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**Subject:** SEC CifSS-OST Initial Acceptance  
**Date:** Friday, 29 April 2022 6:21:16 pm

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Greetings!

**SEC Registration No:** AS96000511  
**Company Name:** Pru Life Insurance Corporation of U.K.  
**Document Code:** AFS

This serves as temporary receipt of your submission.  
Subject to verification of form and quality of files of the submitted report.  
Another email will be sent as proof of review and acceptance.

Thank you.

**SECURITIES AND EXCHANGE COMMISSION**  
Secretariat Building, PICC Complex,  
Roxas Boulevard, Pasay City,  
1307, Metro Manila, Philippines

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**Sent:** Friday, 29 April 2022 5:19 pm  
**To:** Iris Dawn O. Pepito <IrisDawn.O.Pepito@prulifeuk.com.ph>  
**Cc:** Iris Dawn O. Pepito <IrisDawn.O.Pepito@prulifeuk.com.ph>  
**Subject:** Your BIR AFS eSubmission uploads were received

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Hi PRU LIFE INSURANCE CORPORATION OF UK,

**Valid files**

- EAFS004661494AFSTY122021.pdf
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- EAFS004661494TCRTY122021-03.pdf
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Transaction Code: **AFS-0-6CBF8J9K0PZTQVPWVQ3NT2NMW0877AE9L6**  
Submission Date/Time: **Apr 29, 2022 05:19 PM**  
Company TIN: **004-661-494**

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# COVER SHEET

## For AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	0	9	6	-	0	5	1	1	
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**COMPANY NAME**

P	R	U		L	I	F	E		I	N	S	U	R	A	N	C	E		C	O	R	P	O	R	A	T	I	O	N
O	F		U	.	K	.																							

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

9	/	F		U	p	t	o	w	n		P	l	a	c	e		T	o	w	e	r		1						
1		E	a	s	t		1	1	t	h		D	r	i	v	e	,		U	p	t	o	w	n					
B	o	n	i	f	a	c	i	o	,		T	a	g	u	i	g		C	i	t	y		1	6	3	4			
M	e	t	r	o		M	a	n	i	l	a	,		P	h	i	l	i	p	p	i	n	e	s					

**Form Type**

A	A	F	S
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**Department requiring the report**

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**Secondary License Type, If Applicable**

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**COMPANY INFORMATION**

**Company's email Address**

contact.us@prulifeuk.com.ph
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**Company's Telephone Number/s**

(02) 887-5433
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**Mobile Number**

--

**No. of Stockholders**

8
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**Annual Meeting (Month / Day)**

June 20
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**Fiscal Year (Month / Day)**

December 31
-------------

**CONTACT PERSON INFORMATION**

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

**Name of Contact Person**

Dante Marasigan
-----------------

**Email Address**

Dante.Marasigan@prulifeuk.com.ph
----------------------------------

**Telephone Number/s**

(632) 8683-9203
-----------------

**Mobile Number**

(63) 919-086-8337
-------------------

**CONTACT PERSON'S ADDRESS**

9/F Uptown Place Tower 1, 1 East 11 <sup>th</sup> Drive, Uptown Bonifacio, Taguig City 1634
---

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

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS



The Management of **Pru Life Insurance Corporation of U.K.** (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2021 and 2020**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing 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.

The Board of Directors (the "Board") is responsible for overseeing the Company's financial reporting process.

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

R.G. Manabat & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

**IMELDA C. TIONGSON**  
Chairman of the Board

**ENG TENG WONG**  
President and Chief Executive Officer

**FRANCIS P. ORTEGA**  
Treasurer, Executive Vice President and Chief Financial Officer

Signed this 31<sup>st</sup> day of March 2022

# PRU LIFE INSURANCE CORPORATION OF U.K.

**SEPARATE FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

With Independent Auditors' Report



R.G. Manabat & Co.  
The KPMG Center, 6/F  
6787 Ayala Avenue, Makati City  
Philippines 1209  
Telephone +63 (2) 8885 7000  
Fax +63 (2) 8894 1985  
Internet [www.home.kpmg/ph](http://www.home.kpmg/ph)  
Email [ph-inquiry@kpmg.com](mailto:ph-inquiry@kpmg.com)

## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
**Pru Life Insurance Corporation of U.K.**  
9/F Uptown Place Tower 1  
1 East 11th Drive, Uptown Bonifacio  
Taguig City 1634, Metro Manila  
Philippines

### Report on the Audit of the Separate Financial Statements

#### *Opinion*

We have audited the separate financial statements of Pru Life Insurance Corporation of U.K. (the Company), which comprise the separate statements of financial position as at December 31, 2021 and 2020, and the separate statements of profit or loss and other comprehensive income or loss, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

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

#### *Basis for Opinion*

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate 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 separate 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.

Firm Regulatory Registration & Accreditation:  
PRC-BOA Registration No. 0003, valid until November 21, 2023  
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)  
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)  
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



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

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

In preparing the separate 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.

### *Auditors' Responsibilities for the Audit of the Separate Financial Statements*

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 separate 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 separate 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 auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.





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

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

**Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue**

Our audit was conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 32 to the basic separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic separate financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic separate financial statements taken as a whole.

**R.G. MANABAT & CO.**

TIRESO RANDY F. LAPIDEZ  
Partner

CPA License No. 0092183

IC Accreditation No. 92183-IC, Group A, valid for five (5) years  
covering the audit of 2019 to 2023 financial statements

SEC Accreditation No. 92183-SEC, Group A, valid for one (1) year  
covering the audit of 2021 financial statements

Tax Identification No. 162-411-175

BIR Accreditation No. 08-001987-034-2020

Issued July 20, 2020; valid until July 19, 2023

PTR No. MKT 8854069

Issued January 3, 2022 at Makati City

April 29, 2022

Makati City, Metro Manila



R.G. Manabat & Co.  
The KPMG Center, 6/F  
6787 Ayala Avenue, Makati City  
Philippines 1209  
Telephone +63 (2) 8885 7000  
Fax +63 (2) 8894 1985  
Internet www.home.kpmg/ph  
Email ph-inquiry@kpmg.com

**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY SEPARATE FINANCIAL STATEMENTS FOR FILING  
WITH THE BUREAU OF INTERNAL REVENUE**

The Board of Directors and Stockholders  
**Pru Life Insurance Corporation of U.K.**  
9/F Uptown Place Tower 1  
1 East 11th Drive, Uptown Bonifacio  
Taguig City 1634, Metro Manila  
Philippines

We have audited the accompanying separate financial statements of Pru Life Insurance Corporation of U.K. (the Company) as at and for the year ended December 31, 2021, on which we have rendered our report dated April 29, 2022.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholder of the Company.

**R.G. MANABAT & CO.**

TIRESO RANDY F. LAPIDEZ

Partner

CPA License No. 0092183

IC Accreditation No. 92183-IC, Group A, valid for five (5) years  
covering the audit of 2019 to 2023 financial statements

SEC Accreditation No. 92183-SEC, Group A, valid for one (1) year  
covering the audit of 2021 financial statements

Tax Identification No. 162-411-175

BIR Accreditation No. 08-001987-034-2020

Issued July 20, 2020; valid until July 19, 2023

PTR No. MKT 8854069

Issued January 3, 2022 at Makati City

April 29, 2022

Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until November 21, 2023

SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



R.G. Manabat & Co.  
The KPMG Center, 6/F  
6787 Ayala Avenue, Makati City  
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Telephone +63 (2) 8885 7000  
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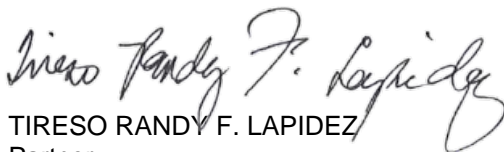
## SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR

The Board of Directors and Stockholders  
**Pru Life Insurance Corporation of U.K.**  
9/F Uptown Place Tower 1  
1 East 11th Drive, Uptown Bonifacio  
Taguig City 1634, Metro Manila  
Philippines

We have audited the accompanying separate financial statements of Pru Life Insurance Corporation of U.K. (the Company) as at and for the year ended December 31, 2021, on which we have rendered our report dated April 29, 2022.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the said Company has one (1) stockholder owning more than one hundred (100) shares.

### R.G. MANABAT & CO.



TIRESO RANDY F. LAPIDEZ  
Partner  
CPA License No. 0092183  
IC Accreditation No. 92183-IC, Group A, valid for five (5) years  
covering the audit of 2019 to 2023 financial statements  
SEC Accreditation No. 92183-SEC, Group A, valid for one (1) year  
covering the audit of 2021 financial statements  
Tax Identification No. 162-411-175  
BIR Accreditation No. 08-001987-034-2020  
Issued July 20, 2020; valid until July 19, 2023  
PTR No. MKT 8854069  
Issued January 3, 2022 at Makati City

April 29, 2022  
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:  
PRC-BOA Registration No. 0003, valid until November 21, 2023  
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)  
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)  
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



R.G. Manabat & Co.  
The KPMG Center, 6/F  
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Email [ph-inquiry@kpmg.com](mailto:ph-inquiry@kpmg.com)

## **REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION**

The Board of Directors and Stockholders  
**Pru Life Insurance Corporation of U.K.**  
9/F Uptown Place Tower 1  
1 East 11th Drive, Uptown Bonifacio  
Taguig City 1634, Metro Manila  
Philippines

We have audited the accompanying separate financial statements of Pru Life Insurance Corporation of U.K. (the Company) as at and for the years ended December 31, 2021 and 2020, on which we have rendered our report dated April 29, 2022.

Our audits were made for the purpose of forming an opinion on the basic separate financial statements of the Company taken as a whole. The supplementary information included in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management.

Firm Regulatory Registration & Accreditation:  
PRC-BOA Registration No. 0003, valid until November 21, 2023  
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)  
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)  
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



The supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the basic separate financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic separate financial statements taken as a whole.

**R.G. MANABAT & CO.**

TIRESO RANDY F. LAPIDEZ

Partner

CPA License No. 0092183

IC Accreditation No. 92183-IC, Group A, valid for five (5) years  
covering the audit of 2019 to 2023 financial statements

SEC Accreditation No. 92183-SEC, Group A, valid for one (1) year  
covering the audit of 2021 financial statements

Tax Identification No. 162-411-175

BIR Accreditation No. 08-001987-034-2020

Issued July 20, 2020; valid until July 19, 2023

PTR No. MKT 8854069

Issued January 3, 2022 at Makati City

April 29, 2022

Makati City, Metro Manila

**PRU LIFE INSURANCE CORPORATION OF U.K.**  
**SEPARATE STATEMENTS OF FINANCIAL POSITION**  
(Amounts in Thousands)

		December 31	
	Note	2021	2020
<b>ASSETS</b>			
Cash and cash equivalents	5, 7, 31	<b>P2,574,335</b>	P3,323,183
Interest receivable	5, 31	<b>132,241</b>	122,160
Investments	5, 6, 8, 31	<b>12,340,312</b>	13,711,696
Investment in subsidiary	9, 31	<b>529,248</b>	360,248
Premiums due from policyholders	5, 31	<b>10,831</b>	12,271
Policy loans receivables - net	5, 10, 31	<b>369,607</b>	371,605
Coverage debt receivables - net	5, 12, 31	<b>960,404</b>	837,506
Reinsurance assets	5, 31	<b>53,439</b>	73,295
Property and equipment - net	13, 31	<b>415,241</b>	454,494
Right-of-use assets - net	28, 31	<b>533,003</b>	711,814
Deferred acquisition costs	5, 14, 31	<b>12,455,967</b>	10,408,686
Other assets - net	15, 31	<b>1,647,258</b>	1,679,981
<b>Total General Assets</b>		<b>32,021,886</b>	32,066,939
<b>Assets Held to Cover Linked Liabilities</b>	11, 31	<b>106,573,549</b>	96,358,915
		<b>P138,595,435</b>	P128,425,854
<b>LIABILITIES AND EQUITY</b>			
<b>General Liabilities</b>			
Legal policy reserves	5, 16, 31	<b>P5,611,804</b>	P6,390,632
Claims payable	5, 17, 31	<b>1,042,874</b>	609,885
Reinsurance payable	5, 18, 31	<b>124,788</b>	101,009
Deferred tax liabilities - net	26, 31	<b>1,788,018</b>	2,628,874
Accounts payable, accrued expenses and other liabilities	19, 31	<b>7,234,154</b>	6,663,363
Lease liabilities	5, 28, 31	<b>634,939</b>	797,714
<b>Total General Liabilities</b>		<b>16,436,577</b>	17,191,477
<b>Technical Provisions for Linked Liabilities</b>	5, 11	<b>106,573,549</b>	96,358,915
<b>Total Liabilities</b>		<b>123,010,126</b>	113,550,392
<b>Equity</b>			
Capital stock	29	<b>500,000</b>	500,000
Additional paid-in capital	29	<b>462,000</b>	462,000
<b>Total paid-up capital</b>		<b>962,000</b>	962,000
Contributed surplus		<b>50,386</b>	50,386
Fair value reserve	8	<b>5,671</b>	3,471
Retirement fund reserve		<b>(4,124)</b>	17,514
Remeasurement on life insurance reserve		<b>(824,644)</b>	(1,371,972)
Retained earnings	29	<b>15,396,020</b>	15,214,063
<b>Total Equity</b>		<b>15,585,309</b>	14,875,462
<b>Total General Liabilities and Equity</b>		<b>32,021,886</b>	32,066,939
		<b>P138,595,435</b>	P128,425,854

See Notes to the Separate Financial Statements.

**PRU LIFE INSURANCE CORPORATION OF U.K.**  
**SEPARATE STATEMENTS OF PROFIT OR LOSS AND**  
**OTHER COMPREHENSIVE INCOME (LOSS)**  
(Amounts in Thousands)

		<b>Years Ended December 31</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>NET PREMIUMS</b>			
Premiums	20	<b>P38,446,782</b>	P31,386,856
Premiums ceded to reinsurers	18, 20	<b>(394,161)</b>	(404,668)
		<b>38,052,621</b>	30,982,188
<b>OTHER REVENUE</b>			
Policy administration fees	21	<b>2,077,652</b>	1,746,783
Investment (loss) gain - net	22	<b>(807,933)</b>	1,003,777
Others - net		<b>9,623</b>	147,027
		<b>1,279,342</b>	2,897,587
<b>BENEFITS AND CLAIMS</b>			
Costs on premiums of variable insurance	11	<b>16,538,479</b>	12,924,382
Gross benefits and claims	23	<b>8,081,967</b>	5,923,412
Reinsurer's share of gross benefits and claims	23	<b>(42,100)</b>	(124,216)
Gross change in legal policy reserves	16, 23	<b>(199,877)</b>	14,075
		<b>24,378,469</b>	18,737,653
<b>OPERATING EXPENSES</b>			
Commissions, bonuses and other agents' expenses		<b>6,499,581</b>	5,799,288
Salaries, allowances and employees' benefits	25	<b>1,787,406</b>	1,573,051
Utilities	24	<b>1,074,989</b>	601,142
Trainings, seminars and contests		<b>829,863</b>	801,903
Depreciation	13, 28	<b>409,868</b>	489,479
Advertising and marketing	24	<b>282,373</b>	304,466
Insurance taxes, licenses and fees		<b>274,789</b>	222,137
Communications		<b>198,045</b>	169,099
Professional fees		<b>195,307</b>	167,579
Dividends to policyholders		<b>142,473</b>	138,635
Rent	28	<b>93,137</b>	41,908
Taxes and licenses		<b>89,720</b>	75,644
Office supplies	24	<b>89,368</b>	59,538
Security and janitorial services	24	<b>69,649</b>	67,827
Amortization of software development costs		<b>67,716</b>	41,528
Interest expense related to lease liabilities	28	<b>52,356</b>	66,282
Interest expense related to policies		<b>43,423</b>	44,553
Representation and entertainment		<b>13,470</b>	20,499
Others		<b>437,781</b>	378,256
Deferred expenses - net	14	<b>(2,047,281)</b>	(1,459,881)
		<b>10,604,033</b>	9,602,933

Forward

		<b>Years Ended December 31</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>INCOME BEFORE INCOME TAX EXPENSE</b>		<b>P4,349,461</b>	P5,539,189
<b>INCOME TAX (BENEFIT) EXPENSE</b>	26	<b>(4,496)</b>	1,268,831
<b>NET INCOME</b>		<b>4,353,957</b>	4,270,358
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Items that may be reclassified to profit or loss</i>			
Net gain (loss) on fair value changes of available-for-sale financial assets	8	<b>2,200</b>	(1,000)
Share in other comprehensive income of the subsidiary		-	(555)
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement on life insurance reserve	16	<b>578,951</b>	(1,021,681)
Remeasurement (loss) on retirement liability	25	<b>(31,803)</b>	4,303
Income tax effect	26	<b>(21,458)</b>	305,213
		<b>527,890</b>	(713,720)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P4,881,847</b>	P3,556,638

See Notes to the Separate Financial Statements.



