440,000,724**	₱1,265,016,637	**₱2,437,181,970**	₱1,281,214,702
Corporate debt securities	**123,011,709**	144,082,944	**122,121,814**	143,356,009
	₱2,563,012,433	₱1,409,099,581	**₱2,559,303,784**	₱1,424,570,711

Movements in AFS financial assets follow:

	2021	2020
At January 1	**₱1,424,570,711**	₱810,377,017
Additions	**2,474,863,723**	1,119,144,825
Disposals/maturities	**(1,289,590,000)**	(514,055,071)
Fair value gains (losses)	**(40,854,664)**	13,640,476
Amortization of discount	**(9,685,986)**	(4,536,536)
At December 31	**₱2,559,303,784**	₱1,424,570,711

AFS debt securities bear annual interest ranging from 2.38% to 7.63% in 2021 and 2.38% to 6.80% in 2020. Interest earned amounted to ₱71.77 million and ₱37.11 million in 2021 and 2020, respectively (see Note 16). Interest accrued amounted to ₱26.82 million and ₱9.63 million as of December 31, 2021 and 2020, respectively (see Note 11).

As of December 31, 2021 and 2020, 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 gains (losses) on AFS financial assets follow:

	2021	2020
At January 1	**₱15,471,130**	₱1,830,654
Unrealized fair value gain (loss)	**(40,854,664)**	13,640,476
At December 31	**(₱25,383,534)**	₱15,471,130

"Unrealized fair value gains (losses) 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:

	2021	2020
Receivable from VUL funds	**₱176,529,178**	₱75,601,799
Agency loans	**71,802,215**	33,483,790
Employee loans and advances	**18,382,088**	14,621,016
Policy loans	**5,102,168**	960,693
	₱271,815,649	₱124,667,298

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 ₱0.32 million and ₱0.68 million in 2021 and 2020, 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:

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets measured at fair value:				
Financial assets at FVPL (Note 6)	**₱265,133,674**	**₱–**	**₱–**	**₱265,133,674**
AFS financial assets	**2,559,303,784**	**–**	**–**	**2,559,303,784**
Assets held to cover unit-linked liabilities (Note 6)	**–**	**36,904,056,215**	**–**	**36,904,056,215**
	₱2,824,437,458	**₱36,904,056,215**	**₱–**	**₱39,728,493,673**

	2020			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets at FVPL (Note 6)	₱263,039,143	₱–	₱–	₱263,039,143
AFS financial assets	1,424,570,711	–	–	1,424,570,711
Assets held to cover unit-linked liabilities (Note 6)	–	23,690,049,945	–	23,690,049,945
	₱1,687,609,854	₱23,690,049,945	₱–	₱25,377,659,799

As of December 31, 2021 and 2020, 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

	2021			
	Balanced Fund	**Equity Fund**	**Fixed Income**	**Total**
Financial assets at FVPL (Note 5)	**₱80,756,309**	**₱1,038,450**	**₱93,191,450**	**₱174,986,209**
Assets held to cover unit-linked liabilities (Note 5)	**991,353,783**	**4,045,792,114**	**301,997,786**	**5,339,143,683**
	₱1,072,110,092	**₱4,046,830,564**	**₱395,189,236**	**₱5,514,129,892**

SBC Funds

	2021					
	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)	**₱974,136**	**₱986,110**	**₱1,059,990**	**₱1,040,821**	**₱44,456,000**	**₱48,517,057**
Assets held to cover unit-linked liabilities (Note 5)	**1,115,352,991**	**975,604,188**	**6,968,774,059**	**4,485,651,191**	**4,991,404,604**	**18,536,787,033**
	₱1,116,327,127	**₱976,590,298**	**₱6,969,834,049**	**₱4,486,692,012**	**₱5,035,860,604**	**₱18,585,304,090**

FWD Managed Funds

	2021				
	FWD Global Good Peso ESG Fund	**FWD Diversity Fund**	**FWD Global Dollar Equity Index Fund**	**FWD Global Good USD ESG Fund**	**Total**
Financial assets at FVPL (Note 5)	**₱1,229,938**	**₱987,850**	**₱37,739,102**	**₱1,673,516**	**₱41,630,406**
Assets held to cover unit-linked liabilities (Note 5)	**2,766,137,084**	**36,922,673**	**4,989,918,654**	**5,235,147,090**	**13,028,125,501**
	₱2,767,367,022	**₱37,910,523**	**₱5,027,657,756**	**₱5,236,820,606**	**₱13,069,755,907**

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	₱3,877,329,415	₱15,577,727,757

FWD Managed Funds

	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

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

	2021			
BPI Funds	**Balanced Fund**	**Equity Fund**	**Fixed Income**	**TOTAL**
Asset				
Cash and cash equivalents	**₱22,920,751**	**₱85,288,278**	**₱2,967,964**	**₱111,176,993**
Debt securities	**767,175,917**	**–**	**388,516,315**	**1,155,692,232**
Equity securities	**275,174,193**	**3,978,915,231**	**–**	**4,254,089,424**
Accrued income	**8,102,980**	**1,565,035**	**4,012,975**	**13,680,990**
Other receivables	**2,415,968**	**8,100,636**	**589,606**	**11,106,210**
Total Assets	**1,075,789,809**	**4,073,869,180**	**396,086,860**	**5,545,745,849**
Liabilities				
Amounts payable on redemption of units	**901,311**	**15,255,889**	**47,267**	**16,204,467**
Other payables	**2,778,407**	**11,782,726**	**850,357**	**15,411,490**
Total Liabilities	**3,679,718**	**27,038,615**	**897,624**	**31,615,957**
Net Asset Value	**₱1,072,110,091**	**₱4,046,830,565**	**₱395,189,236**	**₱5,514,129,892**