**PRU LIFE INSURANCE CORPORATION OF U.K.**  
**SEPARATE STATEMENTS OF CHANGES IN EQUITY**  
(Amounts in Thousands)

Years Ended December 31

	Note	Capital Stock (Note 29)	Additional Paid-in Capital (Note 29)	Contributed Surplus	Fair Value Reserve (Note 8)	Share in Other Comprehensive Income of the Subsidiary (Note 9)	Retirement Fund Reserve	Remeasurement on Life Insurance Reserve	Retained Earnings		Total Equity	
									Appropriated (Note 16)	Unappropriated (Note 29)		Total
<b>Balance at January 1, 2021</b>		<b>P500,000</b>	<b>P462,000</b>	<b>P50,386</b>	<b>P3,471</b>	<b>P -</b>	<b>P17,514</b>	<b>(P1,371,972)</b>	<b>P60,822</b>	<b>P15,153,241</b>	<b>P15,214,063</b>	<b>P14,875,462</b>
<b>Total Comprehensive Income</b>												
Net income		-	-	-	-	-	-	-	-	4,353,957	4,353,957	4,353,957
Other comprehensive income (loss):												
Items that may be reclassified to profit or loss	8, 9	-	-	-	2,200	-	-	-	-	-	-	2,200
Items that will not be reclassified to profit or loss		-	-	-	-	-	(21,638)	547,328	-	-	-	525,690
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>2,200</b>	<b>-</b>	<b>(21,638)</b>	<b>547,328</b>	<b>-</b>	<b>4,353,957</b>	<b>4,353,957</b>	<b>4,881,847</b>
<b>Transaction with Owner of the Company</b>												
Dividends	29	-	-	-	-	-	-	-	-	(4,172,000)	(4,172,000)	(4,172,000)
Appropriation of reserves		-	-	-	-	-	-	-	89	(89)	-	-
<b>Balance at December 31, 2021</b>		<b>P500,000</b>	<b>P462,000</b>	<b>P50,386</b>	<b>P5,671</b>	<b>P -</b>	<b>(P4,124)</b>	<b>(P824,644)</b>	<b>P60,911</b>	<b>P15,335,109</b>	<b>P15,396,020</b>	<b>P15,585,309</b>
Balance at January 1, 2020		P500,000	P462,000	P50,386	P4,471	P555	P14,502	(P656,795)	P58,754	P11,884,951	P11,943,705	P12,318,824
<b>Total Comprehensive Income</b>												
Net income		-	-	-	-	-	-	-	-	4,270,358	4,270,358	4,270,358
Other comprehensive income (loss):												
Items that may be reclassified to profit or loss	8, 9	-	-	-	(1,000)	(555)	-	-	-	-	-	(1,555)
Items that will not be reclassified to profit or loss		-	-	-	-	-	3,012	(715,177)	-	-	-	(712,165)
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,000)</b>	<b>(555)</b>	<b>3,012</b>	<b>(715,177)</b>	<b>-</b>	<b>4,270,358</b>	<b>4,270,358</b>	<b>3,556,638</b>
<b>Transaction with Owner of the Company</b>												
Dividends	29	-	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)	(1,000,000)
Appropriation of reserves		-	-	-	-	-	-	-	2,068	(2,068)	-	-
<b>Balance at December 31, 2020</b>		<b>P500,000</b>	<b>P462,000</b>	<b>P50,386</b>	<b>P3,471</b>	<b>P -</b>	<b>P17,514</b>	<b>(P1,371,972)</b>	<b>P60,822</b>	<b>P15,153,241</b>	<b>P15,214,063</b>	<b>P14,875,462</b>

See Notes to the Separate Financial Statements.

**PRU LIFE INSURANCE CORPORATION OF U.K.**  
**SEPARATE STATEMENTS OF CASH FLOWS**  
(Amounts in Thousands)

		<b>Years Ended December 31</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax expense		<b>P4,349,461</b>	P5,539,189
Adjustments for:			
Amortization of deferred acquisition costs	14	<b>1,179,641</b>	1,138,675
Unrealized loss (gain) on valuation of investments	8, 22	<b>963,631</b>	(855,951)
Depreciation	13, 28	<b>409,868</b>	489,479
Provision for impairment losses	10, 12, 15	<b>83,339</b>	147,941
Interest expense related to lease liabilities	28	<b>52,356</b>	66,282
Amortization of software development costs	15	<b>67,716</b>	41,528
Interest expense related to policies		<b>43,423</b>	44,553
Gain on disposal of software and development costs	15	<b>(1,209)</b>	-
Reversal of provision for impairment losses	10, 15	<b>(10,297)</b>	(11,799)
Gain on disposal of property and equipment	13	<b>(10,316)</b>	(101)
Gain on disposal of investments	8, 22	<b>(27,499)</b>	(21,950)
Unrealized foreign exchange loss (gain)		<b>(33,080)</b>	30,365
Interest income	22	<b>(543,056)</b>	(553,083)
		<b>6,523,978</b>	6,055,128
Changes in:			
Accounts payable, accrued expenses and other liabilities		<b>743,100</b>	1,633,900
Claims payable		<b>432,989</b>	5,402
Reinsurance payable		<b>23,779</b>	(25,197)
Policy loans receivables		<b>6,366</b>	(3,144)
Premiums due from policyholders		<b>1,440</b>	3,178
Reinsurance assets		<b>19,856</b>	(16,074)
Other assets		<b>16,317</b>	(377,586)
Coverage debt receivables		<b>(200,596)</b>	(247,094)
Legal policy reserves	16, 23	<b>(199,877)</b>	14,075
Deferred acquisition costs		<b>(3,226,922)</b>	(2,598,556)
		<b>4,140,430</b>	4,444,032
Interest paid		<b>(43,006)</b>	(43,729)
Contributions to retirement fund	25	<b>(79,734)</b>	(95,226)
Income tax paid		<b>(1,269,390)</b>	(442,404)
Net cash provided by operating activities		<b>2,748,300</b>	3,862,673

Forward

		<b>Years Ended December 31</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of investments	8	<b>P4,096,533</b>	P1,634,975
Interest received		<b>532,975</b>	555,633
Proceeds from disposal of property and equipment	13	<b>14,913</b>	1,210
Proceeds from disposal of software development costs	15	<b>17,209</b>	-
Acquisitions of software costs	15	<b>(67,022)</b>	(63,546)
Additions to investment in subsidiary	9	<b>(169,000)</b>	(79,153)
Acquisitions of property and equipment	13	<b>(187,806)</b>	(152,347)
Acquisitions of investments	8	<b>(3,626,001)</b>	(3,835,825)
Net cash (used in) provided by investing activities		<b>611,801</b>	(1,939,053)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	29	<b>(3,832,000)</b>	(1,000,000)
Payment of lease liabilities	28	<b>(276,949)</b>	(290,345)
Cash used in financing activities		<b>(4,108,949)</b>	(1,290,345)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(748,848)</b>	633,275
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>3,323,183</b>	2,689,908
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>5, 7, 31</b>	<b>P2,574,335</b>	P3,323,183

*See Notes to the Separate Financial Statements.*

**PRU LIFE INSURANCE CORPORATION OF U.K.**  
**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
(Amounts in Thousands, except as indicated)

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**1. Reporting Entity**

Pru Life Insurance Corporation of U.K. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on January 17, 1996, primarily to engage in the business of life insurance. The Company started commercial operations in September 1996. On September 11, 2002, the Insurance Commission (IC) approved the Company's license to sell variable unit-linked insurance, a life insurance product which is linked to investment funds.

The Company is a wholly-owned subsidiary of Prudential Corporation Holdings Limited (Prudential). The Company's ultimate parent company is Prudential plc, an internationally-diversified organization providing life insurance and fund management services worldwide. Prudential plc was incorporated in United Kingdom and has primary listing on the London Stock Exchange and secondary listings on Hong Kong, New York and Singapore stock exchanges.

The Company has a Certificate of Authority No. 2022/62-R issued by the IC to transact in life insurance business until December 31, 2024.

The Company's registered address is at the 9/F Uptown Place Tower 1, 1 East 11<sup>th</sup> Drive, Uptown Bonifacio, Taguig City 1634, Metro Manila, Philippines.

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**2. Basis of Preparation**

Statement of Compliance

The separate financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRSs, Philippine Accounting Standards (PAS), and Philippine Interpretations.

The Company elected not to prepare a consolidated financial statements since Prudential plc, the ultimate parent company, prepares consolidated financial statements that comply with IFRSs.

The separate financial statements were authorized for issue by the Board of Directors (BOD) on March 31, 2022.

Details of the Company's accounting policies are included in Note 3.

#### Basis of Measurement

The separate financial statements have been prepared on the historical cost basis, except for the following items which are measured on an alternative basis on each reporting date.

Items	Measurement bases
Financial instruments at fair value through profit or loss (FVPL)	Fair value
Available-for-sale (AFS) financial assets	Fair value
Investments in Agents' Savings Fund (ASF)	Fair value
Investments in treasury notes, shares of stocks, and other funds under "Assets held to cover linked liabilities"	Fair value
Legal policy reserves	Gross Premium Valuation and Unearned Premiums for traditional contracts; Unearned Cost of Insurance Charges for unit-linked contracts
Retirement liability	Present value of the defined benefit obligation (DBO) less the fair value of the plan assets (FVPA)
Lease liabilities	Present value of the lease payments not yet paid discounted using the Company's incremental borrowing rate

#### Functional and Presentation Currency

The separate financial statements of the Company are presented in Philippine peso, which is the Company's functional currency. All financial information has been rounded off to the nearest thousands (P'000s), unless otherwise indicated.

### **3. Summary of Significant Accounting Policies**

The accounting policies set out below have been applied consistently to all years presented in these separate financial statements, except for the changes in accounting policies as discussed below.

#### Adoption of Amendments to Standards and Framework

The Company has adopted the following amendments to standards and framework starting January 1, 2021 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards and framework did not have any significant impact on the Company's separate financial statements.

- COVID-19-Related Rent Concessions (Amendment to PFRS 16, *Leases*). The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient applies if:
  - the revised consideration is substantially the same or less than the original consideration;
  - the reduction in lease payments relates to payments due on or before June 30, 2021; and
  - no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose that fact, whether they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and the amount recognized in profit or loss for the reporting period arising from application of the practical expedient. No practical expedient is provided for lessors.

A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate.

### Insurance Contracts

#### *Product Classification*

Insurance contracts are those contracts under which the Company (the insurer) has accepted 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 determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risks.

Investment contracts are those contracts that transfer significant financial risk but can also transfer 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, a credit rating or credit index or other variable, provided in the case of a nonfinancial 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 the 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 and investment contracts are further classified as being with and without 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;
- the amount or timing of which is contractually at the discretion of the issuer; and
- contractually based on the following:
  - performance of a specified pool of contracts or a specified type of contract;
  - realized or an 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.

The additional benefits include policy dividends that are declared annually, the amounts of which are computed using actuarial methods and assumptions, and are included under "Dividends to policyholders" account in profit or loss with the corresponding liability recognized under dividends payable to policyholders account which is included in "Accounts payable, accrued expenses and other liabilities" account in the separate statement of financial position.

#### *Conventional Long-term Insurance Contracts*

These contracts ensure events associated with human life (for example, death or survival) over a long duration. Premiums are recognized as revenue when they become payable by the policyholder. Benefits are recognized as an expense when they are incurred or when the policies reach maturity.

A liability for contractual benefits that is expected to be incurred in the future is recognized under "Legal policy reserves" for policies that are in-force as of each reporting date. Using gross premium valuation (GPV), the liability is determined as the sum of the present value of future benefits and expenses less the present value of future gross premiums arising from the policy discounted at appropriate risk-free discount rate. For this purpose, the expected future cash flows were determined using the best estimate assumptions with appropriate margin for adverse deviation from the expected experience. The liability is based on assumptions as to mortality, morbidity, lapse or persistency, non-guarantee benefits, and expenses. The present value of liabilities is determined using the discount rate approved by the IC with appropriate margin for adverse deviation.

#### *Unit-linked Insurance Contracts*

A unit-linked insurance contract is an insurance contract linking payments to units of an internal investment fund set up by the Company with the consideration received from the policyholders. The investment funds supporting the linked policies are maintained in segregated accounts in conformity with Philippine laws and regulations. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets, while the non-unit reserves for unit-linked insurance contracts are calculated as the unearned cost of insurance charges.

Revenue from unit-linked insurance contracts consists of premiums received and policy administration fees.

Management assessed that the insurance contracts have no derivative components. As allowed by PFRS 4, the Company chose not to unbundle the investment portion of its unit-linked products.

#### *Legal Policy Reserves*

Legal policy reserves are determined by the Company's actuary in accordance with the requirements of the amended Insurance Code of the Philippines (Insurance Code) and represent the amounts which are required to discharge the obligations of the insurance contracts and to pay expenses related to the administration of those contracts. These reserves are determined using generally accepted actuarial practices and have been approved by the IC at the product approval stage.

Any movement in legal policy reserves of traditional life insurance policies arising from current period assumptions or changes in assumptions other than discount rate during the year are recognized under "Gross change in legal policy reserves" in profit or loss. While, net movement arising from changes in discount rate during the year are recognized directly in other comprehensive income as "Remeasurement on life insurance reserve".

#### *Liability Adequacy Tests*

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of reinsurance assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately recognized under "Gross change in legal policy reserves" in profit or loss.

#### *Reinsurance Contracts Held*

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts above are classified as reinsurance contracts held. Contracts that do not meet those classification requirements are classified as financial assets.

The benefits to which the Company is entitled to under its reinsurance contracts held are recognized as reinsurance assets. These include short-term balances due from reinsurers. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as expense when due.

If there is objective evidence that reinsurance assets are impaired, the Company reduces the carrying amount of the reinsurance receivable and recognizes the impairment loss in profit or loss.

#### *Receivables and Payables Related to Insurance Contracts*

Receivables and payables are recognized when due. These include amounts due to and from policyholders and amounts due to agents and brokers. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable and recognizes the impairment loss in profit or loss.

#### Investment in Subsidiary

A subsidiary is an entity controlled by the parent company. The parent company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiary are included in the consolidated financial statements from the date on which the control commences except if the following conditions are met:

- it is a wholly-owned subsidiary or is a partially-owned subsidiary of another entity and all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements;
- its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
- it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; and
- its ultimate or any intermediate parent produces financial statements that are available for public use and comply with PFRS 10, *Consolidated Financial Statements*, in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with PFRS 10.

The Company met the aforementioned criteria, thus, did not present a consolidated financial statements.



In 2020, the Company changed its accounting policy for investment in subsidiary from the equity method to the cost method, in accordance with PAS 27 *Consolidated and Separate Financial Statements*. Under the cost method, the investment is initially recognized at cost in the separate statement of financial position. Subsequently, these are carried in the separate statement of financial position at cost less any accumulated impairment losses. The Company recognizes income from the investment only to the extent that the Company receives distributions from accumulated profits of the subsidiary arising after the date of acquisition.

The Company did not apply a retrospective application of the change in accounting policy because the effect of the retrospective application is immaterial to the financial statements. The cumulative prior period impact of the change in accounting policy recognized in 2020 amounted to P78.60 million and presented under "Others - net" in the Company's profit & loss.

### Financial Instruments

#### *Derivative Financial Assets*

Derivative financial instruments are initially recognized at fair value on the date when the derivative contract is entered into and are subsequently remeasured at fair value. A derivative is reported as an asset when fair value is positive and as a liability when fair value is negative.

The Company's derivative financial asset consists of nondeliverable forward contracts under "Assets Held to Cover Linked Liabilities" account.

#### *Non-derivative Financial Assets*

*Date of Recognition.* Financial instruments are recognized in the separate statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, i.e., the date that the Company commits to purchase the asset.

*Initial Recognition.* Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). Except for financial instruments at FVPL, the initial measurement of financial instruments includes transaction costs. The Company classifies its financial assets into the following categories: financial assets at FVPL, AFS financial assets, held-to-maturity (HTM) investments, and loans and receivables. The Company classifies its financial liabilities either as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the instruments were acquired or incurred and whether these are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As at December 31, 2021 and 2020, the Company has no financial assets classified as HTM investments.

### Fair Value Measurement

A number of the Company's accounting policies and disclosures require the measurement of fair value for both financial and nonfinancial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique. Where applicable, 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.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair value is categorized in different levels in a fair value hierarchy based on the inputs used in the valuation technique (see Note 6).

*Financial Instruments at FVPL.* This category consists of financial instruments that are held-for-trading or designated by management on initial recognition. Financial instruments at FVPL are recorded in the separate statement of financial position at fair value. The change in fair value of the Company's held-for-trading investments portfolio under "Investments" and investments in ASF under "Other assets" are recognized in unrealized gain on valuation of investments under "Investment gain" and Others - net in profit or loss, respectively.

These are allowed to be designated by management on initial recognition in this category when any of the following criteria are met:

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

Held-for-trading securities are not reclassified subsequent to their initial recognition, unless they are no longer held for the purpose of being sold or repurchased in the near term and the following conditions are met:

- if the financial asset would have met the definition of loans and receivables (if the financial asset had not been required to be classified as held-for-trading at initial recognition), then it may be reclassified if the Company has the intention and the ability to hold the financial asset in the foreseeable future or until maturity; and
- the financial asset may be reclassified out of the held-for-trading securities category only under "rare circumstances".

As at December 31, 2021 and 2020, the Company does not have any financial asset designated by management as financial instruments at FVPL. However, the Company's held-for-trading investments portfolio are presented below.

	<b>Note</b>	<b>2021</b>	2020
Investments	8, 31	<b>P12,340,312</b>	P13,711,696
Assets held to cover linked liabilities	6, 11	<b>144,158,099</b>	133,317,942
Other assets - net	6, 15	<b>567,810</b>	425,732
		<b>P157,066,221</b>	P147,455,370

As at December 31, 2021 and 2020, the Company's held-for-trading securities include government, quasi-government, corporate debt, equity securities, derivative financial instruments and unit investment trust funds.

The Company's technical provisions for linked liabilities classified as financial liabilities at FVPL amounted to P106.57 billion and P96.36 billion as at December 31, 2021 and 2020, respectively (see Note 11).

*Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not held for trading.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment loss. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included as part of "Others - net" in profit or loss.

As at December 31, 2021 and 2020, the Company's cash and cash equivalents, premiums due from policyholders, policy loans receivables, coverage debt receivables, interest receivable, reinsurance assets, and other assets such as receivable from unit linked fund, advances to employees and agents, and due from related parties are classified under this category. Cash and cash equivalents, interest receivable, receivable from life fund, and other assets such as trade receivables under "Assets held to cover linked liabilities" are also classified under this category.