	2021					
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	**₱–**	**₱–**	**₱–**	**₱–**	**₱68,107,165**	**₱68,107,165**
Other investments - feeder fund	**1,115,252,137**	**951,091,092**	**6,969,367,293**	**4,479,383,290**	**–**	**13,515,093,812**
Equity securities	**–**	**–**	**–**	**–**	**4,974,344,537**	**4,974,344,537**
Accrued income	**–**	**–**	**–**	**–**	**1,889,676**	**1,889,676**
Other receivables	**3,569,403**	**26,770,113**	**19,130,005**	**23,881,970**	**20,110,420**	**93,461,911**
Total Assets	**1,118,821,540**	**977,861,205**	**6,988,497,298**	**4,503,265,260**	**5,064,451,798**	**18,652,897,101**
Liabilities						
Amounts payable on redemption of units	**1,705,573**	**459,642**	**13,612,491**	**13,206,694**	**19,187,533**	**48,171,933**
Other payables	**788,840**	**811,265**	**5,050,758**	**3,366,554**	**9,403,661**	**19,421,078**
Total Liabilities	**2,494,413**	**1,270,907**	**18,663,249**	**16,573,248**	**28,591,194**	**67,593,011**
Net Asset Value	**₱1,116,327,127**	**₱976,590,298**	**₱6,969,834,049**	**₱4,486,692,012**	**₱5,035,860,604**	**₱18,585,304,090**

	2021				
Dollar Equity Funds	**FWD Global Good Peso ESG Fund**	**FWD Diversity Fund**	**FWD Global Dollar Equity Index Fund**	**FWD Global Good USD ESG Fund**	**Total**
Asset					
Cash and cash equivalents	**₱158,137,651**	**₱572,508**	**₱9,298,789**	**₱4,112,511**	**₱172,121,459**
Other investments - feeder fund	**2,716,655,988**	**37,055,743**	**5,022,393,351**	**5,206,864,856**	**12,982,969,938**
Accrued income	**7,565,220**	**–**	**17**	**14,885,903**	**22,451,140**
Other receivables	**8,113,785**	**336,497**	**5,250,811**	**67,582,599**	**81,283,692**
Total Assets	**2,890,472,644**	**37,964,748**	**5,036,942,968**	**5,293,445,869**	**13,258,826,229**
Liabilities					
Amounts payable on redemption of units	**118,456,577**	**4,982**	**–**	**43,905,830**	**162,367,389**
Other payables	**4,649,044**	**49,244**	**9,285,212**	**12,719,433**	**26,702,933**
Total Liabilities	**123,105,621**	**54,226**	**9,285,212**	**56,625,263**	**189,070,323**
Net Asset Value	**₱2,767,367,023**	**₱37,910,522**	**₱5,027,657,756**	**₱5,236,820,606**	**₱13,069,755,907**

BPI Funds	2020 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	12,964,746
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	45,587,887
Other payables	2,610,941	10,801,938	841,246	14,254,126
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

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
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

Dollar Equity Funds	2020 FWD Global Dollar Equity Index Fund
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

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

	2021	2020
At January 1	**₱23,953,089,088**	₱16,126,946,998
Contributions	**16,172,494,896**	10,068,552,688
Redemptions	**(4,614,723,648)**	(2,093,501,587)
Fair value gain (loss)	**1,658,329,553**	(148,909,011)
At December 31	**₱37,169,189,889**	₱23,953,089,088

Investment in debt securities in the unit-linked funds bear an annual interest ranging from 2.63% to 15.00% in 2021 and 2020.

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 2021 and 2020 are as follow:

	2021	2020
Dividend income	**₱204,185,976**	₱78,557,114
Interest income	**60,782,923**	57,177,716
Unrealized gain (loss) on investments	**1,684,293,689**	(53,461,681)
Realized gain (loss) on investments	**57,037,325**	(61,336,127)
Total gain	**2,006,299,913**	20,937,022
Management fees	**(305,300,756)**	(141,153,899)
Other operating expenses	**(30,215,602)**	(17,546,642)
Total expenses	**(335,516,358)**	(158,700,541)
Net income (loss) before final tax	**1,670,783,555**	(137,763,520)
Provision for final tax	**(12,454,002)**	(11,145,492)
Net income (loss) after final tax	**₱1,658,329,553**	(₱148,909,012)

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:

	2021	2020
Investment returns (Note 16)	**₱1,657,759,780**	(₱160,583,803)
Non-operating investment returns (Note 17)	**569,773**	11,674,791
	₱1,658,329,553	(₱148,909,012)

7. Property and Equipment

The rollforward analysis of this account follow:

2021

	EDP Equipment	Office Equipment	Motor Vehicles	Leasehold Improvements	Furniture and Fixtures	Total
Cost						
At January 1	₱263,782,252	₱21,069,201	₱8,582,895	₱265,008,061	₱36,506,086	₱594,948,495
Additions	22,136,550	241,906	18,240,776	33,171,925	2,985,828	76,776,985
Disposals	–	–	–	(582,500)	–	(582,500)
At December 31	285,918,802	21,311,107	26,823,671	297,597,486	39,491,914	671,142,980
Accumulated depreciation						
At January 1	209,061,029	16,633,416	3,610,381	181,282,737	30,485,165	441,072,728
Depreciation (Note 21)	33,940,278	3,426,618	3,650,546	37,198,800	4,061,370	82,277,612
Disposals	–	–	–	(582,500)	–	(582,500)
At December 31	243,001,307	20,060,034	7,260,927	217,899,037	34,546,535	522,767,840
Net Book Values	₱42,917,495	₱1,251,073	₱19,562,744	₱79,698,449	₱4,945,379	₱148,375,140

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 21)	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	₱6,020,561	₱153,875,767

The costs of fully depreciated property and equipment that are still being used as of December 31, 2021 and 2020 amounted to ₱312.59 million and ₱260.13 million, respectively.

8. Leases

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. 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 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 starting December 7, 2019 to December 6, 2027, subject to a renewal option of another 8 years upon mutual 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:

	2021					
	Head Office & Branch Premises	**Parking Spaces**	**Office Equipment**	**Motor Vehicles**	**Advertising Spaces**	**Total**
Cost						
At January 1	**₱356,535,169**	**₱22,490,282**	**₱986,808**	**₱50,079,416**	**₱99,760,726**	**₱529,852,401**
Additions	**16,185,879**	**145,067**	**–**	**–**	**1,935,460**	**18,266,406**
Terminations/expiration	**(28,735,792)**	**(254,028)**	**(986,808)**	**(4,745,249)**	**–**	**(34,721,877)**
At December 31	**343,985,256**	**22,381,321**	**–**	**45,334,167**	**101,696,186**	**513,396,930**
Accumulated amortization						
At January 1	**162,151,376**	**8,851,552**	**696,571**	**17,108,950**	**13,301,430**	**202,109,879**
Depreciation (Note 20)	**83,478,031**	**4,673,535**	**290,237**	**10,600,129**	**12,970,085**	**112,012,020**
Terminations/expiration	**(28,735,792)**	**(254,028)**	**(986,808)**	**(4,064,266)**	**–**	**(34,040,895)**
At December 31	**216,893,615**	**13,271,059**	**–**	**23,644,813**	**26,271,515**	**280,081,004**
Net Book Values	**₱127,091,641**	**₱9,110,262**	**₱–**	**₱21,689,354**	**₱75,424,671**	**₱233,315,926**

	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
Disposals	(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	10,929,761	13,301,430	116,652,146
Disposals	(3,635,074)	175,975	(3,098,867)	(3,459,808)	–	(10,017,774)
At December 31	162,151,376	8,851,552	696,571	17,108,949	13,301,430	202,109,878
Net Book Values	₱194,383,793	₱13,638,730	₱290,237	₱ 32,970,467	₱86,459,296	₱327,742,523

The following are the amounts recognized in statement of income:

	2021	2020
Depreciation expense of right-of-use assets (Note 20)	**₱112,012,020**	₱116,652,145
Interest expense on lease liabilities	**24,197,005**	33,203,721
Operating lease rentals considered short-term lease and lease of low-value assets included in 'Office-related expenses' (Note 20)	**15,691,604**	2,150,424
Total amount recognized in statement of income	**₱151,900,629**	₱152,006,290

The rollforward analysis of lease liabilities follows:

	2021	2020
At January 1	**₱322,003,946**	₱297,811,860
Additions	**18,266,406**	134,304,798
Interest expense	**24,197,005**	33,203,721
Payments	**(139,294,887)**	(142,767,601)
Termination	**(534,375)**	(548,832)
At December 31	**₱224,638,095**	₱322,003,946

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:

	2021	2020
Within one year	**₱96,598,290**	₱134,414,072
After one year but not more than five years	**155,634,033**	218,914,417
After five years but not more than ten years	**–**	36,705,169
	₱252,232,323	₱390,033,658

9. Intangible Assets

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

	2021		
	SBC Access fee	**Software**	**Total**
Cost			
At January 1	**₱300,000,000**	**₱274,600,700**	**₱574,600,700**
Additions	**–**	**50,899,702**	**50,899,702**
At December 31	**300,000,000**	**325,500,402**	**625,500,402**
Accumulated Amortization			
At January 1	**120,000,000**	**203,002,131**	**323,002,131**
Amortization (Note 20)	**20,000,000**	**53,497,778**	**73,497,778**
At December 31	**140,000,000**	**256,499,909**	**396,499,909**
Net book values	**₱160,000,000**	**₱69,000,493**	**₱229,000,493**

	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

(Forward)

	2020		
	SBC Access fee	Software	Total
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

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:

	2021	2020
Reinsurance recoverable on paid losses	**₱292,510,958**	₱216,838,004
Ceded insurance and investment contracts	**33,382,546**	29,137,037
	₱325,893,504	₱245,975,041

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:

	2021	2020
Reinsurer's share in legal policy reserves		
Unearned premium reserves from group life insurance contracts	**₱2,347,942**	₱5,788,412
Unearned premium reserves from unit-linked insurance contracts	**1,172,026**	1,104,359
Unearned premium reserves from individual life insurance contracts	**29,862,578**	22,244,266
	₱33,382,546	₱29,137,037

11. **Other Assets**

This account consists of:

	2021	2020
Prepaid assets	**₱650,954,116**	₱808,072,636
Insurance receivables	**120,730,181**	198,789,897
Accrued income	**93,275,840**	45,773,090
Due from related parties (Note 22)	**65,483,930**	54,243,916
Accounts receivable	**60,230,711**	30,037,130
Deposits	**56,068,512**	52,859,882
Others	**41,532,916**	26,680,840
	₱1,088,276,206	₱1,216,457,391

Prepaid assets

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

	2021				
	SBC Access fee	**Developmental fees**	**Prepaid Commission**	**Prepayments**	**Total**
Cost					
At January 1	**₱1,300,000,000**	**₱911,430,089**	**₱13,884,456**	**₱954,808,867**	**₱3,180,123,412**
Additions	**–**	**133,737,908**	**5,000,000**	**184,373,294**	**323,111,202**
At December 31	**1,300,000,000**	**1,045,167,997**	**18,884,456**	**1,139,182,161**	**3,503,234,614**
Accumulated amortization					
At January 1	**667,932,995**	**759,133,067**	**12,222,186**	**932,762,528**	**2,372,050,776**
Amortization	**166,505,004**	**148,273,892**	**–**	**165,450,827**	**480,229,722**
At December 31	**834,437,999**	**907,406,959**	**12,222,186**	**1,098,213,355**	**2,852,280,498**
Net Book Values	**₱465,562,001**	**₱137,761,038**	**₱6,662,270**	**₱40,968,806**	**₱650,954,116**

	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	526,873,271
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

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:

	2021	2020
Premiums due and uncollected	**₱95,743,385**	₱179,947,630
Premiums receivable	**34,029,716**	34,495,721
Receivable from switch fees	**1,095,297**	259,549
Insurance receivable from policyholders	**130,868,398**	214,702,900
Less: Allowance for doubtful accounts	**(10,138,217)**	(15,913,003)
	₱120,730,181	₱198,789,897

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:

	2021	2020
Rental and other deposits	**₱55,998,423**	₱52,789,793
Security fund	**70,089**	70,089
	₱56,068,512	₱52,859,882

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:

	2021	2020
Management fee accrual	**₱66,313,304**	₱36,128,955
Accrued income on:		
AFS financial assets (Note 5)	**26,817,636**	9,625,642
Policy loans (Note 5)	**144,900**	18,493
	₱93,275,840	₱45,773,090

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 and other intermediaries	**₱60,249,421**	₱26,516,650
Employee advances	**8,651,038**	6,296,650
Creditable withholding tax	**10,753,019**	1,310,287
	79,653,478	34,123,587
Less: Allowance for doubtful accounts	**(19,422,767)**	(4,086,457)
	₱60,230,711	₱30,037,130

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:

	2021	2020
At January 1	**₱19,999,460**	₱4,086,457
Provision for (reversal of) doubtful accounts arising from:		
Receivable from agents	**15,336,309**	–
Insurance receivables (Note 20)	**(5,774,786)**	15,913,003
At December 31	**₱29,560,983**	₱19,999,460