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 months (3) or less and are subject to an insignificant risk of change in value.

*AFS Financial Assets.* AFS financial assets are financial assets which are designated as such, or do not qualify to be classified or have not been classified under any other financial asset category. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value. Changes in fair value, other than impairment loss and foreign currency differences on AFS equity securities, are recognized in other comprehensive income and presented as "Fair value reserve". The losses arising from the impairment of such securities are recognized in profit or loss. When the security is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is transferred to profit or loss. The effective yield component of AFS debt securities is reported in profit or loss.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of unobserved inputs such as in the case of unquoted equity instruments, these financial assets are allowed to be carried at cost less impairment, if any.

As at December 31, 2021 and 2020, the Company's AFS financial assets amounted to P32.63 million and P29.06 million, respectively, and primarily composed of equity securities (see Note 8).

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

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. The amortization is included as part of "Interest expense related to policies" in profit or loss.

This category includes the Company's claims payable, reinsurance payable, and accounts payable, accrued expenses and other liabilities such as dividends payable to policyholders, accrued expenses, due to unit-linked funds, due to related parties, agent's commission payable, provident fund payable and other liabilities (excluding liabilities to government agencies), and lease liabilities. This category also includes liability to life and other linked funds, accrued expense, and trade payable (excluding liabilities to government agencies) under assets held to cover linked liabilities.

#### Impairment of Financial Assets

The Company assesses at each reporting date whether 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 have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults.

*Loans and Receivables.* The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed accounts, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses 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 the collective assessment for impairment. For the purpose of a collective evaluation of impairment, loans and receivables are grouped on the basis of credit risk characteristics such as type of borrower, collateral type, credit and payment status and term.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the excess of loan's carrying amount over its net realizable value, based on the present value of the estimated future cash flows from the asset. The present value of the estimated future cash flows is discounted at the loan's original effective interest rate. Time value is generally not considered when the effect of discounting is not material.

The carrying amount of an impaired loan is reduced to its net realizable value through the use of an allowance account and the accrual of interest is discontinued. If, in a subsequent period, the amount of the allowance for impairment loss decreases because of an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed to profit or loss to the extent that the resulting carrying amount of the asset does not exceed its amortized cost had no impairment loss been recognized.

*AFS Financial Assets Carried at Fair Value.* In case of equity securities classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below cost. Where there is objective evidence of impairment, the cumulative loss in equity, measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized, is recorded in profit or loss. Subsequent increase in the fair value of an impaired AFS equity security is recognized in other comprehensive income.

#### Offsetting of Financial Instruments

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

Income and expenses are presented on a net basis only when permitted under PFRSs, such as in the case of any realized gains or losses arising from the Company's trading activities.

#### Derecognition of Financial Assets and Liabilities

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

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

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

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

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

Prepayments

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

Property and Equipment

Property and equipment are measured at cost less accumulated depreciation and impairment losses, if any.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Company. The cost of day-to-day servicing of an asset is recognized as an expense when incurred.

Items of property and equipment are depreciated on a straight-line basis over the estimated useful lives of each component. Leasehold improvements are amortized over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Estimated useful lives are as follows:

	Number of Years
Computer equipment	3 - 5
Furniture, fixtures and equipment	5
Transportation equipment	5
Condominium unit	25
Leasehold improvements	3 - 5 or term of lease, whichever is shorter

The residual value, useful lives, and depreciation methods for items of property and equipment are reviewed, and adjusted if appropriate, at each reporting date.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and the related accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

Office improvement in progress relates to the progress billings of unfinished projects. Such projects include renovations, various installations and system upgrades. When a certain project is finished, the account is credited and capitalized to the appropriate asset account.

No depreciation is recognized for office improvement in progress account because it is not yet available for use by the Company.

Fully depreciated assets are retained in the accounts until they are no longer in use, at which time, the cost and the related accumulated depreciation and amortization are written off.

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

#### Software Development Costs

Costs directly associated with the development of identifiable computer software that is not an integral part of the hardware that generate expected future benefits to the Company are recognized as intangible asset. All other costs of developing and maintaining computer software are recognized as expense when incurred. Software development costs are recognized under "Other assets" (see Note 15).

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Software development costs are amortized from the date they are available for use, not to exceed five (5) years.

#### Impairment of Nonfinancial Assets

At each reporting date, the Company assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists, the Company estimates the recoverable amount of the impaired assets. The recoverable amount is the higher of the fair value less costs of disposal and value in use. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less costs of disposal is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

Where the carrying amount of an asset exceeds its recoverable amount, the impaired asset is written down to its recoverable amount.

An impairment loss is recognized in profit or loss in the period in which it arises.

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

#### Deferred Acquisition Costs

Direct and indirect costs incurred to sell, underwrite and initiate new unit-linked insurance contracts are deferred to the extent that these costs are recoverable out of profit margins of future premiums from these new insurance contracts.

Subsequent to initial recognition, deferred acquisition costs are amortized on a straight-line basis over the period over which significant amount of profit margins from future premiums are expected to be recoverable. Changes in the pattern of future economic benefits for the deferred acquisition costs are accounted for by changing the amortization period and are treated as change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognized in profit or loss. Deferred acquisition costs are also considered in the liability adequacy test for each reporting period. Deferred acquisition costs are derecognized when the related contracts are either pre-terminated or have matured before the end of amortization period.

#### Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.



#### *As a Lessee*

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measure using the index rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in "Right-of-use assets" and the corresponding liability in "Lease liabilities" in the separate statement of financial position (see Note 28).

#### **Short-term Leases and Leases of Low-value Assets**

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office and parking space that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### COVID-19-related Rent Concessions

The Company applies practical expedient related to COVID-19-Related Concessions allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Company applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Company chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Company determines whether there is a lease modification.

#### Equity

##### *Capital Stock*

Capital stock is composed of common shares, determined using the nominal value of shares that have been issued. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

##### *Additional Paid-in Capital (APIC)*

APIC pertains to the amount that the Company received in excess of the par value of capital stock.

##### *Contributed Surplus*

Contributed surplus represents additional contribution of shareholders as provided under the Insurance Code.

##### *Fair Value Reserve*

Fair value reserve pertains to the cumulative amount of gains and losses due to the revaluation of AFS financial assets.

##### *Retirement Fund Reserve*

This pertains to the cumulative amount of remeasurement of the retirement liability arising from actuarial gains and losses due to experience and demographic assumptions as well as gains and losses in the plan assets.

##### *Remeasurement on Life Insurance Reserve*

This represents the increase or decrease of the reserves brought by changes in discount rates.

##### *Retained Earnings*

Retained earnings are classified as unappropriated and appropriated. Unappropriated retained earnings represent profit attributable to the equity holders of the Company and reduced by dividends. It may also include effect of changes in accounting policy as may be required by the transitional provision of the standard.

Appropriated retained earnings pertain to the aggregate amount of negative reserves on a per policy basis as a result of GPV prescribed by the IC.

#### Revenue Recognition

The Company's revenue streams arising from insurance contracts falls under PFRS 4 while interest income falls under PFRS 9 and other income under PFRS 15 *Revenue from Contracts with Customers*. The following specific criteria must also be met before revenue is recognized:

##### *Premiums*

Premiums arising from insurance contracts are recognized as income on the effective date of the insurance policies for the first-year premiums. For the succeeding premiums, gross earned recurring premiums on life insurance contracts are recognized as revenue when these become due from the policyholders.

The investment component received from the unit-linked insurance contracts is shown as part of premiums.

Premiums ceded to reinsurers on traditional and variable contracts are recognized as an expense when the policy becomes effective. This is presented net of experience refund received from reinsurers.

#### *Policy Administration Fees*

Policy administration fees are recognized as revenue in profit or loss when these become due from the policyholder. Receivable portion of policy administration fees forms part of receivable from unit linked fund under "Other assets - net" account in the separate statement of financial position.

#### *Investment Gain or Loss*

Investment gain or loss consists of fair value changes of financial assets at FVPL, interest income from all interest-bearing investments and gain or loss on disposal of investments. Investment income which is net of investment management fees, is presented net of final tax.

Interest income for all interest-bearing financial instruments, including financial assets measured at FVPL, is recognized in profit or loss using the effective interest method.

#### *Determining whether the Company is Acting as Principal or an Agent*

The Company assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Company has primary responsibility for providing the services; and
- whether the Company has discretion in establishing prices.

If the Company has determined it is acting as a principal, the Company recognizes revenue on gross basis with the amount remitted to the other party being accounted as part of cost and expenses. If the Company has determined it is acting as an agent, only the net amount retained is recognized as revenue.

The Company has determined that it is acting as principal in its revenue arrangements.

#### Benefits, Claims and Expenses Recognition

##### *Cost on Premiums of Variable Insurance*

Cost on premiums of variable insurance represents the investment component of the unit-linked insurance contracts portion, net of withdrawals. Cost on premiums of variable insurance are recognized consequently as premiums are earned which is on the effective date of the insurance policy for first year premiums and when premiums become due for succeeding premiums.

### *Benefits and Claims*

Claims consist of benefits and claims paid to policyholders, which include, among others, excess gross benefit claims for unit-linked insurance contract, and movement of incurred but not reported (IBNR) claims and movement of legal policy reserves. Death claims, surrenders and withdrawals are recorded on the basis of notifications received. Maturities are recorded when due. Provision for IBNR is made for the cost of claims incurred as of each reporting date but not reported until after the reporting date based on the Company's experience and historical data. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in profit or loss of subsequent years. Reinsurer's share of gross benefits and claims are accounted for in the same period as the underlying claim.

### *Operating Expenses*

Expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses are recognized when incurred.

### Employee Benefits

#### *Retirement Benefits*

The Company maintains a defined contribution (DC) plan with minimum defined benefit (DB) guarantee that covers all regular full-time employees. Under its retirement plan, the Company pays fixed contributions based on the employees' monthly salaries, however, the retirement plan also provides for its qualified employees a DB minimum guarantee which is equivalent to a certain percentage of the final monthly salary payable to an employee for each year of credited service based on the provisions of the Company's retirement plan.

Accordingly, the Company accounts for its retirement obligation under the higher of the DB obligation relating to the minimum guarantee and the obligation arising from the DC Plan.

For the DB minimum guarantee plan, the liability is determined based on the present value of the excess of the projected DB obligation over the projected DC obligation at the end of the reporting period. The DB obligation is calculated annually by a qualified independent actuary using the projected unit credit method. The Company determines the net interest expense or income on the net DB liability or asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the DB plan are recognized in profit or loss.

The DC liability, on the other hand, is measured at the fair value of the DC assets upon which the DC benefits depend, with an adjustment for any margin on asset returns where this is reflected in the DC benefits.

Remeasurements of the net DB liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of a DB plan when the settlement occurs.

#### *Short-term Employee Benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### Taxes

Current tax and deferred income tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under PAS 37.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at each reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and the carry forward tax benefits of the net operating loss carryover (NOLCO) and excess of the minimum corporate income tax (MCIT) over the regular corporate income tax. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted at each reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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.

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 at the reporting date.

#### Foreign Currency Transactions

Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates prevailing at reporting date.

Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year. For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses, in the period such are realized.

### Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

### Contingencies

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

### Related Parties

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

### Events After the Reporting Date

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

### New Standards and Amendments to Standards Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2021. However, the Company has not applied the following new or revised and amended standards in preparing these separate financial statements. The Company is currently assessing the potential impact of these on its separate financial statements.

The Company will adopt the new standards and amendments to standards in the respective effective dates:

#### *To be Adopted January 1, 2022*

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to PFRS 16, *Leases*). The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments, but becomes eligible as a result of the extension.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprises both incremental costs and an allocation of other direct costs.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS Standards 2018-2020. This cycle of improvements contains amendments to four standards. Among the amendments only two (2) are relevant to the Company:
  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9 Financial Instruments). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.
  - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16 Leases). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

#### *To be Adopted January 1, 2023*

- Classification of Liabilities as Current or Non-current (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:
  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

- clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

In November 2021, the International Accounting Standards Board issued the Exposure Draft, *Non-Current Liabilities with Covenants* after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend IAS 1 as follows:

- Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current.
- Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.
- Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.
- The effective date of the amendments will be deferred to no earlier than January 1, 2024.

Comments on the Exposure Draft was due on March 21, 2022.

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.



- Disclosure of Accounting Policies (Amendments to PAS 1, *Presentation of Financial Statements* and PFRS Practice Statement 2 *Making Materiality Judgements*). The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:
  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments to PFRS Practice Statement 2 include guidance and additional examples on the application of materiality to accounting policy disclosures.

The amendments are effective from January 1, 2023. Earlier application is permitted.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments clarify that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.
- PFRS 9, *Financial Instruments (2014)*. PFRS 9 (2014) replaces PAS 39 and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The Company availed the temporary exemption in the implementation of PFRS 9 as allowed by PFRS 4 above.

- *Prepayment Features with Negative Compensation (Amendments to PFRS 9).* The amendments cover the following areas:
  - *Prepayment Features with Negative Compensation.* The amendment clarifies that a financial asset with a prepayment feature could be eligible for measurement at amortized cost or fair value through other comprehensive income irrespective of the event or circumstance that causes the early termination of the contract, which may be within or beyond the control of the parties, and a party may either pay or receive reasonable compensation for that early termination.

The amendment is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. Retrospective application is required, subject to relevant transitional reliefs.

- *Modification of Financial Liabilities.* The amendment to the Basis for Conclusions on PFRS 9 clarifies that the standard provide an adequate basis for an entity to account for modifications and exchanges of financial liabilities that do not result in derecognition and the treatment is consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset - i.e., the amortized cost of the modified financial liability is recalculated by discounting the modified contractual cash flows using the original effective interest rate and any adjustment is recognized in profit or loss.

If the initial application of PFRS 9 results in a change in accounting policy for these modifications or exchanges, then retrospective application is required, subject to relevant transition reliefs.

- PFRS 17 Insurance Contracts replaces the interim standard, PFRS 4. Reflecting the view that an insurance contract combines features of both a financial instrument and a service contract, and considering the fact that many insurance contracts generate cash flows with substantial variability over a long period, PFRS 17 introduces a new approach that:
  - (a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;
  - (b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
  - (c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

PFRS 17 is effective for annual periods beginning on or after January 1, 2023. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. Early application is permitted for entities that apply PFRS 9 and PFRS 15 on or before the date of initial application of PFRS 17.

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#### **4. Use of Judgments and Estimates**

In preparing the separate financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

##### Judgments

##### *(a) Determining the Lease Term of Contracts with Renewal and Termination Options - the Company as Lessee*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. 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 terminate.

The Company included the renewal period as part of the lease term after securing a certification from Mega World Corporation that the Company has an option to renew for another term of 5 years on its current long-term lease contract (see Note 28).

*(b) Impairment of Financial Assets*

*Investments at Fair Value*

The Company considers that investments are impaired when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged decline requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share/market price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

As at December 31, 2021 and 2020, the Company has not recognized any impairment loss on its investments.

*Receivables*

The Company reviews its receivables to assess impairment at least on an annual basis, or as the need arises due to significant movements on certain accounts. Receivables from policyholders and reinsurance that are individually significant are assessed to determine whether objective evidence of impairment exists on an individual basis, while those that are not individually significant are assessed for objective evidence of impairment either on an individual or on collective basis. In determining whether an impairment loss should be recorded in the profit or loss, the Company makes judgment as to whether there are any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio.

As at December 31, 2021 and 2020, the Company has recognized allowance for impairment loss amounting to P446.13 million and P373.09 million (see Notes 10, 12 and 15), respectively.

*(c) Classifying Financial Instruments*

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the separate statement of financial position. In addition, the Company classifies assets by evaluating among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

As at December 31, 2021 and 2020, the Company classified its financial instruments as financial instruments at FVPL, AFS financial assets, loans and receivables, and other financial liabilities.

## Estimates

### *(a) Leases - Estimating the Incremental Borrowing Rate*

The Company uses its incremental borrowing rate as the discount rate in measuring its lease liability. As the Company's financial obligations are guaranteed by its Parent Company, the Company considers its Parent Company's incremental borrowing rate which reflects the underlying interest rate for the currency in which the lease is denominated. The incremental borrowing rate used is the sum of the reference rate and a credit spread for senior unsecured debt.

### *(b) Liabilities Arising from Claims Made under Insurance Contracts*

There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for such claims. Although the ultimate liability arising from life insurance contracts is largely determined by the face amount of each individual policy, the Company also issues accident and health policies and riders where the claim amounts may vary.

Claims estimation by the Company considers many factors such as industry average mortality or morbidity experience, with adjustments to reflect Company's historical experience. These liabilities form part of the Company's IBNR which amounted to P159.30 million and P130.92 million as at December 31, 2021 and 2020, respectively (see Note 17).

### *(c) Legal Policy Reserves*

At inception of the contract, the Company determines assumptions in relation to mortality, morbidity, persistency, investment returns and administration expenses. Assumptions are also set in relation to inflation rates, tax, dividend scale and sales commissions plus other incentives. A margin for risk and uncertainty is added to these assumptions. In every reporting period, the Company ensures that the assumptions used are best estimates, taking into account current experience at each reporting date to determine whether liabilities are adequate in the light of the latest current estimates and taking into consideration the provision of PFRS 4.

The liability adequacy test was performed using current best estimates on interest, mortality, lapsation and expenses. The net present value of future cash flows as at December 31, 2021 and 2020 computed under the requirements of PFRS 4, amounted to cash inflows of P54.16 billion and P43.22 billion, respectively. Accordingly, the recorded legal policy reserves which is calculated in accordance with the requirements of the Insurance Code amounting to P5.61 billion and P6.39 billion as at December 31, 2021 and 2020, respectively (see Note 16), is adequate using best estimate assumptions.