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:

	2021	2020 (As restated – Note 2)
Legal policy reserves	**₱1,150,217,042**	₱823,730,252
Policy and contract claims reserve	**(504,898,576)**	(334,967,427)
Insurance contract assets - net	**₱645,318,466**	₱488,762,825

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

	2021	2020
At January 1	**₱334,967,427**	₱142,539,892
Provision during the year	**169,931,149**	192,427,535
At December 31	**₱504,898,576**	₱334,967,427

Details of the legal policy reserves follow:

	2021	2020 (As restated – Note 2)
Gross legal policy reserves		
Unearned premium reserves from group life insurance contracts	**₱69,215,826**	₱97,110,975
Unearned premium reserves from unit-linked insurance contracts	**29,023,303**	23,022,183
Unearned premium reserves from individual life insurance contracts	**23,920,773**	19,328,002
Gross premium reserves from individual life insurance contracts	**(1,272,376,944)**	(963,191,412)
Legal policy reserves	**(₱1,150,217,042)**	(₱823,730,252)

Details of gross legal policy reserves follow:

	2021	2020 (As restated – Note 2)
Negative legal policy reserves	**(₱1,809,574,454)**	(₱1,276,500,994)
Positive legal policy reserves	**537,197,510**	313,309,583
	(1,272,376,944)	(963,191,411)
Unearned premium reserves	**122,159,902**	139,461,159
Gross legal policy reserves	**(₱1,150,217,042)**	(₱823,730,252)

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

	2021	2020 (As restated – Note 2)
At January 1	**(₱373,443,689)**	₱54,523,272
Due to change in discount rates	**220,412,609**	(427,966,961)
At December 31	**(₱153,031,080)**	(₱373,443,689)

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 2021 can be attributed to the following: a) new issues and the aging of the in-force policies of the individual health products, b) impact of the change in the IC-prescribed discount rates, and c) change in measurement of reserves from an approximation method based on unearned premium method (UPR) to gross premium valuation method (GPV) for premium-paying riders and term policies.

13. Other Payables

This account consist of:

	2021	2020
Due to related parties (Note 22)	**₱1,121,190,128**	₱612,994,196
Accrued expenses	**714,993,466**	641,110,917
Accounts payable	**448,352,028**	528,544,063
Lease liabilities (Note 8)	**224,638,095**	322,003,946
Reinsurance payables	**124,468,345**	108,957,476
Tax payables	**72,860,365**	59,137,679
	₱2,706,502,427	₱2,272,748,277

Accrued expenses

This account consists of:

	2021	2020
Accruals for:		
Commission-related expenses	**₱380,549,939**	₱414,534,446
Employee incentives	**151,650,627**	129,317,521
Other accrued expenses	**182,792,900**	97,258,950
	₱714,993,466	₱641,110,917

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:

	2021	2020
Unit-linked subscription payable	**₱171,703,770**	₱278,372,308
Premium received in advance	**137,257,389**	113,959,184
Insurance payables to policyholders	**52,975,709**	93,044,839
Agency payables	**41,468,274**	10,829,617
Supplier invoices	**23,068,205**	7,619,727
Others	**21,878,681**	24,718,388
	₱448,352,028	₱528,544,063

Reinsurance payables

Reinsurance payable pertains to premiums due to reinsurers which are non-interest bearing, amounting to ₱124.47million and ₱108.96 million as of December 31, 2021 and 2020, respectively.

Taxes payable

This account consists of:

	2021	2020
Premium tax payable	**₱29,205,948**	₱25,412,218
Expanded withholding tax	**19,629,604**	17,701,269
Withholding VAT payable	**12,757,031**	7,444,354
Withholding tax on compensation	**9,453,673**	7,029,502
Fringe benefit tax payable	**785,643**	998,669
Documentary stamp tax payable	**646,192**	539,960
Final withholding tax payable	**382,274**	11,707
	₱72,860,365	₱59,137,679

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, 2021 and 2020 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 2021 and 2020.

Contingency Surplus
The BOD approved the infusion of additional contingency surplus amounting to ₱175.00 million on November 23, 2021.

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:

	2021	2020 (As restated – Note 2)
Deficit	**₱4,374,930,381**	₱3,752,985,025
Appropriation for negative reserves (Note 12)	**(1,805,631,861)**	(990,883,760)
Deficit after reserves	**₱2,569,298,520**	₱2,762,101,265

15. **Net Insurance Premiums**

This account consists of:

	2021	2020
Premium revenue arising from contracts issued		
Unit-linked insurance contracts	**₱16,889,567,643**	₱12,257,588,206
Life insurance contracts	**2,102,849,240**	1,521,790,363
	18,992,416,883	13,779,378,569
Fee Income		
Unit-linked insurance contracts	**108,380,246**	49,412,645
Life insurance contracts	**645,702**	179,301
	109,025,948	49,591,946

(Forward)

	2021	2020
Premium revenue ceded to reinsurers on contracts issued		
Unit-linked insurance contracts	**(₱47,542,785)**	(₱41,048,809)
Life insurance contracts	**(119,260,194)**	(83,622,907)
	(166,802,979)	(124,671,716)
Net insurance premiums and fees revenue	**₱18,934,639,852**	₱13,704,298,799

16. Investment Returns

This account consists of:

	2021	2020
Interest income arising from:		
AFS financial assets (Note 5)	**₱71,774,858**	₱37,105,337
Cash and cash equivalents	**2,114,017**	5,511,568
Other financial receivables	**1,149,057**	973,814
	75,037,932	43,590,719
Net fair value gains (losses) of assets held to cover unit linked liabilities (Notes 5 and 6)	**1,657,759,780**	(160,583,803)
	₱1,732,797,712	(₱116,993,084)

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:

	2021	2020
Net foreign exchange losses (gains) - net	**₱31,651,555**	₱104,090,996
Net fair value gains of financial assets at FVPL (Note 5)	**(569,773)**	(11,674,791)
	(₱31,081,782)	(₱92,416,205)

18. Other Operating Revenue

This account consists of:

	2021	2020
Reinsurance allowance	**₱645,665,365**	₱645,026,922
Management fee income	**483,178,381**	279,970,328
Other income (Note 8)	**212,389**	9,652,274
	₱1,129,056,135	₱934,649,524

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:

	2021	2020
Surrenders	**₱3,153,330,401**	₱1,301,437,064
Death and hospitalization benefits	**695,288,446**	358,524,246
Other benefits	**22,458,487**	–
Gross benefits and claims	**3,871,077,334**	1,659,961,310
Reinsurers' share on claims and benefits incurred	**(131,098,965)**	(34,138,999)
Net benefits and claims	**₱3,739,978,369**	₱1,625,822,311

20. Operating Expenses

General and administrative expenses

General and administrative expenses consist of:

	2021	2020
Employee benefits	**₱977,678,801**	₱922,065,933
Depreciation (Notes 7 and 8)	**194,289,631**	200,291,323
Information technology expenses	**134,463,312**	118,310,942
Marketing and advertising	**98,043,655**	54,580,252
Professional service fees	**82,476,705**	68,271,954
Amortization (Note 9)	**53,497,778**	44,449,590
Operating lease rentals (Note 8)	**15,691,604**	2,150,424
Other operating expenses		
Group Office management fee (Note 22)	**541,444,658**	396,127,232
Office-related expenses	**57,607,530**	62,731,115
Bank service charges	**36,546,975**	31,017,975
Shared services fee (Note 22)	**32,318,467**	–

(Forward)

	2021	2020
Tax-related expenses	**₱30,017,377**	₱29,513,663
Distribution-related expenses	**9,514,332**	13,900,852
Travel and entertainment	**8,167,546**	13,029,129
Courier charges	**4,628,846**	10,686,242
Printing and stationery	**4,301,067**	7,984,881
Other new business expenses	**1,986,654**	1,110,881
Conference expenses	**98,137**	–
Provision (recovery) of doubtful accounts expense	**(5,774,786)**	15,913,003
Others	**17,626,861**	14,032,397
	₱2,294,625,150	₱2,006,813,896

Employee benefits expenses consist of:

	2021	2020
Salaries and wages	**₱775,678,239**	₱740,866,112
Benefits and allowances	**157,779,002**	157,309,105
Directors' fees	**11,178,002**	9,689,126
Share-based payments	**30,284,049**	18,983,902
Net pension expense	**2,759,509**	3,634,704
	₱977,678,801	₱930,482,949

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.

In 2021, the FWD Group offered a long-term incentive bonus (share award plan) to eligible employees of the Company after meeting certain performance indicators over the agreed period. The Company has the obligation to settle the transaction with its employees in FWD Group's equity instruments which is purchased by the Company from FWD Group resulting to a recognition of a liability.

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

	2021	2020
At January 1	**10,913**	13,913
Granted		–
Vested	**(3,729)**	(3,000)
Forfeited	**(731)**	
At December 31	**6,453**	10,913

The following table shows the number of share awards under the award plan charged to the Company in 2021:

At January 1	–
Granted	**4,439**
Vested	
Forfeited	**(180)**
At December 31	**4,250**

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.

	2021	2020
Risk-free interest rate (in %)	**Nil**	0.02
Volatility (in %)	**Nil**	30.00
Dividend yield (in %)	**Nil**	–
Expected life of share-options (in years)	**Nil**	0.5
Exercise price per share	**Nil**	US$0.01
Weighted average price per share	**Nil**	104.33

The total recognised share-based payments related to share-option award by the Group included in "Employee benefit expense" amounted to ₱30.28 million and ₱18.98 million in 2021 and 2020, respectively.

Commission and commission-related expenses

Commission expense and commission-related expenses consist of:

	2021	2020
Commission expense	**₱1,146,103,217**	₱1,101,418,839
Override commission expense	**225,500,134**	216,394,154
Commission-related expenses (CRE)	**802,630,916**	886,449,657
Premium tax expense	**110,041,260**	102,312,499
Prepaid asset (Developmental fees) (Note 11)	**148,273,892**	134,329,093
Prepaid asset (SBC access fee) (Note 11)	**166,505,004**	153,759,511
Intangible asset (SBC access fee) (Note 9)	**20,000,000**	20,000,000
Distribution operation expenses	**14,056,764**	13,754,756
Provision for credit losses (Note 11)	**15,336,309**	–
	₱2,648,447,496	₱2,628,418,509

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 27).

Provision for credit losses amounting to ₱15.34 million and nil in 2021 and 2020, 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.

The Company's Employees' Retirement Funds are administered by its Trustee, BPI Asset Management and Trust Corporation. The Trustee has full and complete management and control of the funds and its investment strategy. The Trustee has the absolute and sole right to sell, convert, invest, reinvest, commingle with other accounts, exchange, transfer, assign, endorse or otherwise dispose the moneys, assets or securities comprising the Trust Fund without necessity of prior approval or authority from the Trustor.

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:

	2021	2020
Current service cost	**₱40,831,238**	₱39,202,733
Net interest expense	**365,715**	700,634
	₱41,196,953	₱39,903,367

As of December 31, 2021 and 2020, the carrying amount of retirement obligation as shown in the statement of financial position as "Provisions" amounted to ₱0.82 million and ₱9.14 million, respectively.

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

	2021	2020
At January 1	**₱188,650,860**	₱154,535,049
Current service cost	**40,831,238**	39,202,733
Interest expense	**7,546,034**	7,263,147
Benefits paid	**(22,703,820)**	(15,781,673)
Remeasurement losses (gains)		
Defined contribution component	**(9,965,159)**	
Changes in financial assumptions	**(5,444,836)**	(5,116,539)
Experience adjustment	**(5,390,495)**	8,548,143
At December 31	**₱193,523,822**	₱188,650,860

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

	2021	2020
At January 1	**₱179,507,976**	₱139,627,934
Contributions	**38,687,589**	35,606,213
Interest income	**7,180,319**	6,562,513
Benefits paid	**(22,703,820)**	(15,781,673)
Remeasurement gains (losses)	**(9,965,159)**	13,492,989
At December 31	**₱192,706,905**	₱179,507,976

The rollforward analysis of remeasurement gain on pension obligation follows:

	2021	2020
At January 1	**₱23,102,616**	₱13,041,231
Actuarial gain on obligation		
Experience adjustment	**(5,390,495)**	4,944,846
Change in financial assumptions	**(5,444,836)**	5,116,539
	10,835,331	10,061,385
At December 31	**₱33,937,947**	₱23,102,616