*(d) Fair Value Estimation*

The fair value of financial instruments traded in active markets (such as financial assets at FVPL and AFS financial assets) is based on quoted market prices or quoted prices for similar assets or liabilities at the reporting date. If the financial instrument is not traded in an active market, the fair value is determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by management. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values of financial instruments.

As at December 31, 2021 and 2020, the Company's financial instruments carried at fair value are classified as Level 1 and Level 2 in the fair value hierarchy.

*(e) Estimating Useful Lives of Property and Equipment and Software Development Costs*

The Company estimates useful lives of property and equipment and software development costs based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence. The useful lives, and depreciation and amortization methods are reviewed periodically to ensure that the method and periods of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment, and software development costs.

As at December 31, 2021 and 2020, the carrying amounts of property and equipment and software development costs amounted to P613.79 million and P653.74 million, respectively (see Notes 13 and 15).

*(f) Estimating Amortization Period of Deferred Acquisition Costs*

The amortization period of deferred acquisition costs depends on the period over which the acquisition costs will be recovered through the future profits of the insurance contracts. Deferred acquisition costs of unit linked single premium are amortized over 10 years while unit linked regular premium are amortized over 15 years. The recoverability of the deferred acquisition costs is reviewed annually to ensure that the period of amortization is consistent with the profit pattern of the products and that the deferred acquisition costs are recoverable against the present value of future profits over the entire amortization period.

As at December 31, 2021 and 2020, the carrying amount of deferred acquisition costs amounted to P12.45 billion and P10.41 billion, respectively (see Note 14).

*(g) Estimating Impairment of Financial Assets*

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the receivables when scheduling future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

As at December 31, 2021 and 2020, the carrying value of the Company's policy loans receivables, coverage debt receivables and advances to employees and agents amounted to P1.51 billion and P1.36 billion, respectively. Provisions for impairment losses amounted to P83.34 million and P147.94 million in 2021 and 2020, respectively (see Notes 10, 12 and 15).

*(h) Estimating Retirement and Other Employee Benefits*

The determination of DB obligation relating to minimum guarantee and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates, mortality rates and future salary increase rate. Due to the long-term nature of these benefits, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields of Philippine government bonds with terms consistent with the expected employee benefit payout as at the separate statement of financial position date.

As at December 31, 2021 and 2020, the Company's net retirement liability amounted to P41.82 million and P8.42 million, respectively (see Note 25).

*(i) Estimating Realizability of Deferred Tax Assets*

The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount 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. Any deferred tax asset will be remeasured if it might result to derecognition where the expected tax law to be enacted has a possible risk on the realization.

As at December 31, 2021 and 2020, the Company recognized deferred tax assets amounting to P1,329.10 million and P507.02 million, respectively. However, unrecognized deferred tax assets amounted to nil and P966.17 million as at December 31, 2021 and 2020, respectively (see Note 26).

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## **5. Capital, Insurance and Financial Risk Management Objectives and Policies**

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

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

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

### Regulatory Framework

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

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

### Capital Management

The Company's capital includes capital stock, APIC, contributed surplus and retained earnings.

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 always higher than the minimum capital requirement set by the IC and the amount computed under the RBC model.

The Company manages capital through a process that determines future projected capital requirements through the development of long-term financial plans and projections that consider the impact on surplus of new businesses, profitability of in-force business and other major corporate initiatives that will affect capitalization requirements.

There were no changes made to the Company's capital base, objectives, policies and processes from previous year.

### *Networth Requirements*

Under Section 194 of the Insurance Code, insurance company doing business in the Philippines shall have a networth of P250.00 million by June 30, 2013. Furthermore, said company must have an additional P300.00 million in networth by December 31, 2016; an additional P350.00 million in networth by December 31, 2019; and an additional P400.00 million in networth by December 31, 2022.

As at December 31, 2021 and 2020, the Company has complied with the minimum networth requirements.

### *RBC Requirements*

The IC issued Circular Letter (CL) 2016-68, the Amended RBC2 Framework, effective January 1, 2017. This framework provides for the amended formula in computing for the RBC Ratio, which is calculated, by dividing Total Available Capital (TAC) by the RBC requirement. The minimum RBC ratio is set at 100%. All insurance companies are required to maintain the minimum RBC ratio and not fail the trend test. Trend test has failed in the event that all have occurred:

- the RBC ratio computed for the period (i.e. first quarter) is less than 125% but is not below 100%;
- the RBC ratio has decreased over the past period; and
- the difference between RBC ratio so computed and the decrease in the RBC ratio over the past period is less than 100%.



On December 28, 2016, the IC released CL No. 2016-69 which provides, among other things, that the level of sufficiency for the RBC2 Framework should be at 95<sup>th</sup> percentile level of sufficiency for the year 2017, 97.5<sup>th</sup> percentile for the year 2018, and 99.5<sup>th</sup> percentile for the year 2019. RBC2 Framework was made effective January 1, 2017.

The following table shows the RBC ratio of the Company as at December 31, 2021 and 2020, using the RBC2 Framework:

	<b>2021</b>	2020
TAC	<b>P9,476,562</b>	P12,203,380
RBC requirement	<b>843,872</b>	930,597
RBC ratio	<b>1,123%</b>	1,311%

The figures above for 2021 are internally computed by the Company and the final amount of the RBC ratio can be determined only after the accounts of the Company have been reviewed by IC specifically as to determination of admitted and non-admitted assets as defined under the Insurance Code while the figures above for 2020 are based on final amount reviewed by IC. As at December 31, 2021 and 2020, the Company has complied with the minimum RBC ratio of 100%.

The estimated non-admitted assets as defined in the Insurance Code are included in the separate statement of financial position. The amounts of assets below for 2021 are subject to final determination by the IC while the 2020 balances are based on final amount reviewed by IC:

	<i>Note</i>	<b>2021</b>	2020
Deferred acquisition costs	14, 31	<b>P12,455,967</b>	P10,408,686
Property and equipment - net		<b>373,307</b>	374,661
Other assets		<b>2,133,715</b>	1,165,359
		<b>P14,962,989</b>	P11,948,706

#### Insurance Risk

The Company issues contracts that transfer insurance risk. This section summarizes the risks and the way the Company manages them.

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The main risks that the Company is exposed to are as follows:

- *Mortality Risk* - risk of loss due to policyholder death experience being different from expected.
- *Morbidity Risk* - risk of loss due to policyholder health and disability experience being different from expected.

The Company manages these risks through its underwriting strategy and reinsurance agreements. The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of the type of risk and level of insured benefits. This is largely achieved through the use of medical screening in order to ensure that pricing takes account of current health conditions and 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. The retention limit of the Company varies per product type.

For contracts where death or disability 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.

*Concentration of Insurance Risk*

The table below sets out the concentration of legal policy reserves by type of life insurance contract (in thousands):

	<b>Note</b>	<b>2021</b>	2020
Whole and term life		<b>P4,230,275</b>	P4,750,413
Endowment		<b>652,178</b>	938,394
Term		<b>(25,270)</b>	(42,559)
Accident		<b>22,500</b>	20,886
Group		<b>33,624</b>	31,107
Variable		<b>444,979</b>	430,272
Riders and other products		<b>253,518</b>	262,119
	16, 31	<b>P5,611,804</b>	P6,390,632

*Classification by Attained Age*

The table below presents the concentration of legal policy reserves by attained age as at December 31, 2021 and 2020. For individual insurance, exposure is concentrated on age brackets of 55 - 59 in 2021 and 2020.

Attained Age	2021		2020	
	Individual		Individual	
	Exposure '000	Concentration (%)	Exposure '000	Concentration (%)
<20	<b>P128,458</b>	<b>2.30%</b>	P241,659	3.80%
20 - 24	<b>172,920</b>	<b>3.10%</b>	214,333	3.37%
25 - 29	<b>190,541</b>	<b>3.42%</b>	229,755	3.61%
30 - 34	<b>224,510</b>	<b>4.02%</b>	272,120	4.28%
35 - 39	<b>259,256</b>	<b>4.65%</b>	285,489	4.49%
40 - 44	<b>430,439</b>	<b>7.72%</b>	563,676	8.86%
45 - 49	<b>713,864</b>	<b>12.80%</b>	867,230	13.64%
50 - 54	<b>840,011</b>	<b>15.06%</b>	921,186	14.49%
55 - 59	<b>857,178</b>	<b>15.37%</b>	968,324	15.23%
60 - 64	<b>752,270</b>	<b>13.49%</b>	820,362	12.90%
65 - 69	<b>500,843</b>	<b>8.98%</b>	509,613	8.01%
70 - 74	<b>272,473</b>	<b>4.88%</b>	317,511	4.99%
75 - 79	<b>176,571</b>	<b>3.16%</b>	101,385	1.59%
80 +	<b>58,846</b>	<b>1.05%</b>	46,882	0.74%
Total	<b>P5,578,180</b>	<b>100.00%</b>	P6,359,525	100.00%

For group insurance, exposure is concentrated on age bracket 35 - 39 in 2021 and 2020.

2021				
Group				
Attained Age	Gross of Reinsurance		Net Reinsurance	
	Exposure '000	Concentration (%)	Exposure '000	Concentration (%)
20 - 24	P102	0.30%	P102	0.30%
25 - 29	1,621	4.85%	1,629	4.87%
30 - 34	2,440	7.30%	2,452	7.33%
35 - 39	10,022	29.38%	9,751	29.13%
40 - 44	2,951	8.83%	2,966	8.86%
45 - 49	3,372	10.09%	3,389	10.12%
50 - 54	4,196	12.56%	4,217	12.60%
55 - 59	5,036	15.07%	5,061	15.12%
60 +	3,884	11.62%	3,903	11.67%
Total	P33,624	100.00%	P33,470	100.00%

2020				
Group				
Attained Age	Gross of Reinsurance		Net Reinsurance	
	Exposure '000	Concentration (%)	Exposure '000	Concentration (%)
20 - 24	P118	0.38%	P118	0.40%
25 - 29	1,380	4.44%	1,380	4.66%
30 - 34	1,670	5.37%	1,670	5.63%
35 - 39	12,317	39.60%	10,850	36.61%
40 - 44	2,143	6.89%	2,143	7.23%
45 - 49	2,875	9.24%	2,875	9.70%
50 - 54	3,087	9.92%	3,087	10.41%
55 - 59	4,524	14.54%	4,524	15.26%
60 +	2,993	9.62%	2,993	10.10%
Total	P31,107	100%	P29,640	100%

#### Key Assumptions

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

- (a) *Risk-free Discount Rates* refer to the rates used in determining the value of life insurance liabilities. The value of life insurance liabilities is determined as the sum of the present value of future benefits and expenses, less the present value of future gross premiums arising from the policy discounted at the appropriate risk-free discount rate. The risk-free discount rates are based on the Bloomberg Valuation reference rates for peso and international yield curve from Bloomberg, with matching duration.
- (b) *Mortality and Morbidity Assumptions.* Mortality refers to the rate at which death occurs for a defined group of people while morbidity refers to the rate at which accident or sickness, and recovery therefrom, for a defined group of people. For the purpose of liability valuation, expected future cash flows are determined using best estimate mortality and morbidity assumptions with due regard to significant recent experience and appropriate margin for adverse deviation from the expected experience.

- (c) *Lapse Assumptions* refer to rates at which a life insurance policy is surrendered or terminated as a result of failure to pay the premium due; avails of the premium holiday option, and avails of partial withdrawals against the insurance policy. For the purpose of liability valuation, expected future cash flows are determined using best estimate lapse assumptions with due regard to significant recent experience and appropriate margin for adverse deviation from the expected experience.
- (d) *Expense Assumptions* refer to the expected future administrative and maintenance costs related to the issuance and maintenance of a life insurance policy with consideration of inflation. For the purpose of liability valuation, expected future cash flows are determined using best estimate expense assumptions with due regard to significant recent experience and appropriate margin for adverse deviation from the expected experience.

#### Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on the Company's income before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these variables are nonlinear.

	Changes in Assumptions/ Variables	2021	2020
		Impact on Income before Income Tax and Equity Increase (Decrease)	Impact on Income before Income Tax and Equity Increase (Decrease)
<i>(Amounts in Millions)</i>			
Mortality and morbidity	+5%	<b>(P39.82)</b>	(P43.84)
	-5%	<b>36.38</b>	45.04
Interest rate	+ 100 basis points	<b>255.98</b>	304.36
	- 100 basis points	<b>(281.26)</b>	(334.63)
Expense	+10%	<b>(95.94)</b>	(113.36)
	-10%	<b>83.28</b>	98.00
Lapse	+10%	<b>16.22</b>	21.12
	-10%	<b>(14.42)</b>	(21.61)

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

The analysis detailing the impact of changes in market interest rate to the fair value of the Company's investment in fixed-rate debt instrument is disclosed in the Currency Risk section.

#### Investment Risk

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

To maintain an adequate yield to match the interest necessary to support future policy liabilities, management's 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 adopts the Prudential's investment strategy to invest primarily in high quality securities while maintaining diversifications to avoid significant exposure to issuer and industry.

The Company invests in equity and debt instruments as dictated by the Company's investment management strategy. Asset allocation is determined by the Company's Fund Managers, Eastspring Investments (Singapore) Limited (Eastspring) and Pru Life UK Asset Management and Trust Corporation, who manage the distribution of assets to achieve the investment objectives. Divergence from target asset allocations and the composition of the Company's portfolio is monitored by the Investment Committee.

For unit-linked contracts, the Company does not retain the price, currency, credit, or interest rate risk for these contracts as contractual arrangements are such that the linked fund policyholders bear the risks and rewards of the fund's investment performance.

There has been no change to the Company's exposure to investment risk or the manner in which it manages and measures the risk since prior financial year.

#### Financial Risk

The Company has significant exposure to the following financial risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

There has been no change to the Company's exposure to financial risks (i.e. credit risk, liquidity risk and market risk) or the manner in which it manages and measures the risks since prior financial year.

#### *(a) Credit Risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. The Company is exposed to credit risk primarily through its cash and cash equivalents, investments and loans granted to policyholders. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date.

The Company's concentration of credit risk arises from its investments in government securities since the said investments amounted to P66.10 billion (88.43%) and P61.20 billion (90.07%) of the Company's total financial assets as at December 31, 2021 and 2020, respectively (see Notes 8 and 11).

The table below provides information regarding the credit risk exposure of the Company as at December 31, 2021 and 2020 by classifying assets according to the Company's credit grading of counterparties.

	Note	2021					Total
		Neither Past Due nor Impaired			Total Financial Assets Neither Past Due nor Impaired	Past Due and Impaired	
		Investment High-grade	Non-investment Grade - Satisfactory	P			
Cash in bank and cash equivalents*	7, 31	P2,573,420	P -	P2,573,420	P -	P2,573,420	
Interest receivable	31	132,241	-	132,241	-	132,241	
Coverage debt receivables	12, 31	-	960,404	960,404	435,291	1,395,695	
Financial assets at FVPL	8	12,307,684	-	12,307,684	-	12,307,684	
Premiums due from policyholders	31	-	10,831	10,831	-	10,831	
Policy loans receivables	10, 31	-	369,607	369,607	5,793	375,400	
Reinsurance assets	31	-	53,439	53,439	-	53,439	
Other assets (excluding withholding tax receivables, software development costs, nonrefundable deposits and prepayments)		567,810	446,125	1,013,935	5,047	1,018,982	
<b>Assets Held to Cover</b>							
<b>Linked Liabilities</b>							
Cash and cash equivalents	11	1,965,566	-	1,965,566	-	1,965,566	
Interest receivable	11	260,916	-	260,916	-	260,916	
Receivable from life fund	11	233,427	-	233,427	-	233,427	
Investment in debt securities	11	54,332,518	-	54,332,518	-	54,332,518	
Other assets	11	93,085	-	93,085	-	93,085	
		<b>P72,466,667</b>	<b>P1,840,406</b>	<b>P74,307,073</b>	<b>P446,131</b>	<b>P74,753,204</b>	

\* Excluding Petty Cash

	Note	2020					Total
		Neither Past Due nor Impaired			Total Financial Assets Neither Past Due nor Impaired	Past Due and Impaired	
		Investment High-grade	Non-investment Grade - Satisfactory	P			
Cash in bank and cash equivalents*	7, 31	P3,322,268	P -	P3,322,268	P -	P3,322,268	
Interest receivable	31	122,160	-	122,160	-	122,160	
Coverage debt receivables	12, 31	-	837,506	837,506	357,593	1,195,099	
Financial assets at FVPL	8	13,682,640	-	13,682,640	-	13,682,640	
Premiums due from policyholders	31	-	12,271	12,271	-	12,271	
Policy loans receivables	10, 31	-	371,605	371,605	10,161	381,766	
Reinsurance assets	31	-	73,295	73,295	-	73,295	
Other assets (excluding withholding tax receivables, software development costs, nonrefundable deposits and prepayments)		425,732	689,817	1,115,549	5,335	1,120,884	
<b>Assets Held to Cover</b>							
<b>Linked Liabilities</b>							
Cash and cash equivalents	11	1,550,226	-	1,550,226	-	1,550,226	
Interest receivable	11	261,872	-	261,872	-	261,872	
Receivable from life fund	11	639,816	-	639,816	-	639,816	
Investment in debt securities	11	47,906,021	-	47,906,021	-	47,906,021	
Other assets	11	141,482	-	141,482	-	141,482	
		<b>P68,052,217</b>	<b>P1,984,494</b>	<b>P70,036,711</b>	<b>P373,089</b>	<b>P70,409,800</b>	

\* Excluding Petty Cash

The Company has no past due but not impaired financial assets as at December 31, 2021 and 2020.

The Company uses a credit grading system based on the borrowers and counterparties overall credit worthiness, as described below:

*Investment High-grade* - This pertains to accounts with a very low probability of default as demonstrated by the borrower's strong financial position and reputation. The borrower has the ability to raise substantial amounts of funds through credit facilities with financial institutions. The borrower has a strong debt service record and a moderate use of leverage.

*Non-investment Grade - Satisfactory* - This pertains to current accounts with no history of default or which may have defaulted in the past, but the conditions and circumstances directly affecting the borrower's ability to pay has abated already. The borrower is expected to be able to adjust to the cyclical downturns in its operations. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. The use of leverage may be above industry or credit standards but remains stable.

*Past Due and Impaired* - This pertains to the allowance for impairment losses that the Company recognizes due to the uncertainty of the collectability of the Company's receivables.

In compliance with the Insurance Code, the Company extends loans to its policyholders only up to the cash surrender value of their policy, pursuant to the provisions of the policy contract.

Credit risk arising from transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used. The Company monitors the credit ratings of the brokers to further mitigate this risk.

A substantial portion of the Company's total investments, including cash in bank, are held by Standard Chartered Bank, a reputable financial institution with high credit rating, under a custodianship agreement.

*(b) Liquidity Risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

To effectively manage liquidity risk, the Company ensures that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unnecessary costs or risking damage to the Company's reputation. Further, the Company's policy is to maintain sufficient liquidity to meet normal operating requirements.

The tables below summarize the maturity profile of the financial liabilities of the Company based on remaining contractual obligations or on the estimated timing of net cash flows as at December 31, 2021 and 2020:

	Note	2021			
		Carrying Amount	Contractual Cash Flow		Total
			Within One Year	Beyond One Year	
Technical provision for linked liabilities	11, 31	P106,573,549	P -	P106,573,549	P106,573,549
Claims payable	17, 31	1,042,874	1,042,874	-	1,042,874
Reinsurance payable	18, 31	124,788	124,788	-	124,788
Accounts payable, accrued expenses and other liabilities*		6,155,676	6,155,676	-	6,155,676
Lease liabilities	28, 31	687,802	22,670	665,132	687,802
<b>Assets Held to Cover</b>					
<b>Linked Liabilities</b>					
Liability to life fund and other linked funds	11	39,246,922	39,246,922	-	39,246,922
Accrued expenses	11	161,641	161,641	-	161,641
Trade payable	11	728,981	728,981	-	728,981
		<b>P154,722,233</b>	<b>P47,483,552</b>	<b>P107,238,681</b>	<b>P154,722,233</b>

\*Excluding premium suspense account, premium deposit fund, retirement liability and liabilities to government agencies.

	Note	2020			
		Carrying Amount	Contractual Cash Flow		Total
			Within One Year	Beyond One Year	
Technical provision for linked liabilities	11, 31	P96,358,915	P -	P96,358,915	P96,358,915
Claims payable	17, 31	609,885	609,885	-	609,885
Reinsurance payable	18, 31	101,009	101,009	-	101,009
Accounts payable, accrued expenses and other liabilities*		5,339,316	5,339,316	-	5,339,316
Lease liabilities	28, 31	916,141	4,265	911,876	916,141
<b>Assets Held to Cover Linked Liabilities</b>					
Liability to life fund and other linked funds	11	39,149,881	39,149,881	-	39,149,881
Accrued expenses	11	152,134	152,134	-	152,134
Trade payable	11	250,408	250,408	-	250,408
		<b>P142,877,689</b>	<b>P45,606,898</b>	<b>P97,270,791</b>	<b>P142,877,689</b>

\*Excluding premium suspense account, premium deposit fund, retirement liability and liabilities to government agencies.

(c) *Market Risk*

Market risk embodies the potential for both gains and losses and includes currency risk, interest rate risk and equity price risk.

The Company's market risk is managed on a daily basis by the Fund manager in accordance with policies and procedures in place. The Company's overall market positions are monitored, at least, on a quarterly basis by the Investment Committee of the Company.

Details of the nature of the Company investment portfolio at the reporting date are disclosed in Notes 8 and 11 to the separate financial statements.



### *Currency Risk*

Currency risk is the risk that changes in foreign exchange rates will affect the fair values or cash flow of a recognized financial instrument. The Company may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Company is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Company's assets or liabilities denominated in currencies other than in Philippine peso.

The Company's main exposure to fluctuations in foreign currency exchange rates arise through the following assets denominated in U.S. dollar:

	<b>2021</b>	2020
Investments	<b>\$453,712</b>	\$411,938
Foreign exchange rate to the Philippine peso used*	<b>50.99</b>	48.02
	<b>P23,134,775</b>	P19,781,263

\*Exchange rate used is based on Bankers Association of the Philippines foreign exchange rate as at December 31, 2021 and December 29, 2020.

A 1% (2020: 5%) strengthening of U.S. dollar against Philippine peso as at December 31, 2021, with all other variables remaining constant, would have affected the measurement of financial instruments denominated in U.S. dollar and increased profit before tax and equity by P0.23 billion (2020: P0.99 billion). A 1% (2020: 5%) weakening of the U.S. dollar in relation to the Philippine peso, with all other variables held constant, would have an equal but opposite effect on the Company's profit before tax and equity.

In 2021 and 2020, the Company determined the reasonably possible change in foreign currency exchange rates based on the historical fluctuation of the assets denominated in U.S. dollar.

### *Interest Rate Risk*

There are two types of interest rate risk:

- *Fair Value Interest Rate Risk* - the risk that the value of a financial instrument will fluctuate because of changes in market interest rates; and
- *Cash Flow Interest Rate Risk* - the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Significant portion of the Company's investments is composed mainly of interest-bearing debt instruments carried at fair value. As a result, the Company is subject to exposure to fair value interest rate risk.

The Company does not carry debt instrument with variable interest rate and, thus, is not exposed to cash flow interest rate risk.

Fair value interest rate risk is mitigated by the Company's Fund Manager by constructing a portfolio of debenture instruments with diversified maturities. Any excess cash of the Company is invested in short-term time deposits with original terms of three months or less.

The analysis below details the impact of changes in market interest rate (stated in basis points or bps) to the fair value of the Company's investment in fixed-rate debt instruments. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The table below sets out the impact of changes in market interest rate to the fair value of the Company's investments classified as General Assets:

Currency	Changes in Variables	2021		2020	
		+100 bps	-100 bps	+100 bps	-100 bps
Philippine peso	P -	(P1,585,676)	P1,753,447	(P1,807,213)	P2,021,360
U.S. dollar	-	(571,577)	660,820	(607,704)	692,174
Fair value sensitivity	P -	(P2,157,253)	P2,414,267	(P2,414,917)	P2,713,534

The table below presents the impact of changes in market interest rate to the fair value of the Company's investments classified as Assets Held to Cover Linked Liabilities:

Currency	Changes in Variables	2021		2020	
		+100 bps	-100 bps	+100 bps	-100 bps
Philippine peso	P -	(P897,459)	P976,678	(P993,467)	P1,096,425
U.S. dollar	-	(509,066)	587,028	(541,096)	612,931
Fair value sensitivity	P -	(P1,406,525)	P1,563,706	(P1,534,563)	P1,709,356

In 2021 and 2020, the Company determined the reasonably possible change in interest rate based on the historical percentage changes in weighted average yield rates of outstanding investments of the Company.

#### *Equity Price Risk*

Equity price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The Company's equity investments are mainly composed of the investments in equity securities under "Assets Held to Cover Linked Liabilities" amounting to P89.93 billion and P85.42 billion (see Note 11) as at December 31, 2021 and 2020, respectively. However, any fair value changes in these equity investments has corresponding increase or decrease in "Technical Provisions for Linked Liabilities" and will not affect the equity and profit before income tax of the Company. Thus, the Company has insignificant exposure to equity price risk.

Moreover, any fair value changes in these equity investments will affect the net asset value of the investment account of the policyholders which is the basis of the policy administration fees charged to the fund (see Note 21).

#### *Deferral of PFRS 9*

The Company applies the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4, *Applying PFRS 9 with PFRS 4* and has elected to defer the application of PFRS 9 until the Company adopts PFRS 17.

Under the amended PFRS 4, an entity has to prove that its activities are predominantly connected with insurance. This condition is met if the carrying amount and the percentage of its liabilities arising from contracts within the scope of PFRS 4 is significant or greater than 90% relative to the total carrying amount of all its liabilities.

The Company performed the predominance assessment and concluded that it qualified for the temporary exemption from PFRS 9. As at December 31, 2015, the Company's total carrying amount of liabilities connected with insurance amounted to P74.55 billion which represented more than 90% of its total liabilities of P76.82 billion. The Company did not subsequently reassess its eligibility for the temporary exemption from PFRS 9 as there was no change in the Company's activities for the year ended December 31, 2021.

The following table provides an overview of the fair values as at December 31, 2021 and 2020, and the amounts of change in the fair values during the reporting period separately for financial assets that meet the solely payments of principal and interest (SPPI) criterion (i.e. financial assets with contractual terms that give rise on specified dates to cash flows that are SPPI on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in PFRS 9, or that is managed and whose performance is evaluated on a fair value basis) and all other financial assets:

	2021			
	Financial Assets that Meet the SPPI Criteria*		All Other Financial Assets	
	Fair Value	Fair Value Change during the Reporting Period	Fair Value	Fair Value Change during the Reporting Period
Cash in bank and cash equivalents	P2,573,420	P -	P -	P -
Interest receivable	132,241	-	-	-
Financial assets at FVPL	-	-	12,307,684	(963,631)
AFS financial assets	-	-	32,628	2,200
Loans and receivables	815,732	-	-	-
Rental and other deposits	136,967	-	-	-
<b>Assets Held to Cover Linked Liabilities</b>				
Cash and cash equivalents	1,965,566	-	-	-
Interest receivable	260,916	-	-	-
Receivable from life fund	233,427	-	-	-
Financial assets at FVPL	-	-	144,158,099	(281,896)
Other assets	93,085	-	-	-
	<b>P6,211,354</b>	<b>P -</b>	<b>P156,498,411</b>	<b>(P1,243,327)</b>

\*Excluding any financial asset that meets the definition of held for trading in PFRS 9, or that is managed and whose performance is evaluated on a fair value basis.

	2020			
	Financial Assets that Meet the SPPI Criteria*		All Other Financial Assets	
	Fair Value	Fair Value Change during the Reporting Period	Fair Value	Fair Value Change during the Reporting Period
Cash in bank and cash equivalents	P3,322,268	P -	P -	P -
Interest receivable	122,160	-	-	-
Financial assets at FVPL	-	-	13,682,640	855,951
AFS financial assets	-	-	29,056	(1,000)
Loans and receivables	1,061,422	-	-	-
Rental and other deposits	128,956	-	-	-
<b>Assets Held to Cover Linked Liabilities</b>				
Cash and cash equivalents	1,550,226	-	-	-
Interest receivable	261,872	-	-	-
Receivable from life fund	639,816	-	-	-
Financial assets at FVPL	-	-	133,317,942	(2,107,051)
Other assets	141,482	-	-	-
	<b>P7,228,202</b>	<b>P -</b>	<b>P147,029,638</b>	<b>(P1,252,100)</b>

\*Excluding any financial asset that meets the definition of held for trading in PFRS 9, or that is managed and whose performance is evaluated on a fair value basis.

The information about the credit risk exposures for financial assets with contractual terms that meet the SPPI criterion at December 31, 2021 and 2020 is consistent with the credit risk disclosure above under PAS 39.

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## 6. Fair Value Measurements and Disclosures

The fair value of the following financial assets and financial liabilities approximate their carrying amounts at the end of each accounting period due to their short-term nature:

- Cash and cash equivalents;
- Interest receivable;
- Coverage debt receivables;
- Premiums due from policyholders;
- Policy loans receivables;
- Reinsurance assets;
- Other assets except for withholding tax receivables, software development costs, investments in ASF, nonrefundable deposits and prepayments;
- Cash and cash equivalents, interest receivable, receivable from life fund and other assets under assets held to cover linked liabilities;
- Claims payable;
- Reinsurance payable;
- Accounts payable, accrued expenses and other liabilities except for liabilities payable to government agencies, premium suspense account, premium deposit fund and retirement liability; and
- Liability to life and other linked funds, accrued expenses, and trade payable under assets held to cover linked liabilities.

The recurring fair values of financial assets at FVPL including those under assets held to cover linked liabilities, AFS financial assets, and technical provisions for linked liabilities are determined by reference to quoted market prices, at the close of business on the reporting date.

### *Fair Value Hierarchy*

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Note	2021		Total
		Level 1	Level 2	
<b>Financial Assets</b>				
Financial assets at FVPL	8	<b>P12,307,684</b>	<b>P -</b>	<b>P12,307,684</b>
AFS financial assets	8	<b>32,628</b>	<b>-</b>	<b>32,628</b>
Financial assets at FVPL under other assets	15	<b>567,810</b>	<b>-</b>	<b>567,810</b>
Financial assets at FVPL under assets held to cover linked liabilities	11	<b>144,258,465</b>	<b>(100,366)</b>	<b>144,158,099</b>
<hr/>				
	Note	2020		Total
		Level 1	Level 2	
<b>Financial Assets</b>				
Financial assets at FVPL	8	P13,682,640	P -	P13,682,640
AFS financial assets	8	29,056	-	29,056
Financial assets at FVPL under other assets	15	425,732	-	425,732
Financial assets at FVPL under assets held to cover linked liabilities	11	133,324,157	(6,215)	133,317,942

The Company has no financial instruments categorized under Level 3. Also, there has been no transfer between levels in 2021 and 2020.

## 7. Cash and Cash Equivalents

	Note	2021	2020
Cash on hand and in banks		<b>P1,563,426</b>	P2,122,329
Short-term placements		<b>1,010,909</b>	1,200,854
	5, 31	<b>P2,574,335</b>	P3,323,183

Short-term placements are Philippine peso and U.S. dollar time deposits with various financial institutions with maturities ranging from overnight to ten days and interest ranging from 0.06% to 0.20% and 0.05% to 2.90% per annum in 2021 and 2020, respectively.

Interest income recognized in profit or loss which is presented under "Investment gain - net" amounted to P2.88 million and P17.48 million in 2021 and 2020, respectively.

## 8. Investments

Reconciliation of the carrying amount of the investments at the beginning and end of the year is shown below.

	Note	December 31, 2021		
		AFS Financial Assets	Financial Assets at FVPL	Total Investments
Cost at January 1, 2021		P25,585	P12,374,828	P12,400,413
Unrealized gains at January 1, 2021		3,471	1,307,812	1,311,283
Fair value at January 1, 2021		29,056	13,682,640	13,711,696
Fair value gain (loss) recognized in:				
Profit or loss	22	-	(963,631)	(963,631)
Other comprehensive income		2,200	-	2,200
Foreign exchange gain	22	-	33,080	33,080
Purchases		1,372	3,624,629	3,626,001
Proceeds from disposal of financial assets		-	(4,096,533)	(4,096,533)
Gain on disposal of financial assets	22	-	27,499	27,499
Fair value at December 31, 2021	5, 6, 31	P32,628	P12,307,684	P12,340,312
Cost at December 31, 2021		P26,957	P11,930,423	P11,957,380
Unrealized gains at December 31, 2021		P5,671	P377,261	P382,932

	Note	December 31, 2020		
		AFS Financial Assets	Financial Assets at FVPL	Total Investments
Cost at January 1, 2020		P12,590	P10,165,023	P10,177,613
Unrealized gains at January 1, 2020		4,471	482,226	486,697
Fair value at January 1, 2020		17,061	10,647,249	10,664,310
Fair value gain (loss) recognized in:				
Profit or loss	22	-	855,951	855,951
Other comprehensive income		(1,000)	-	(1,000)
Foreign exchange loss	22	-	(30,365)	(30,365)
Purchases		12,995	3,822,830	3,835,825
Proceeds from disposal of financial assets		-	(1,634,975)	(1,634,975)
Gain on disposal of financial assets	22	-	21,950	21,950
Fair value at December 31, 2020	5, 6, 31	P29,056	P13,682,640	P13,711,696
Cost at December 31, 2020		P25,585	P12,374,828	P12,400,413
Unrealized gains at December 31, 2020		P3,471	P1,307,812	P1,311,283

The Company's investments consist of the following:

	Note	2021	2020
Government bonds	5, 6	P11,666,270	P13,103,503
Unit investment trust fund (UITF)	5, 6, 27	379,505	274,021
Corporate debt securities	5, 6	158,521	198,664
Quasi government bonds	5, 6	103,388	106,452
Equity securities	6	32,628	29,056
	31	P 12,340,312	P13,711,696

Interest rates range from 00.000% to 15.000% in 2021 and 2020.

The Company invested in ten (10) UITF of its wholly-owned subsidiary, Pru Life UK Asset Management and Trust Corporation (PAMTC). These funds are PruInvest Peso Liquid Fund, PruInvest USD Liquid Fund, PruInvest USD Global Market Balanced Fund of Funds, PruInvest USD Global Technology Equity Feeder Fund, PruInvest USD High Yield Asian Bond Feeder Fund, PruInvest Peso Equity Index Tracker Fund, PruInvest Peso Dynamic Equity Fund, PruInvest USD Intermediate Term Bond Fund, PruInvest Peso Intermediate Term Bond Fund and PruInvest Peso Balanced Allocation Fund (see Note 27).