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

	2021	2020
Salary increase rate	**6.00%**	6.00%
Discount rate	**5.10%**	4.00%
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%**	**₱(257,063)**
	-1.00%	**5,532,651**
Salary rate	**+1.00%**	**(5,311,115)**
	-1.00%	**₱266,216**

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	**2021**	2020
1-5 years	**₱399,034**	₱2,981,251
6-10 years	**1,115,092**	8,267,926
11-15 years	**1,112,562**	22,798,817
16 years and up	**12,777,351**	193,514,005
	₱15,404,039	₱227,561,999

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:

	2021		2020			
Category	**Amount**	**Outstanding Balances**	Amount	Outstanding Balances	**Terms**	**Conditions**
Receivables from Affiliates:						
FWD Group Ltd.	**₱–**	**₱42,618,225**	₱–	₱42,618,226	Interest-free, settlement in cash; annual	Unsecured
FWD Group Management Holdings Ltd.	**8,930,465**	**13,474,422**	(4,155,543)	8,443,373	Interest-free, settlement in cash; annual	Unsecured
FWD Indonesia	–	**3,161,317**	(3,161,317)	3,161,317	Interest-free, settlement in cash; annual	Unsecured
Valdimir Pte. Ltd.	**1,537,368**	**1,521,895**	–	–	Interest-free, settlement in cash; annual	Unsecured
FWD Thailand	**772,182**	**772,182**	(1,829,604)	–	Interest-free, settlement in cash; annual	Unsecured
FWD Vietnam	–	**21,000**	–	21,000	Interest-free, settlement in cash; annual	Unsecured
	₱11,240,015	**₱61,569,041**	(₱9,146,464)	₱54,243,916		

(Forward)

Category	2021 Amount	2021 Outstanding Balances	2020 Amount	2020 Outstanding Balances	Terms	Conditions
Payable to Affiliates:						
FWD Group Management Holdings Ltd. (a) (Note 21)	**₱307,331,982**	**₱723,950,604**	₱299,414,200	₱448,863,872	Interest-free, settlement in cash; annual	Unsecured
Valdimir Pte. Ltd. (b)	**191,997,716**	**325,342,735**	136,866,181	137,165,508	Interest-free, settlement in cash; annual	Unsecured
FWD Technology and Innovation Malaysia Sdn. Bhd.	**62,786,125**	**51,936,033**	–	–	Interest-free, settlement in cash; annual	Unsecured
FWD Information Technology (Guangzhou) Co., Ltd.	**13,417,997**	**3,399,886**	–	–	Interest-free, settlement in cash; annual	Unsecured
FWD Information Technology (Shanghai) Co., Ltd	**18,982,782**	**–**	–	–	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
FWD Group Limited	**15,835,131**	**16,560,870**	–	–	Interest-free, settlement in cash; annual	Unsecured
	₱594,516,602	**₱1,121,190,128**	₱458,507,451	₱612,994,196		

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 (GMH). is in respect of expenditure incurred on behalf of the Company and comprised mainly pertaining to IT time charges and direct and indirect cost charged for the portion of time spent by GMH staff in providing service to the Company, software amortization costs on software purchased by FWD Group for FWD PH, external service fees, data communication lines and traveling expenses. These charges are included in "Group Office Management Fee" in Note 20.

   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 and is included in "Marketing and advertising" in Note 20. This also includes the Company's share in cost of conferences, travel expenses, and direct and indirect cost charged for the portion of time spent by Valdimir staff in providing service to the Company. These charges are included in "Group Office Management Fee" in Note 20.

   The amount due to FWD Technology and Innovation Malaysia (TIM) pertains to the shared service costs for Technology Services, Solutions Delivery, IT Security, Innovation Hub and Center of Excellence at no mark-up, as well as cost for time spent by TIM employees providing shared services and services for FWD enterprise application provided by Group IT Shared Service. These charges are included in “Shared services fee” in Note 20.

The amount due to FWD Information Technology (Guangzhou) Co., Ltd. pertain to business as usual services for FWD enterprise application provided by Group IT Shared Service team to the Company such as system development & support. These charges are included in “Shared services fee” in Note 20.

The amount due to FWD Information Technology (Shanghai) Co., Ltd pertains to system implementation and maintenance services to support Policy Services/Claims workforce for project implementation according to size and complexity at fixed total price with 6% tax for the Company. These charges are included in “Shared service fee” in Note 20.

The amount due to FWD Group Limited pertains to the long-term incentives awards granted to eligible employees in the form of equity-settled share-based payments in exchange for services (or goods) of the Parent Company. This is included in “Share-based payments” in Note 20.

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:

	2021	2020
Salaries and other short-term employee benefits	**₱156,674,265**	₱148,124,510
Pension expense	**14,196,745**	5,228,112
Directors’ fees	**11,178,002**	9,689,126
Other long-term benefits	**5,530,477**	23,847,075
	₱187,579,489	₱186,888,823

23. Income Taxes

Provision for income tax consists of:

	2021	2020 (As restated – Note 2)
Current		
MCIT	**₱14,995,827**	₱54,188,046
Final	**15,819,327**	9,428,218
	30,815,154	63,616,264
Deferred	**(3,694,241)**	(54,188,046)
	₱27,120,913	₱9,428,218

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

	2021	2020 (As restated – Note 2)
Provision for income tax at statutory tax rate of 25% in 2021 and 30% in 2020	**₱54,980,914**	₱167,520,844
Tax effects of:		
Interest income subjected to final tax	**(3,955,092)**	(4,717,851)
Non-deductible expenses	**12,547,895**	11,383,691
Expired NOLCO	**132,157,772**	303,991,246
Change in unrecognized deferred tax assets	**(168,610,576)**	(468,749,712)
Effective income tax	**₱27,120,913**	₱9,428,218

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.

On April 11, 2021, The Corporate Recovery and Tax Incentives for Enterprise (CREATE) Law was enacted which aims to reduce the regular corporate income tax rate from 30% to 25% starting July 2020 and to rationalize the current fiscal incentives. MCIT rate is also reduced from 2% to 1% effective July 1, 2020 to June 30, 2023. The reduction of tax rates under CREATE is applied retrospectively for tax reporting but financial reporting impact will be made in the 2021 financial statements under PAS 12, Income Taxes. This resulted to a reduction in current tax and deferred tax assets by ₱13.55 million.