The rollforward analysis of the fair value reserve on AFS financial assets is as follows:

	<b>2021</b>	2020
Balance at beginning of year	<b>P3,471</b>	P4,471
Fair value (loss) gain	<b>2,200</b>	(1,000)
Balance at end of year	<b>P5,671</b>	P3,471

## 9. Investment in Subsidiary

The Monetary Board of the Bangko Sentral ng Pilipinas (BSP), in its Resolution No. 778 dated May 11, 2018, has approved the establishment of PAMTC. PAMTC was incorporated and registered with the Philippine SEC on November 26, 2018, primarily to carry and engage in trust business activities, other fiduciary business and investment management activities; to have and exercise all authority and powers, to do and perform all acts, and to transact all business which may legally be done by trust corporations organized under and in accordance with the General Banking Law and its Implementing Rules and Regulations and such other applicable laws, rules and regulations on trust corporations, and to do all other things incident thereto and necessary and proper in connection with said purposes as may be determined by the Monetary Board of the BSP. On March 12, 2019, the BSP issued the Certificate of Authority to Operate to PAMTC.

PAMTC is a wholly-owned subsidiary of the Company. PAMTC's registered address is at the 2/F Uptown Parade 2, 36<sup>th</sup> Street, Fort Bonifacio, Taguig City Fourth District, Philippines.

In 2018, the Company made a capital infusion to PAMTC amounting to P360.25 million. On December 24, 2021, the company made an additional capital infusion to PAMTC of P169.00 million. In 2021 and 2020, the Company did not recognize any impairment loss on its investment in subsidiary. As of December 31, 2021 and 2020, the carrying value of the investment in subsidiary amounted to P529.25 million and P360.25 million, respectively.

The key financial information of the subsidiary as at and for the years ended December 31 is as follows:

	<b>2021</b>	2020
Total assets	<b>P342,452</b>	P237,966
Total liabilities	<b>66,635</b>	51,217
Net assets	<b>275,817</b>	186,749
Net loss	<b>78,841</b>	95,218
Other comprehensive income (loss)	<b>(219)</b>	872

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## 10. Policy Loans Receivables

	<i>Note</i>	<b>2021</b>	2020
Policy loans receivables		<b>P375,400</b>	P381,766
Allowance for impairment losses		<b>(5,793)</b>	(10,161)
	<i>5, 31</i>	<b>P369,607</b>	P371,605

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Policy loans receivables account pertains to the outstanding balances of loans granted to policyholders, fully secured by the cash surrender value of the underlying insurance policy at the time of issuance. These may be in the form of a cash loan applied by the policyholder or automatic policy loan to cover premiums due on the policy.

The Company provides an allowance for policy loans and the related capitalized interest periodically to reflect the estimated realizable value of the receivables as at each reporting date.

Provision for impairment losses on policy loans receivables amounting to P1.80 million and P12.90 million in 2021 and 2020, respectively, were recognized as expense under "Others" in profit or loss.

The rollforward analysis of the allowance for impairment losses in policy loans receivables is as follows:

	<b>2021</b>	2020
Balance at beginning of year	<b>P10,161</b>	P8,533
Provision for impairment losses	<b>1,767</b>	12,895
Reversals taken up to profit or loss	<b>(6,135)</b>	(11,267)
Balance at end of year	<b>P5,793</b>	P10,161

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## 11. Assets Held to Cover Linked Liabilities

On September 11, 2002, the IC approved the Company's license to sell variable unit-linked insurance policies, a life insurance product that is linked to investment funds (see Note 1). The premium of this product is divided into two parts: the insurance portion and the investment portion. The investment portion of the premium, net of withdrawals, is recognized as "Costs on premiums of variable insurance" in the profit or loss and invested in a separately identifiable fund. The fund is valued regularly and is divided into units which represent the unit-linked policyholder's share in the fund. The value of the fund divided by the number of units is called the unit price. An amount equal to the "Assets held to cover linked liabilities" (representing the managed funds) is shown under the "Technical provisions for linked liabilities" account in the separate statement of financial position, a representation that the funds belong to the unit-linked policyholders.

Linked funds is a line of business in which the Company issues a contract where the benefit amount is directly linked to the fair value of the investments held in the particular segregated fund. Although the underlying assets are registered in the name of the Company and the linked fund contract holder has no direct access to the specific assets, the contractual arrangements are such that the linked fund policyholders bear the risks and rewards of the fund's investment performance. The Company derives fee income from linked funds, which is included in "Policy administration fees" in profit or loss.



Separate financial statements are prepared for the linked funds. Linked fund assets are carried at recurring fair value. Fair values are determined using the valuation method discussed in Note 6.

Assets held to cover linked liabilities are composed of:

	<b>Note</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	5	<b>P1,965,566</b>	P1,550,226
Interest receivable	5	<b>260,916</b>	261,872
Receivable from life fund	5	<b>233,427</b>	639,816
Investments in treasury notes and other funds	6	<b>144,158,099</b>	133,317,942
Other assets	5	<b>93,085</b>	141,482
Liability to life fund and other linked funds	5	<b>(39,246,922)</b>	(39,149,881)
Accrued expense	5	<b>(161,641)</b>	(152,134)
Trade payable	5	<b>(728,981)</b>	(250,408)
<b>Net assets</b>	<b>31</b>	<b>P106,573,549</b>	P96,358,915

Investments in treasury notes and other funds are composed of:

	<b>Note</b>	<b>2021</b>	<b>2020</b>
Investments in treasury notes	5	<b>P24,240,207</b>	P23,859,252
Investments in shares of stocks		<b>63,378,114</b>	57,429,821
Investment in other funds:			
Investment in bond fund	5	<b>15,543,927</b>	14,092,390
Investment in equity fund		<b>23,642,832</b>	24,700,844
Investment in offshore fund (IOF) - Bonds	5	<b>14,548,384</b>	9,954,379
IOF - Equities		<b>2,467,006</b>	3,185,999
UITF - Equities		<b>437,995</b>	101,472
Non-deliverable forward contract		<b>(100,366)</b>	(6,215)
<b>Total investments</b>	<b>6</b>	<b>P144,158,099</b>	P133,317,942

Total premiums and costs from the unit-linked product for the years ended December 31, 2021 and 2020 are as follows:

	<b>Note</b>	<b>2021</b>	<b>2020</b>
Linked premiums	20	<b>P37,936,915</b>	P30,838,305
Costs on premiums of variable insurance		<b>(16,538,479)</b>	(12,924,382)
Surrenders		<b>(6,238,593)</b>	(5,000,414)
<b>Net linked premiums</b>		<b>P15,159,843</b>	P12,913,509

## 12. Coverage Debt Receivables

	<b>Note</b>	<b>2021</b>	<b>2020</b>
Coverage debt receivables		<b>P1,395,695</b>	P1,195,099
Allowance for impairment losses		<b>(435,291)</b>	(357,593)
	<b>5, 31</b>	<b>P960,404</b>	P837,506

Coverage debt receivables pertain to policy charges billed against the investment account of unit-linked policyholders.

These receivables normally arise from policy charges covering mortality risk, taxes and administrative fees due from new unit-linked policyholders who have not accumulated enough investments to cover these fees.

The Company provides an allowance for uncollectible coverage debt charges for lapsed and terminated policies.

Provision for impairment losses on coverage debt receivables amounting to P77.70 million and P133.07 million in 2021 and 2020, respectively, were recognized in profit or loss.

The rollforward analysis of the allowance for impairment losses on coverage debt receivables is as follows:

	<b>2021</b>	2020
Balance at beginning of year	<b>P357,593</b>	P224,523
Provision for impairment losses	<b>77,698</b>	133,070
Balance at end of year	<b>P435,291</b>	P357,593

### 13. Property and Equipment

The movements in this account are as follows:

	2021						
	Computer Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Condominium Unit	Leasehold Improvements	Office Improvement in Progress	Total
<b>Gross Carrying Amount</b>							
Beginning balance	P332,683	P190,246	P126,994	P10,027	P894,248	P98,261	P1,652,459
Additions	6,057	8,962	35,821	-	75,643	61,323	187,806
Disposals	(30,344)	(814)	(35,667)	-	(7,807)	-	(74,632)
Reclassification	(17)	-	-	-	(465)	(54,188)	(54,670)
<b>Ending balance</b>	<b>308,379</b>	<b>198,394</b>	<b>127,148</b>	<b>10,027</b>	<b>961,619</b>	<b>105,396</b>	<b>1,710,963</b>
<b>Accumulated Depreciation</b>							
Beginning balance	255,229	154,474	75,852	7,649	704,761	-	1,197,965
Depreciation	38,487	18,200	21,957	414	90,181	-	169,239
Disposals	(25,747)	(814)	(35,667)	-	(7,807)	-	(70,035)
Reclassification	440	135	(1,568)	-	(454)	-	(1,447)
<b>Ending balance</b>	<b>268,409</b>	<b>171,995</b>	<b>60,574</b>	<b>8,063</b>	<b>786,681</b>	<b>-</b>	<b>1,295,722</b>
<b>Carrying Amount</b>							
<b>Beginning balance</b>	<b>P77,454</b>	<b>P35,772</b>	<b>P51,142</b>	<b>P2,378</b>	<b>P189,487</b>	<b>P98,261</b>	<b>P454,494</b>
<b>Carrying Amount</b>							
<b>Ending balance</b>	<b>P39,970</b>	<b>P26,399</b>	<b>P66,574</b>	<b>P1,964</b>	<b>P174,938</b>	<b>P105,396</b>	<b>P415,241</b>

Property and equipment amounting to P54.67 million which pertains to advances to agents, software maintenance and various office renovations and improvements was reclassified to advances to agents, development cost, other assets and office expenses.

Property and equipment with carrying amount of P4.60 million were disposed and sold during the year with proceeds amounting to P14.91 million resulting to a net gain of P10.32 million which is part of 'Others - net' under Other Revenue.

	2020						
	Computer Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Condominium Unit	Leasehold Improvements	Office Improvement in Progress	Total
<b>Gross Carrying Amount</b>							
Beginning balance	P292,380	P190,547	P119,122	P10,027	P863,853	P38,411	P1,514,340
Additions	46,410	1,002	11,084	-	29,898	63,953	152,347
Disposals	(6,107)	(1,307)	(3,212)	-	-	-	(10,626)
Reclassification	-	4	-	-	497	(4,103)	(3,602)
Ending balance	332,683	190,246	126,994	10,027	894,248	98,261	1,652,459
<b>Accumulated Depreciation</b>							
Beginning balance	211,417	126,915	58,113	7,235	572,261	-	975,941
Depreciation	49,423	28,726	19,757	414	131,989	-	230,309
Disposals	(6,107)	(1,307)	(3,212)	-	-	-	(10,626)
Reclassification	496	140	1,194	-	511	-	2,341
Ending balance	255,229	154,474	75,852	7,649	704,761	-	1,197,965
<b>Carrying Amount</b>							
Beginning balance	P80,963	P63,632	P61,009	P2,792	P291,592	P38,411	P538,399
<b>Carrying Amount</b>							
Ending balance	P77,454	P35,772	P51,142	P2,378	P189,487	P98,261	P454,494

Property and equipment with carrying amount of P1.11 million were disposed and sold during the year with proceeds amounting to P1.21 million resulting to a net gain of P0.10 million which is under "Others - net" under Other Revenue.

#### 14. Deferred Acquisition Costs

	<i>Note</i>	2021	2020
Beginning balance		<b>P10,408,686</b>	P8,948,805
Movements during the year:			
Deferred expenses		<b>3,226,922</b>	2,598,556
Amortization of deferred acquisition costs		<b>(1,179,641)</b>	(1,138,675)
		<b>2,047,281</b>	1,459,881
Ending balance	5, 31	<b>P12,455,967</b>	P10,408,686

#### 15. Other Assets

	<i>Note</i>	2021	2020
Investments in ASF	6, 27	<b>P567,810</b>	P425,732
Receivable from unit linked fund		<b>201,887</b>	498,816
Software development costs - net		<b>198,550</b>	199,244
Prepayments		<b>194,423</b>	143,902
Advances to employees and agents		<b>187,508</b>	157,561
Nonrefundable deposits		<b>136,967</b>	128,956
Due from related parties	27	<b>46,627</b>	12,954
Others		<b>118,533</b>	118,151
		<b>1,652,305</b>	1,685,316
Allowance for impairment losses on advances to employees and agents		<b>(5,047)</b>	(5,335)
	31	<b>P1,647,258</b>	P1,679,981

Investments in ASF pertain to the agents' savings funds which is managed and is under the custodianship of PAMTC pursuant to an Investment Management Agreement signed by the Company and PAMTC in 2020.

Receivable from unit linked fund pertains to the amount to be received by the Company from Pru Link funds as reimbursement for the settlement of withdrawals or surrenders made from unit-linked policies.

Software development costs mainly consist of costs for the development of major enhancements in the policy administration system used by the Company. These assets are amortized on a straight-line basis over five (5) years.

Prepayments consist of prepaid rent, insurance, and licenses.

Advances to employees and agents are collected through payroll deductions or through expense liquidation.

Nonrefundable deposits consist mainly of security lease deposits that can be applied at the end of the lease term.

Due from related parties includes receivables from PAMTC, Prudence Foundation Limited and Prudential Hong Kong Limited (PHKL) (see Note 27).

Others consist mainly of corporate give away inventories, gifts, income tax withheld and prudential guarantees.

The rollforward analysis for allowance for impairment losses on advances to employees and agents are as follows:

	2021	2020
Balance at beginning of year	P5,335	P3,891
Provision for impairment losses	3,874	1,976
Reversals taken up to profit or loss	(4,162)	(532)
Balance at end of year	P5,047	P5,335

The Company collected advances to employees and agents that have been previously written off amounting to P4.16 million and P0.53 million in 2021 and 2020, respectively.

The movements of software development costs in 2021 and 2020 are as follows:

	2021	2020
<b>Gross Carrying Amount</b>		
Beginning balance	P609,322	P545,776
Acquisitions	67,022	63,546
Disposals	(16,000)	-
<b>Ending balance</b>	660,344	609,322
<b>Accumulated Amortization</b>		
Beginning balance	410,078	368,550
Amortization	67,716	41,528
Disposals	(16,000)	-
<b>Ending balance</b>	461,794	410,078
<b>Net Carrying Amount</b>		
Beginning balance	P199,244	P177,226
<b>Ending balance</b>	P198,550	P199,244

Software development costs with carrying amount of P16.00 million were disposed and sold during the year with proceeds amounting to P17.21 million resulting to a net gain of P1.21 million which is part of 'Others - net' under Other Revenue.

## 16. Legal Policy Reserves

Reconciliation of the carrying amount of the liability at the beginning and end of the year is shown below:

	<i>Note</i>	2021	2020
Beginning balance		P6,390,632	P5,354,876
Gross change in reserves:			
New business		68,792	124,332
Net premiums written		107,532	123,036
Accretion of interest		87,190	78,656
Liabilities released for payments on death, surrenders and other terminations		(492,082)	(802,427)
Other movements		28,691	490,478
Total gross change in reserves	23	(199,877)	14,075
Remeasurement on life insurance reserve		(578,951)	1,021,681
Ending balance	5, 31	P5,611,804	P6,390,632

The appropriated retained earnings for negative reserves amounted to P60.91 million and P60.82 million in 2021 and 2020, respectively.

## 17. Claims Payable

Reconciliation of the carrying amount of the liability at the beginning and end of the year is shown below:

	<i>Note</i>	2021	2020
Beginning balance:			
Notified payable		<b>P478,962</b>	P456,174
IBNR		<b>130,923</b>	148,309
		<b>609,885</b>	604,483
Cash paid for claims settled during the year		<b>(1,734,932)</b>	(1,303,378)
Increase in liabilities		<b>2,167,921</b>	1,308,780
Ending balance		<b>P1,042,874</b>	P609,885
Notified claims payable		<b>883,577</b>	478,962
IBNR		<b>159,297</b>	130,923
	5, 31	<b>P1,042,874</b>	P609,885

## 18. Reinsurance Payable

Reconciliation of the carrying amount of the liability at the beginning and end of the year is shown below:

	<i>Note</i>	2021	2020
Beginning balance		<b>P101,009</b>	P126,206
Premium ceded to reinsurers	20	<b>394,161</b>	404,668
Paid during the year		<b>(370,382)</b>	(429,865)
Ending balance	5, 31	<b>P124,788</b>	P101,009

## 19. Accounts Payable, Accrued Expenses and Other Liabilities

The account consists of the following:

	<i>Note</i>	2021	2020
Accrued expenses		<b>P2,658,961</b>	P1,957,587
Dividends payable to policyholders		<b>1,182,040</b>	1,181,577
Premium suspense account		<b>705,061</b>	562,520
Provident fund payable		<b>613,381</b>	462,881
Agent's commission payable		<b>585,053</b>	527,973
Due to related parties		<b>451,051</b>	441,583
Dividends payable to parent company		<b>340,000</b>	-
Due to unit-linked funds		<b>203,516</b>	598,474
Income tax payable		<b>171,283</b>	582,855
Withholding tax payable		<b>78,434</b>	64,441
Other tax payables		<b>64,099</b>	55,790
Retirement liability	25	<b>41,823</b>	8,418
Premium deposit fund		<b>15,625</b>	28,994
Other liabilities		<b>123,827</b>	190,270
	31	<b>P7,234,154</b>	P6,663,363

Accrued expenses primarily consist of performance and incentive bonuses payable.

Dividends payable to policyholders pertains to supplementary discretionary returns through participation in the surplus of the Company arising from participating business.

Premium suspense account pertains to amounts received from the policyholders who are in the process of policy application and unidentified collections. These collections will be applied to premiums due.

Provident fund payable represents the retirement fund for agents.

Agent's commission payable pertains to unpaid commissions.

Due to related parties account includes payables to Eastspring, Prudential Services Asia (PSA), Prudential Corporation Holdings Limited (PCHL), Prudential Services Singapore (PSS), Pulse Ecosystem Private Limited and PAMTC (see Note 27).

Dividends payable to parent company pertains to dividends declared but are still due for remittance.

Due to unit-linked fund pertains to the investment portion of premiums received from the policyholders that are yet to be invested in the separately identifiable funds.

Withholding tax payable pertains to the taxes withheld that are due to the government.

Other tax payables pertain to unpaid documentary stamp tax and premiums tax.

Premium deposit fund represents advance payment from policyholders which will be used for payment of any future unpaid premiums under the policy. The fund earns interest which is credited to the fund. The accumulated fund shall not exceed the total future premium payments under the policy.

## 20. Net Premiums

Gross premiums on insurance contracts:

	<i>Note</i>	<b>2021</b>	2020
Unit-linked insurance	11	<b>P37,936,915</b>	P30,838,305
Group life insurance		<b>219,319</b>	283,190
Ordinary life insurance		<b>235,085</b>	214,168
Accident and health		<b>55,463</b>	51,193
		<b>P38,446,782</b>	P31,386,856

Reinsurer's share of gross premiums on insurance contracts:

	<i>Note</i>	<b>2021</b>	2020
Unit-linked insurance		<b>P219,242</b>	P177,877
Group life insurance		<b>154,217</b>	214,141
Ordinary life insurance		<b>20,702</b>	12,650
	18	<b>P394,161</b>	P404,668



Net premiums on insurance contracts:

	<b>2021</b>	2020
Unit-linked insurance	<b>P37,717,673</b>	P30,660,428
Group life insurance	<b>65,102</b>	69,049
Ordinary life insurance	<b>214,383</b>	201,518
Accident and health	<b>55,463</b>	51,193
	<b>P38,052,621</b>	P30,982,188

## 21. Policy Administration Fees

Policy administration fees are charged against the daily net asset value of the investment account of the policyholders based on the following rates per annum as specified in the policy document:

	<b>2021</b>	2020
Managed Fund	<b>1.79%</b>	1.79%
Bond Fund (Philippine peso)	<b>1.53%</b>	1.53%
Bond Fund (U.S. dollar)	<b>1.53%</b>	1.53%
Growth Fund	<b>2.25%</b>	2.25%
Equity Fund	<b>2.25%</b>	2.25%
Proactive Fund	<b>2.25%</b>	2.25%
Money Market Fund	<b>0.50%</b>	0.50%
Asian Local Bond Fund	<b>1.80%</b>	1.80%
Asia Pacific Equity Fund	<b>2.05%</b>	2.05%
Global Emerging Fund	<b>2.05%</b>	2.05%
Cash Flow Fund (U.S. dollar)	<b>1.95%</b>	1.95%
Cash Flow Fund (Philippine peso)	<b>1.95%</b>	1.95%
Asian Balanced Fund	<b>1.95%</b>	1.95%
Global Market Navigator Fund	<b>2.25%</b>	2.25%
Equity Index Tracker Fund	<b>2.25%</b>	1.75%
Global Equity Navigator Fund	<b>2.25%</b>	-

Policy administration fees amounted to P2.08 billion and P1.75 billion in 2021 and 2020, respectively.

## 22. Investment Gain (Loss)

The account consists of the following:

	<i>Note</i>	<b>2021</b>	2020
Interest income		<b>P543,056</b>	P553,083
Foreign exchange gain (loss)	8	<b>33,080</b>	(30,365)
Gain on disposal of investments	8	<b>27,499</b>	21,950
Final withholding tax		<b>(109,377)</b>	(110,589)
Investment management expense		<b>(338,560)</b>	(286,253)
Unrealized gain (loss) on valuation of investments	8	<b>(963,631)</b>	855,951
		<b>(P807,933)</b>	P1,003,777

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## 23. Benefits and Claims

Gross benefits and claims on insurance contracts:

	2021		
	Gross Benefits and Claims	Reinsurers' Share of Gross Benefits and Claims	Net
Unit-linked insurance	P7,606,226	(P50,812)	P7,555,414
Ordinary life insurance	456,840	9,530	466,370
Group life insurance	14,688	(800)	13,888
Accident and health	4,213	(18)	4,195
	<b>P8,081,967</b>	<b>(P42,100)</b>	<b>P8,039,867</b>

	2020		
	Gross Benefits and Claims	Reinsurers' Share of Gross Benefits and Claims	Net
Unit-linked insurance	P5,811,648	(P95,876)	P5,715,772
Ordinary life insurance	102,100	(28,334)	73,766
Group life insurance	6,942	-	6,942
Accident and health	2,722	(6)	2,716
	<b>P5,923,412</b>	<b>(P124,216)</b>	<b>P5,799,196</b>

Gross change in increase in legal policy reserves:

	Note	2021	2020
Unit-linked insurance		<b>P14,709</b>	P44,901
Ordinary life insurance		<b>(215,420)</b>	(34,347)
Group life insurance		<b>1,127</b>	520
Accident and health		<b>(293)</b>	3,001
	16	<b>(P199,877)</b>	P14,075

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## 24. Reclassification

In 2020, the Company reclassified marketing expenses amounting to P0.26 million to trainings, seminars and contests, advertising and marketing expenses of P1.75 million to office supplies, and security & janitorial services amounting to P0.23 million to utilities to better reflect the nature of the accounts.

The above reclassification has no material effect on the information in the statement of financial position as at December 31, 2020 and statement of profit or loss and other comprehensive income and loss and statement of cash flow for the year then ended.

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## 25. Retirement Plan

As discussed in Note 3, the Company maintains a DC plan with minimum DB guarantee and is accounted for as a DB plan. As at December 31, 2021, the DB liability is more than the DC liability.

The Company's latest actuarial valuation date was as of December 31, 2021.

The following tables show reconciliation from the opening balances to the closing balances for net defined benefit liability and its components.

	2021		Net Defined Benefit Liability (Note 19)
	DBO	FVPA	
Balance at January 1, 2021	<b>P591,906</b>	<b>P583,488</b>	<b>P8,418</b>
<b>Included in Profit or Loss</b>			
Current service cost	81,028	-	81,028
Interest cost	23,370	23,062	308
	<b>104,398</b>	<b>23,062</b>	<b>81,336</b>
<b>Included in Other Comprehensive Income</b>			
Remeasurements loss:			
Actuarial loss arising from:			
Financial assumptions	5,747	-	5,747
Experience adjustment	(7,524)	-	(7,524)
Return on plan assets excluding interest income	-	(33,580)	33,580
	<b>(1,777)</b>	<b>(33,580)</b>	<b>31,803</b>
<b>Others</b>			
Contributions paid by the employer	-	79,734	(79,734)
Benefits paid	(1,747)	(1,747)	-
Transfers	(1,011)	(1,011)	-
	<b>(2,758)</b>	<b>76,976</b>	<b>(79,734)</b>
<b>Balance at December 31, 2021</b>	<b>P691,769</b>	<b>P649,946</b>	<b>P41,823</b>

	2020		Net Defined Benefit Liability (Note 19)
	DBO	FVPA	
Balance at January 1, 2020	P528,410	P509,097	P19,313
<b>Included in Profit or Loss</b>			
Current service cost	87,684	-	87,684
Interest cost	27,748	26,798	950
	115,432	26,798	88,634
<b>Included in Other Comprehensive Income</b>			
Remeasurements loss:			
Actuarial loss arising from:			
Financial assumptions	(8,620)	-	(8,620)
Experience adjustment	6,482	-	6,482
Return on plan assets excluding interest income	-	2,165	(2,165)
	<b>(2,138)</b>	<b>2,165</b>	<b>(4,303)</b>
<b>Others</b>			
Contributions paid by the employer	-	95,226	(95,226)
Benefits paid	(49,380)	(49,380)	-
Transfers	(418)	(418)	-
	<b>(49,798)</b>	<b>45,428</b>	<b>(95,226)</b>
<b>Balance at December 31, 2020</b>	<b>P591,906</b>	<b>P583,488</b>	<b>P8,418</b>

The retirement expense under "Salaries, allowances and employees' benefits" account in profit or loss amounted to P81.34 million and P88.63 million in 2021 and 2020, respectively.

The Company's plan assets consist of the following:

	2021	2020
Cash and cash equivalents	P23,446	P63,955
Receivables	97	14,491
Government securities	413,438	294,115
Unit investment trust funds	24,308	33,457
Investment in mutual funds	158,176	110,158
Corporate bonds	30,481	67,312
	<b>P649,946</b>	<b>P583,488</b>

The expected contribution to the defined benefit retirement plan in 2022 is P113.71 million.

The following were the principal actuarial assumptions at the reporting date:

	2021	2020
Discount rate	5.00%	3.75%
Future salary growth	6.00%	3.00% p.a. first 5 years, 5.00% p.a. thereafter

The weighted-average duration of the defined benefit obligation is 14.70 years and 16.60 years in December 31, 2021 and 2020, respectively.

Maturity analysis of the benefit payments:

	2021				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	More than 5 Years
Retirement liability	P691,769	P605,006	P105,389	P144,907	P354,710

	2020				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	More than 5 Years
Retirement liability	P591,906	P513,051	P33,588	P183,953	P295,510

#### Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the percentages shown below:

	Defined Benefit Obligation	
	Increase	Decrease
Discount rate (1% movement)	(2.46%)	4.88%
Future salary growth (1% movement)	4.76%	(2.46%)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

The asset allocation of the plan is set and reviewed from time to time by the Plan Trustees taking into account the membership profile, the liquidity requirements of the plan and risk appetite of the plan sponsor. This also considers the expected benefit cash flows to be matched with asset durations.

## 26. Income Taxes

The components of the Company's income tax expense in profit or loss are as follows:

	2021	2020
Current tax expense	<b>P857,818</b>	P1,031,382
Deferred tax (benefit) expense	<b>(862,314)</b>	237,449
	<b>(P4,496)</b>	P1,268,831

The reconciliation of the income tax expense computed at statutory tax rate to the income tax shown in profit or loss is as follows:

	2021	2020
Income before income tax expense	<b>P4,349,461</b>	P5,539,189
Income tax using the domestic corporation tax rate (2021: 25%; 2020: 30%)	<b>P1,087,365</b>	P1,661,757
(Reductions in) additions to income tax resulting from:		
(Non-taxable gain) non-deductible loss on valuation of investments	<b>231,924</b>	(247,735)
Interest income subjected to final tax	<b>(109,735)</b>	(134,008)
(Non-taxable income) non-deductible expenses	<b>(4,839)</b>	(8,571)
Change in unamortized past service cost	-	(2,031)
(Non-taxable gain) non-deductible loss from disposal of investments	<b>3,631</b>	(581)
Adjustment to current tax expense due to CREATE Act	<b>(85,948)</b>	-
Adjustment to deferred tax expense due to CREATE Act	<b>(359,603)</b>	-
Effect of fully recognizing deferred tax assets from previous years	<b>(767,291)</b>	-
	<b>(P4,496)</b>	P1,268,831

Deferred tax assets from previous years have been fully recognized in 2021 as it was deemed probable that future taxable profit will be available against which the Company can utilize the benefits from. The unrecognized deferred tax assets as at December 31, 2021 and 2020 are as follows:

	2021		2020	
	Tax Base	Deferred Tax Assets	Tax Base	Deferred Tax Assets
Accrued expenses	P -	P -	P1,584,601	P475,380
Agent's commission	-	-	462,816	138,845
Provident fund	-	-	306,450	91,935
IBNR	-	-	148,309	44,493
Remeasurement on life insurance reserve	-	-	656,795	197,039
Others	-	-	61,585	18,475
	<b>P -</b>	<b>P -</b>	<b>P3,220,556</b>	<b>P966,167</b>

Below is the movement of the deferred tax assets and deferred tax liability recognized as at December 31, 2021 and 2020.

	2021			
	Beginning Balance	Amount Charged to Profit or Loss	Amount Recognized in Other Comprehensive Income	Ending Balance
Retirement liability	(P13,287)	P -	P10,165	(P3,122)
Deferred acquisition costs	(3,122,606)	8,614	-	(3,113,992)
Accrued expenses	114,421	560,774	-	675,195
Agent's commission	19,547	126,715	-	146,262
Provident fund	46,929	106,415	-	153,344
IBNR	(5,216)	45,039	-	39,823
Remeasurement on life insurance reserve	306,504	-	(31,623)	274,881
PFRS 16-related expenses	22,803	12,924	-	35,727
Unamortized past service cost	2,031	1,833	-	3,864
<b>Deferred tax liabilities - net</b>	<b>(P2,628,874)</b>	<b>P862,314</b>	<b>(P21,458)</b>	<b>(P1,788,018)</b>

	2020			
	Beginning Balance	Amount Charged to Profit or Loss	Amount Recognized in Other Comprehensive Income	Ending Balance
Retirement liability	(P11,996)	P -	(P1,291)	(P13,287)
Deferred acquisition costs	(2,684,642)	(437,964)	-	(3,122,606)
Accrued expenses	-	114,421	-	114,421
Agent's commission	-	19,547	-	19,547
Provident fund	-	46,929	-	46,929
IBNR	-	(5,216)	-	(5,216)
Remeasurement on life insurance reserve	-	-	306,504	306,504
PFRS 16-related expenses	-	22,803	-	22,803
Unamortized past service cost	-	2,031	-	2,031
<b>Deferred tax liabilities - net</b>	<b>(P2,696,638)</b>	<b>(P237,449)</b>	<b>P305,213</b>	<b>(P2,628,874)</b>

In 2021 and 2020, the Company opted to claim itemized deductions in determining its tax expense.

On April 08, 2021, the Bureau of Internal Revenue issued the following implementing revenue regulations that are effective immediately upon publication:

1. BIR Revenue Regulations (RR) No. 2-2021, Amending Certain Provisions of Revenue Regulations No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act No. 11534, or the “Corporate Recovery and Tax Incentives for Enterprises Act” (CREATE), to the National Revenue Code of 1997, as Amended, Relative to the Final Tax on Certain Passive Income;
2. BIR RR No. 3-2021, Rules and Regulations Implementing Section 3 of Republic Act (RA) No. 11534, Otherwise Known as the “Corporate Recovery and Tax Incentives for Enterprises Act” or “CREATE”, Amending Section 20 of the National Internal Revenue Code of 1997, As Amended;
3. BIR RR No. 4-2021, Implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax Under Republic Act (RA) No. 11534, Otherwise Known as the “Corporate Recovery and Tax Incentives for Enterprises Act” (CREATE) Which Further Amended the National Revenue Code of 1997, as Amended, as Implemented by Revenue Regulations (RR) No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended; and
4. BIR RR No. 5-2021, Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to Republic Act (RA) No. 11534 or the “Corporate Recovery and Tax Incentives for Enterprises Act” (CREATE), Which Further Amended the National Revenue Code (NIRC) of 1997.

Further, the BIR has issued its RR No. 5-2021 to promulgate the implementation of the new income tax rates on the regular income of corporations, on certain passive incomes and additional allowable deductions of persons engaged in business or practice of profession as provided for in CREATE Law.

The enactment of the CREATE Law is a non-adjusting subsequent event in 2020 despite its effectivity date of July 1, 2020. Hence, the current and deferred income taxes as at December 31, 2020 are measured using the applicable income tax rates while the half-year impact in 2020 amounting to P85.90 million and P359.60 million in current and deferred taxes, respectively, were recognized prospectively in 2021.

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## **27. Related Party Transactions**

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. The key management personnel (KMP) of the Company are also considered to be related parties.

The Company’s KMP are composed of the senior management and directors.

The following are the significant related party transactions by the Company:

Category/Transaction	Year	Note	Amount of the Transaction	Due to Related Parties (Note 19)	Due from Related Parties (Note 15)	Investments in UITF (Note 8)	Investments in ASF (Note 15)	Terms	Conditions
<b>Eastspring (Under Common Control)</b>									
▪ Investment management	2021	a	P311,176	P82,249	P -	P -	P -	30 days; noninterest-bearing	Unsecured
	2020	a	267,555	68,547	-	-	-	30 days; noninterest-bearing	Unsecured
<b>PSA (Under Common Control)</b>									
▪ IT service costs	2021	b	226,241	197,296	-	-	-	30 days; noninterest-bearing	Unsecured
	2020	b	90,792	33,251	-	-	-	30 days; noninterest-bearing	Unsecured
<b>Prudence Foundation Limited (Under Common Control)</b>									
▪ Cost reimbursements	2021	c	8,000	-	8,000	-	-	30 days; noninterest-bearing	Unsecured; not impaired
	2020	c	-	-	-	-	-	30 days; noninterest-bearing	Unsecured; not impaired
<b>PAMTC (Subsidiary)</b>									
▪ Allocation of expenses	2021	d	89,973	-	36,874	-	-	30 days; noninterest-bearing	Unsecured; not impaired
	2020	d	68,773	-	12,543	-	-	30 days; noninterest-bearing	Unsecured; not impaired
▪ Shared service fee	2021	d	3,717	-	1,616	-	-	30 days; noninterest-bearing	Unsecured; not impaired
	2020	d	2,436	-	411	-	-	30 days; noninterest-bearing	Unsecured; not impaired
▪ Investments in PAMTC's UITFs	2021	d, 8	105,484	-	-	379,505	-	Noninterest-bearing	Unsecured
	2020	d, 8	158,846	-	-	274,021	-	Noninterest-bearing	Unsecured
▪ Investments in ASF	2021	d, 15	142,078	-	-	-	567,810	Noninterest-bearing	Unsecured
	2020	d, 15	425,732	-	-	-	425,732	Noninterest-bearing	Unsecured
▪ Investment Management	2021	d	8,938	1,786	-	-	-	Noninterest-bearing	Unsecured
	2020	d	2,845	2,790	-	-	-	Noninterest-bearing	Unsecured
▪ Investment service fee	2021	d	10,627	10,627	-	-	-	Noninterest-bearing	Unsecured
	2020	d	5,707	5,707	-	-	-	Noninterest-bearing	Unsecured
<b>PCHL or Prudential Corporation Holdings Limited (Parent)</b>									
▪ Support services and allocation of expenses	2021	e	564,521	356,752	-	-	-	30 days; noninterest-bearing	Unsecured
	2020	e	372,630	291,161	-	-	-	30 days; noninterest-bearing	Unsecured
<b>PSS or Prudential Services Singapore Pte Ltd (Under Common Control)</b>									
▪ IT security costs	2021	f	57,894	17,418	-	-	-	30 days; noninterest-bearing	Unsecured
	2020	f	45,869	45,834	-	-	-	30 days; noninterest-bearing	Unsecured
<b>PEPL or Pulse Ecosystem Private Limited (Under Common Control)</b>									
▪ Cost reimbursements	2021	g	4,091	2,265	-	-	-	30 days; noninterest-bearing	Unsecured
	2020	g	-	-	-	-	-	30 days; noninterest-bearing	Unsecured
<b>PHKL or Prudential Hong Kong Limited (Under Common Control)</b>									
▪ Cost reimbursements	2021	h	137	-	137	-	-	30 days; noninterest-bearing	Unsecured; not impaired
	2020	h	-	-	-	-	-	30 days; noninterest-bearing	Unsecured; not impaired
<b>TOTAL</b>	<b>2021</b>			<b>P668,393</b>	<b>P46,627</b>	<b>P379,505</b>	<b>P567,810</b>		
<b>TOTAL</b>	<b>2020</b>			<b>P447,290</b>	<b>P12,954</b>	<b>P274,021</b>	<b>P425,732</b>		

Outstanding receivables from and payables to related parties which are expected to be settled in cash, are included under "Other assets" (see Note 15) and "Accounts payable, accrued expenses and other liabilities" (see Note 19) accounts, respectively.