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	Year of Expiry
2018	₱610,439,958	₱610,439,958	₱–	2021
	₱610,439,958	₱610,439,958	₱–	

NOLCO incurred in 2018 and 2017 amounting to ₱528.63 million and ₱885.94 million expired in 2021 and 2020, 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
2021	₱26,969,927	₱–	₱26,969,927	2024
2020	40,641,034	–	40,641,034	2023
2019	43,987,049	–	43,987,049	2022
2018	11,301,586	11,301,586	–	2021
	₱122,899,596	₱11,301,586	₱111,598,010	

**The excess MCIT over RCIT amount in 2020 is reduced by ₱11.97 million due to implementation of CREATE*

As of December 31, 2021 and 2020, the deferred tax asset recognized pertains excess MCIT over RCIT amounting to ₱111.60 million and ₱109.48 million, respectively.

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.

	2021	2020
Provision for IBNR reserves	**₱93,183,576**	₱109,193,552
Retirement liability	**816,916**	9,142,884
PFRS 16	**24,274,975**	5,738,578
Net unrealized foreign exchange loss	**32,091,061**	161,489,713
Provision for credit losses	**27,404,389**	17,616,737
NOLCO	–	610,439,958
	₱244,380,495	₱928,386,346

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 2021 and 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:

	2021	2020
Total Available Capital	**₱2,755,423,601**	₱1,816,590,111
RBC requirement	**1,807,503,420**	1,521,645,686
RBC Ratio	**152%**	119%

The final RBC Ratio for 2021 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 2020 is based on the Verification of the Annual Statement as approved by the Insurance Commission dated October 19, 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:

	2021	2020
Variable unit-linked		
Gross	**₱102,661,156,895**	₱79,342,026,113
Net	**88,654,444,470**	66,730,317,413
Accident and health		
Gross	**24,647,198,901**	20,961,789,336
Net	**13,795,329,363**	12,545,669,154
Ordinary life		
Gross	**13,721,120,019**	8,440,862,642
Net	**10,564,590,883**	5,988,745,669
Group life		
Gross	**136,879,252,419**	181,514,422,192
Net	**116,479,376,304**	166,966,640,318
Total		
Gross	**₱277,908,728,234**	₱290,259,100,284
Net	**229,493,741,019**	252,231,372,555

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 and liabilities recognized as of December 31:

	December 31, 2021			
	Non-linked		**Unit-linked**	
	Fair value	**Carrying amount**	**Fair value**	**Carrying amount**
Financial assets				
Cash and cash equivalents	**₱925,881,531**	**₱925,881,531**	**₱351,405,616**	**351,405,616**
Loans and deposits	**271,815,649**	**271,815,649**	**223,873,619**	**223,873,619**
AFS financial assets:				
Government and corporate debt securities	**2,559,303,784**	**2,559,303,784**	–	–
Financial assets at FVPL:				
Debt securities	–	–	**1,155,692,232**	**1,155,692,232**
Equity securities	–	–	**9,228,433,961**	**9,228,433,961**
Unit investment trust fund	–	–	**26,498,063,750**	**26,498,063,750**
Reinsurance assets	**325,893,504**	**325,893,504**	–	–
Other assets	**395,789,173**	**395,789,173**	–	–
	₱4,478,683,641	**4,478,683,641**	**₱37,457,469,178**	**37,457,469,178**
Financial liabilities				
Other liabilities	**₱2,424,601,111**	**₱2,424,601,111**	**₱288,279,290**	**₱288,279,290**

	December 31, 2020			
	Non-linked		Unit-linked	
	Fair value	Carrying amount	Fair value	Carrying amount
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	1,424,570,711	1,409,099,581	–	–
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
	₱3,409,753,246	₱3,394,282,116	₱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

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, PSE closing price for equities and the published NAV per unit for investments in UITF), 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, 2021 and 2020, 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, 2021 and 2020.

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

	2021				
	A	**BBB**	**BB**	**Not rated**	**Total**
Cash and cash equivalents	**₱134,660,354**	**₱788,833,786**	**₱–**	**₱2,387,391**	**₱925,881,531**
Loans and deposits	–	–	–	**271,815,649**	**271,815,649**
AFS financial assets:					
Government and corporate debt securities	–	**2,559,303,784**	–	–	**2,559,303,784**
Reinsurance assets	–	–	–	**325,893,504**	**325,893,504**
Other assets	–	–	–	**425,350,156**	**425,350,156**
	₱134,660,354	**₱3,348,137,570**	**₱–**	**₱1,025,446,700**	**₱4,508,244,624**

Unit-linked

	A	BBB	BB	Not rated	Total
Financial Assets:					
Cash and cash equivalents	**₱283,298,451**	**₱68,107,165**	**₱–**	**₱–**	**₱351,405,616**
Other assets					
Receivables	–	–	–	**185,851,813**	**185,851,813**
Accrued income	–	–	–	**38,021,806**	**38,021,806**
Financial assets as FVPL:					
Debt securities	–	**1,151,669,680**	–	**4,022,552**	**1,155,692,232**
Equity securities	–	–	–	**9,228,433,961**	**9,228,433,961**
Unit investment trust fund	–	–	–	**26,498,063,750**	**26,498,063,750**
	₱283,298,451	**₱1,219,776,845**	**₱–**	**₱35,954,393,882**	**₱37,457,469,178**

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				401,703,375	401,703,375
	₱83,385,969	₱2,545,396,933	₱–	₱774,288,963	₱3,403,071,865

Unit-linked

	A	BBB	BB	Unrated	Total
Cash and cash equivalents	₱169,404,620	246,081,798	₱–	₱–	415,486,418
Loans and receivables:					
Receivables	–	–	–	254,030,422	254,030,422
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
	₱169,404,620	1,212,247,664	₱–	₱22,959,182,397	₱24,340,834,681

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 12 for additional information on the Company’s insurance contract liabilities as well as to the Insurance Risks Section.