- a. In the normal course of business, the Company has an investment management services agreement with Eastspring, whereby the latter shall act as investment advisor to the Company on the management of both the Company's investments and the investment funds (see Note 11) in consideration for a quarterly service fee as may be mutually agreed upon on an annual basis.



- b. The Company entered into a Service Level Agreement with PSA to provide infrastructure services aligned to agreed service hours and delivery performance targets. The services involve system availability and operation, service desk, network availability, back-up and recovery, change management, disaster recovery plans, system capacity, resource monitoring, among others. As at December 31, 2021, the Company has an outstanding payable to PSA amounting to P152.39 million which is presented as part of "Accrued expenses" in the separate statement of financial position.
- c. Transactions with Prudence Foundation Limited (PFL) pertain to advances made by the Company on behalf of PFL for activities related to corporate social responsibilities in the Philippines.
- d. Transactions with PAMTC pertain to various advances made by the Company on behalf of PAMTC for the cost incurred during the set-up of the latter. The Company also entered into a Shared Services Agreement with PAMTC, whereby the Company shall outsource labor services to PAMTC in consideration for a monthly fee for the labor and overhead charges. Moreover, the Company entered into Fund Management agreements with PAMTC whereby PAMTC will manage some of the Company's investment funds as well as its agents' savings funds. The Company also invested in PAMTC's UITF.

The Company also has a financial advisory/marketing services agreement with PAMTC, whereby the latter shall act as financial advisor to the Company by conducting industry briefings and seminars that will benefit the Company. As at December 31, 2021, the Company has an outstanding payable to PAMTC amounting to P10.63 million which is presented as part of "Accrued expenses" in the separate statement of financial position.

Investments in Policy Reserve amounted to P8.61 billion and P9.08 billion and investments in Investment-Linked Policy of P444.42 million and P109.04 million are managed under the custodianship of the PAMTC pursuant to an Investment Management Agreement signed by the Company and PAMTC in 2021 and 2020, respectively.

- e. These pertain to advances made by PCHL on behalf of the Company for the expenses covering software licenses and maintenance, training for regional agency leaders, agents' conference, among others. These are netted against the advances made by the Company on behalf of PCHL for the settlement of certain administration costs. Moreover, these also pertain to support services provided by PCHL to the Company related to insurance, regional partnership distribution, IT, anti-money laundering system, human resources, financial and actuarial, internal audit, and brand and corporate affairs, among others. As at December 31, 2021, the Company has an outstanding payable to PCHL amounting to P54.13 million which is presented as part of "Accrued expenses" in the separate statement of financial position.
- f. The Company entered into a Master Services Agreement with PSS whereby PSS will provide IT security services to the Company such as identity services & access management, data security, vulnerability management, cloud infrastructure security, network security, endpoint security, application security, cyber awareness and readiness, threat monitoring & response and emergency support. As at December 31, 2021, the Company has an outstanding payable to PCHL amounting to P0.19 million which is presented as part of "Accrued expenses" in the separate statement of financial position.

- g. Transactions with Pulse Ecosystem Private Limited (PEPL) pertain to advances made by PEPL on behalf of the Company. These are netted against the advances made by the Company on behalf of PEPL for the settlement of certain costs.
- h. Transactions with Prudence Hong Kong Limited (PHKL) pertain to advances made by the Company on behalf of PHKL.

The entities from a to c and e to g above are wholly-owned subsidiaries of Prudential while PAMTC is wholly-owned by the Company.

#### Compensation of KMP

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including director, whether executive or otherwise, of the Company.

The KMP compensation is as follows:

	<b>2021</b>	2020
Short-term employee benefits	<b>P177,266</b>	P225,223
Post-employment benefits	<b>9,851</b>	9,956
	<b>P187,117</b>	P235,179

These expenses are recorded under "Salaries, allowances and employees' benefits" in profit or loss.

#### Transactions with the defined benefit plan

The defined benefit plan is a related party. The plan does not hold shares in the Company and the only transaction with the plan relate to the contributions paid (see Note 25).

## **28. Lease**

### *As a Lessee*

The following assets do not meet the definition of investment property.

	<b>Note</b>	<b>2021</b>	2020
Property and equipment owned	13, 31	<b>P415,241</b>	P454,494
Right-of-use assets - net, except for investment property	31	<b>533,003</b>	711,814
		<b>P948,244</b>	P1,166,308

The Company leases its head office, branches and parking space. Information about leases for which the Company is a lessee is presented below.

### *Right-of-Use Assets*

	<b>Note</b>	<b>2021</b>	2020
Balance at January 1		<b>P711,814</b>	P884,089
Additions		<b>61,818</b>	86,895
Depreciation		<b>(240,629)</b>	(259,170)
<b>Balance at December 31</b>	<b>31</b>	<b>P533,003</b>	P711,814

*Lease Liabilities*

	<i>Note</i>	<b>2021</b>	2020
Balance at January 1		<b>P797,714</b>	P934,882
Additions		<b>61,818</b>	86,895
Interest		<b>52,356</b>	66,282
Payments		<b>(276,949)</b>	(290,345)
<b>Balance at December 31</b>	<i>5, 31</i>	<b>P634,939</b>	P797,714
		<b>2021</b>	2020
<b>Maturity Analysis - Contractual Undiscounted Cash Flows</b>			
Less than one (1) year		<b>P22,670</b>	P4,265
One to five (5) years		<b>665,132</b>	911,876
<b>Total Undiscounted Lease Liabilities at December 31</b>		<b>687,802</b>	916,141
<b>Lease Liabilities Included in the Separate Statement of Financial Position at December 31</b>			
		<b>634,939</b>	797,714
Current		<b>221,429</b>	209,484
Non-current		<b>P413,510</b>	P588,230

*Amounts Recognized in Profit and Loss*

	<b>2021</b>	2020
<b>Leases under PFRS 16</b>		
Depreciation of right-of-use assets	<b>P240,629</b>	P259,170
Interest expense related to lease liabilities	<b>52,356</b>	66,282
Expenses relating to short-term leases including VAT on lease payments	<b>93,137</b>	41,908

*Amount Recognized in the Statement of Cash Flows*

	<b>2021</b>	2020
Total cash outflow for leases	<b>P276,949</b>	P290,345

**Extension Options**

Extension options are included in the Company's lease of its head office. On November 6, 2014, the Company entered into a lease contract with Mega World Corporation for office space at Uptown Bonifacio Tower 1 for a period of five (5) years commencing on September 15, 2015 subject to a 5.00% escalation effective on the third year of the lease term and compounded annually thereafter at the same rate. The lease contract was renewed on September 15, 2020 for a period of additional 5 years.

The extension option of this lease is exercisable by the Company by notice to the lessor not later than 180 days prior to the expiration of the initial lease term.

Leases for branches are for a period of three (3) to five (5) years. None of the leases include contingent rentals and restrictions.

## 29. Equity

The details of this account are as follows:

	2021	2020
<b>Authorized</b>		
Par value per share	100	100
Number of shares	5,000,000	5,000,000
<b>Issued and Outstanding</b>		
Number of shares	5,000,000	5,000,000
Capital stock	P500,000	P500,000
Additional paid-in capital	462,000	462,000
Total paid-up capital	P962,000	P962,000

On May 19, 2021, the BOD of the Company declared cash dividends amounting to P2.23 billion which shall not be remitted earlier than June 03, 2021. Of the dividends declared, P1.83 billion was paid on June 03, 2021. The Company submitted the corresponding post dividend distribution reportorial requirements to the IC on July 02, 2021 and the contents of the submission were found to be in order by the IC in a letter dated October 20, 2021.

On May 21, 2020, the BOD of the Company declared cash dividends amounting to P1.00 billion. On the same day, the IC issued CL No. 2020-66 *Interim Guidelines on the Declaration and/or Distribution of Dividends with the End in View of Conserving Capital Due to the Projected Economic Impact of the COVID-19 Pandemic* to prescribe interim guidelines requiring regulated entities to secure prior approval of the IC for dividends declared and/or distributed for the year 2020. The Company submitted documents for approval pursuant to CL No. 2020-66 and this was approved by the IC on June 1, 2020. The dividends were paid on June 16, 2020.

On October 23, 2020, the BOD of the Company declared additional cash dividends amounting to P2.00 billion which shall not be remitted earlier than December 10, 2020. As at December 31, 2020, the Company's request for approval is still pending from the IC. However, the IC issued CL No. 2021-02 *Revised Guidelines on Declaration and/or Distribution of Dividends* on January 7, 2021 to supersede CL No. 2019-60 which requires companies to seek prior approval from the institution to declare and/or distribute dividends. The latest CL requires no prior approval or clearance from IC on the declaration of dividends but only requires insurance companies to submit reportorial requirements post dividend distribution. Hence, based on the provisions of CL No. 2021-02, the Company paid the dividend on January 25, 2021. The Company submitted the corresponding post dividend distribution reportorial requirements to the IC on February 24, 2021.

As at December 31, 2021, the Company's unappropriated retained earnings of P15.40 billion is in excess of its paid-up capital of P962.00 million. However, the Company plans to use the excess retained earnings to comply with the increasing capital and new regulatory requirements by the IC, as well as the Company's plan for new investment initiatives. The Company, being an insurance company, has special circumstances due to special reserve requirements of the IC, thus, exempted from prohibition of retaining surplus profits in excess of one hundred (100%) percent of paid-in capital stock, under Section 42 of the Revised Corporation Code of the Philippines. The exemption provision indicates that "when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies."

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### **30. Contingent Liabilities**

In the normal course of the Company's operations, there are outstanding contingent liabilities which are not reflected in the separate financial statements. The management of the Company does not anticipate losses that will materially affect the separate financial statements as a result of these contingencies.

### 31. Maturity Profile of Assets and Liabilities

The following table presents all assets and liabilities as at December 31, 2021 and 2020 analyzed according to when they are expected to be recovered or settled (based on contractual maturity).

	Note	2021				2020			
		Within One Year	Beyond One Year	No Term	Total	Within One Year	Beyond One Year	No Term	Total
<b>Assets</b>									
Cash and cash equivalents	7	P2,574,335	P -	P -	P2,574,335	P3,323,183	P -	P -	P3,323,183
Interest receivables	5	10,447	121,760	34	132,241	2,492	119,634	34	122,160
Investments	6, 8	2,168,683	9,759,496	412,133	12,340,312	2,835,603	10,573,016	303,077	13,711,696
Investment in subsidiary	9	-	-	529,248	529,248	-	-	360,248	360,248
Premiums due from policyholders	5	10,831	-	-	10,831	12,271	-	-	12,271
Policy loans receivables - net	5, 10	-	369,607	-	369,607	-	371,605	-	371,605
Coverage debt receivables - net	5, 12	960,404	-	-	960,404	837,506	-	-	837,506
Reinsurance assets	5	53,439	-	-	53,439	73,295	-	-	73,295
Property and equipment - net	13	-	-	415,241	415,241	-	-	454,494	454,494
Right-of-use assets - net	28	-	-	533,003	533,003	-	-	711,814	711,814
Deferred acquisition costs	5, 14	1,344,193	11,111,774	-	12,455,967	1,179,641	9,229,045	-	10,408,686
Other assets - net	15	743,932	136,967	766,359	1,647,258	926,049	128,956	624,976	1,679,981
Assets Held to Cover Linked Liabilities	11	1,571,286	23,859,619	81,142,644	106,573,549	2,081,927	22,838,015	71,438,973	96,358,915
		<b>P9,437,550</b>	<b>P45,359,223</b>	<b>P83,798,662</b>	<b>P138,595,435</b>	<b>P11,271,967</b>	<b>P43,260,271</b>	<b>P73,893,616</b>	<b>P128,425,854</b>
<b>Liabilities</b>									
Legal policy reserves	5, 16	P59,578	P5,552,226	P -	P5,611,804	P84,760	P6,305,872	P -	P6,390,632
Claims payable	5, 17	1,042,874	-	-	1,042,874	609,885	-	-	609,885
Reinsurance payable	5, 18	124,788	-	-	124,788	101,009	-	-	101,009
Deferred tax liabilities - net	26	(711,710)	2,499,728	-	1,788,018	(115,233)	2,744,107	-	2,628,874
Accounts payable, accrued expenses and other liabilities	19	7,234,154	-	-	7,234,154	6,663,363	-	-	6,663,363
Lease liabilities	5, 28	22,670	665,132	-	687,802	4,265	911,876	-	916,141
Technical Provisions for Linked Liabilities	5, 11	-	-	106,573,549	106,573,549	-	-	96,358,915	96,358,915
		<b>P7,772,354</b>	<b>P8,717,086</b>	<b>P106,573,549</b>	<b>P123,062,989</b>	<b>P7,348,049</b>	<b>P9,961,855</b>	<b>P96,358,915</b>	<b>P113,668,819</b>

**32. Supplementary Information Required by the Bureau of Internal Revenue (BIR) based on Revenue Regulation No. 15-2010**

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the separate financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the notes to the separate financial statements which were prepared in accordance with PFRSs.

The following is the tax information required for the taxable year ended December 31, 2021 (expressed in whole amounts):

**A. Value Added Tax**

The details of the Company's output VAT declared in 2021 are as follows:

Other income - shared service fees	<b>P2,551,204</b>
Output VAT rate	<b>12%</b>
	<b>P306,144</b>

The Company does not have input VAT in 2021 since it does not have any transactions which are subject to input VAT.

**B. Documentary Stamp Tax**

On life insurance policies and others	<b>P33,226,087</b>
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**C. Withholding Taxes**

Creditable withholding taxes	<b>P669,379,841</b>
Final withholding taxes	<b>576,672,888</b>
Tax on compensation and benefits	<b>272,609,591</b>
	<b>P1,518,662,320</b>

**D. Taxes on Importation**

The Company does not have any customs duties or tariff fees in 2021 since it does not have any importation.

**E. Excise Tax**

The Company does not have any excise tax in 2021 since it does not have any transactions which are subject to excise tax.

**F. All Other Taxes (Local and National)**

Premiums tax	<b>P166,518,132</b>
License and permit fees	<b>54,783,774</b>
Fringe benefits tax	<b>33,714,548</b>
Real estate taxes	<b>201,857</b>
	<b>P255,218,311</b>

## **G. Other Matters**

Pursuant to sections 6(A) and 10(C) of the National Internal Revenue Code of 1997, as amended, the Company received a Letter of Authority (LOA) from BIR to examine its books of accounts and other accounting records for all internal revenue taxes including documentary stamp tax and other taxes for the period covering January 1, 2019 to December 31, 2019 on October 15, 2021. The Company also received a LOA from the BIR for the period covering January 1, 2018 to December 31, 2018 on August 12, 2020. The results of the abovementioned examinations has yet to be determined as at December 31, 2021.

The Company has no deficiency tax assessment or any tax case, litigation, and/or prosecution in courts or bodies outside the BIR as at December 31, 2021 other than the aforementioned.



**ANNEX 68-D**  
**RECONCILIATION OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**AS OF DECEMBER 31, 2021**

**PRU LIFE INSURANCE CORPORATION OF U.K.**  
9/F Uptown Tower 1, 1 East 11th Drive, Uptown Bonifacio, 1634 Taguig City

<b>Unappropriated Retained Earnings, as adjusted to available for dividend distribution beginning</b>	<b>P13,385,824,300</b>
<b>Add: Net income actually earned/realized during the period</b>	
Net income during the period closed to Retained Earnings	4,353,956,612
Less: Non-actual/unrealized income net of tax	
Equity in net income if associate/joint venture	-
Unrealized foreign exchange loss - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain	(24,809,822)
Fair value adjustment (M2M gains)	722,723,046
Fair value adjustment of Investment Property Resulting to gain	-
Adjustment due to deviation from PFRS/GAAP - gain	-
Amount of deferred tax asset that reduced the amount of income tax expense and increased the net income and retained earnings until realized	(862,314,750)
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Sub-total	(164,401,526)
Add: Non Actual Losses	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Sub-total	-
<b>Net income actually earned during the period</b>	<b>4,189,555,086</b>
Add (Less):	
Dividend declarations during the period	(4,172,000,000)
Appropriations of Retained Earnings during the period	(89,029)
Sub-total	(4,172,089,029)
<b>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND</b>	<b>P13,403,290,357</b>