Non-linked

		December 31, 2021				
		Maturity Breakdown				
	Up to a year	**1-3 years**	**3-5 years**	**Over 5 years**	**No term**	**Total**
Financial assets:						
Cash and cash equivalents	**₱925,881,531**	**₱–**	**₱–**	**₱–**	**₱–**	**₱925,881,531**
Loans and deposits	**200,013,434**	**71,802,215**	**–**	**–**	**–**	**271,815,649**
AFS financial assets						
Government and corporate debt securities	**597,873,716**	**317,169,338**	**44,025,649**	**1,600,235,080**	**–**	**2,559,303,783**
Reinsurance assets	**325,893,504**	**–**	**–**	**–**	**–**	**325,893,504**
Other assets	**347,549,499**	**40,404,138**	**3,936,250**	**3,899,286**	**–**	**395,789,173**
Total financial assets	**₱2,397,211,684**	**₱429,375,691**	**₱47,961,899**	**₱1,604,134,366**	**₱–**	**4,478,683,640**
Other liabilities:	**2,409,003,967**	**–**	**–**	**–**	**–**	**2,409,003,967**
Total financial liabilities	**₱2,409,003,967**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,409,003,967**

Unit-linked

Financial assets:						
Cash and cash equivalents	**₱351,405,617**	**₱–**	**₱–**	**₱–**	**₱–**	**₱351,405,617**
Other assets						
Accounts receivable	**185,851,813**	**–**	**–**	**–**	**–**	**185,851,813**
Accrued income	**38,021,806**	**–**	**–**	**–**	**–**	**38,021,806**
Financial assets at FVPL						
Debt securities	**125,506,715**	**433,728,287**	**186,707,373**	**409,749,857**	**–**	**1,155,692,232**
Equity securities	**–**	**–**	**–**	**–**	**9,228,433,961**	**9,228,433,961**
Other Investment:						
Feeder Fund (UITF)	**–**	**–**	**–**	**–**	**26,498,063,750**	**26,498,063,750**
Total financial assets	**₱700,785,951**	**₱433,728,287**	**₱186,707,373**	**₱409,749,857**	**₱35,726,497,711**	**37,457,469,179**
Financial liabilities:						
Other financial liabilities:						
Accounts payable and accrued expenses	**₱288,279,290**	**₱–**	**₱–**	**₱–**	**₱–**	**₱288,279,290**
Total financial liabilities	**₱288,279,290**	**₱–**	**₱–**	**₱–**	**₱–**	**₱288,279,290**

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	₱687,250,745	₱104,397,425	₱–	₱–	₱3,409,752,446
Other liabilities:	1,890,890,460					1,890,890,460
Total financial liabilities	₱1,890,890,460	₱–	₱–	₱–	₱–	₱1,890,890,460

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	104,677,103	1,066,556,061
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	₱787,160,304	₱254,814,990	₱236,396,117	₱470,667,850	₱ 22,696,472,523	₱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

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:

	2021			
	USD	**PHP**	**HKD**	**PHP**
Assets				
Cash	**$3,334,703**	**₱169,999,132**	**HK$–**	**₱–**
Financial assets at FVPL	**783,118**	**39,922,406**	–	–
Assets held to cover unit-linked liabilities	**200,574,889**	**10,225,065,708**	–	–
Loans and deposits	**2,208,717**	**112,597,745**	–	–
Reinsurance assets	**(630,018)**	**(32,117,543)**		
Property and equipment - net	**29,699**	**1,427,126**		
Intangible assets - net	**1,536,164**	**77,269,966**	–	–
Other assets	**7,155**	**378,010**	–	–
Insurance contract assets	**(7,585)**	**(386,652)**	–	–
	207,836,843	**10,594,155,898**	–	–
Liabilities				
Unit-linked liabilities	**(200,574,889)**	**(10,225,065,708)**	–	–
Other payables	**(7,811,259)**	**(398,208,555)**	–	–
Payable to related parties	**(15,024,196)**	**(765,915,385)**	(54,335,484)	(355,294,297)
	($223,410,344)	**(₱11,389,189,648)**	**(HK$54,335,484)**	**(₱355,294,297)**

	2020			
	USD	PHP	HKD	PHP
Assets				
Cash	$2,083,861	₱100,880,921	HK$–	₱–
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 - net	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)

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rates, with all other variables held constant, of the Company's income before tax.

	2021		2020	
Currency	**Changes in foreign exchange rates**	**Impact on income before tax**	**Changes in foreign exchange rates**	**Impact on income before tax**
Hong Kong Dollar	**5.00%**	**(₱17,764,715)**	5.00%	(₱21,060,265)
	(5.00%)	**17,764,715**	(5.00%)	21,060,265
US Dollar	**1.00%**	**(103,891,896)**	1.00%	(42,636,396)
	(1.00%)	**103,891,896**	(1.00%)	42,636,396

- *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:

2021

	Change in Equity Price (%)	**Effect on profit or loss Increase (Decrease)**
Equity securities	**10%**	**₱26,513,367**
	-10%	**(26,513,367)**

2020

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

- *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:

2021

	Change in Yield (bps)	**Effect on profit or loss Increase (Decrease)**
Debt securities	**+50 bps**	**(₱90,224,972)**
	-50 bps	**96,397,845**

2020

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

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:

	2021	2020
Within one year	**₱109,033,297**	₱209,447,552
After one year but not more than five years	**253,042,748**	1,165,467,995
	₱362,076,045	₱1,374,915,547

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	₱460,102,331
Interest – Staff loans	520,391
Interest – Agency loans	255,077
Sundry Income	61,053
Total	₱460,938,852
Output VAT rate	12%
	₱55,312,662

Documentary stamp tax

The Company's documentary stamp tax paid or accrued in 2021 follows:

Source	Payment
Life insurance premiums/coverage	₱6,438,090
Other documents	175,873
Total	₱6,613,963

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	₱12,662,828
Real property tax	135,979
Community tax certificate	10,500
National Taxes	
Percentage taxes (see Note 20)	110,041,260
Insurance commission license	612,442
Notarial fee	128,356
BIR annual registration	10,500
Total	₱123,601,866

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	₱255,507,157	₱9,911,364
Expanded withholding tax	210,570,353	19,440,187
Final withholding tax	7,781,174	104,266
Final Withholding VAT	6,040,598	8,631
Fringe benefit tax	2,854,791	876,552
	₱482,754,074	₱30,340,999

Tax assessments

On March 15, 2022, the Company received a preliminary assessment notice covering all taxes for the taxable year 2017 totalling ₱1,766.03 million. The Company has yet to submit a letter of protest on the preliminary assessment notice.

As of December 31, 2021, the Company does not have any tax cases outstanding or pending in courts or bodies outside the BIR in any of the open taxable years.

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